ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

TVN S.A.

Dear Shareholders,

Attached is the 2009 Annual Report of the TVN Capital Group – the leading media group in Poland. In 2009, we successfully executed our strategic plan and strengthened our position as the largest, integrated multimedia group in Poland,

Last year we maintained our position as the leader in the television and Internet market, and our digital television platform recorded significant growth in revenues and users.

The macroeconomic environment in 2009 was very challenging and difficult to predict. However, the TVN Group strengthened its financial position, executed its integrated media strategy and bolstered its market share in its key target groups. The TVN channel recorded results close to those achieved in 2008, and remained the most resilient broadcaster to the continued fragmentation of the Polish television market.

In 2009, we maintained our market leader position in our target group of the most demanding viewers, who at the same time are the most attractive for advertisers. Despite a lower technical households reach as compared to our main competitors (89% of households in Poland), TVN was the second most popular television channel in Poland both in peak time and also taking into consideration whole day viewing figures. Fakty TVN recorded an average market share of approximately 31.7% in 2009, and, for the first time in history, on an annual basis, it outperformed its main competitor: Wiadomości TVN (31.2%) and became the most popular news program in Poland.

Viewers also honored TVN by awarding eight statues in the Telekamery 2010 plebiscite to stars and programs related to our own production. The winner in the news and business category was the channel TVN24 and Anita Werner was considered to be the biggest personality in the category information and political journalist, while in the category TV personality – the award went to Dorota Gardias-Skóra, a weather forecast presenter. The “Brzydula” series was awarded as the best rendition of a foreign series, while Julia Kamińska and Filip Bobek received awards for the best actress and best actor of the past year. Viewers also awarded a statue to the “Got Talent” show and Szymon Majewski received a Golden Telecamera for his lifetime achievement. Journalist from the Uwaga! program won the prestigious Grand Press 2009 award in the News category for their report entitled “Dobre, bo szwedzkie” (“Good because Swedish”).

TVN productions are also gaining popularity abroad. BBC World News, a worldwide news channel, has bought rights to two of our documentaries: "Niepokorny" (“Wild spirit”) and "Fabryka wolności" (“Freedom factory”). Bontonfilm, a leading film distributor in the Czech Republic and Slovakia has bought a license for theatrical distribution of our hit “Kochaj i tańcz” (“Love and dance”). This first big- budget dance film was watched by 393,803 viewers over the first three days of being shown in cinemas and, altogether, it was watched by more than 1,330,000 people. This places “Kochaj I tańcz” among the most popular productions in Polish cinematography in the last decade.

Onet.pl also maintained its position of the leader among Internet portals in Poland in terms of content and services with its topical vortals: news, sport, motorization and economic having strong positions. Onet.pl is still developing many popular Internet services including, among others: Zumi.pl, combining a function of a virtual map of Poland and that of a “phone directory” of companies, a dating service Sympatia.pl, and the most popular blogging society BlogOnet.pl and Blog.pl.

The digital platform ‘n‘, which we fully consolidated last year, added over 199 thousand new subscribers net in 2009 and ended the year with a total of 692 active users. At the same time the number of customers in the TNK base (Telewizja na Kartę) increased by 348 thousand, reaching in total 440 thousand, of which 262 thousand used our Pay TV services at the end of the year.

New ventures

In connection with the approaching digitalization of terrestrial television, TVN was granted a license in 2009 and was also given the right to co-use the frequency to broadcast its program in the first stage of the digitalization process - “Multiplex I”. By paying the license fee specified in the decision issued by the National Broadcasting Council (KRRiT) we fulfilled all the duties we were expected to in order to begin broadcasting our terrestrial digital signal.

In cooperation with Onet.pl and TVN we created an innovative service which is designed to address the growing demand for Video on Demand (VoD) services in Poland. The service includes the best archived TVN productions, such as: “Magda M.”, “Teraz albo nigdy!”(“Now or never!”), “Kryminalni” (”CSI”), „”9 i pół” (“39 and a half”) and the recent productions: the telenovela “Majka”, “Usta Usta” (“Cold feet”) and “Klub szalonych dziewic” (“Rozengeur & Wodka Lime”). Eventually, the service will feature an archive of TVN series including more than 700 episodes and popular programs we produce. In vod.onet.pl viewers will also find the most popular movies, series and programs from global studios such as Warner Bros. Entertainment.

Facilitating internal organization

As a part of our efforts to further develop the TVN Group and strengthen and integrate our multiplatform media assets, on September 1, 2009 a four-person management board was created to oversee the company. The management board consists of myself as President and CEO of the TVN Group, Piotr Walter – Vice President of the Management Board at the TVN Group and the General Director of TVN, Łukasz Wejchert – Vice President of the Management Board at the TVN Group and the President of Onet, and Rafał Wyszomierski – a Management Board member at the TVN Group and the acting CFO.

Awards and distinctions for business activity

During the second edition of the Universum Professional Survey we obtained the highest number of votes and were awarded the Perfect Employer title in two categories: “Business” and “Humanist sciences”. Additionally the TVN Group was awarded 7th place in the “Exact Sciences” and 8th place in the “IT” category.

For the fifth time we were chosen as the strongest and most valuable media brand in Poland by the Rzeczpospolita journal. At the same time, in the compilation of all the Polish brands present on the market according to their value – we obtained the 8th position. We were awarded this title for the fifth time in the six-year-long history of the ranking. TVN was recognized for the strength of its brand, for its perceived value, prestige, quality and customers’ loyalty. Four other brands belonging to the TVN Group were also included in the compilation – TVN24 (position 9.), TVN 7 (12.), Onet.pl (28.) and the platform ‘n’ (33.). The value of the TVN brand was estimated at PLN 1,088.4 million.

TVN, TVN24 and Onet.pl were considered to be one of the strongest brands on the Polish market and received the “Superbrand Polska” brand and in the fourth edition of the PremiumBrand ranking. Television TVN was chosen as the Highest Reputation Brand in Poland and the Highest Reputation Brand in the Media category. TVN also received a special award for the Most Socially Involved Brand. For the eighth time in a row TVN received the Golden Emblem Award and was awarded the “Trusted Brand” status in the European Trusted Brands survey.

The TVN Group received a distinction in the Dobra Firma 2009 contest (Good Company 2009) organized by the “Rzeczpospolita” journal. TVN was considered to be among the most dynamically developing enterprises achieving the best financial results. While choosing the laureates, the jury focused most on the sales dynamics indexes recorded over the last four years and the increase in the value of assets and capital. The jury also evaluated the ability of enterprises to develop and their innovative edge, which were measured using investment indexes.

Bigger independence

The macroeconomic situation proved once again how important it is to mitigate the influence of an uncertain economic situation on the company's operational activities. In 2009 we took steps to strengthen our balance sheet with the issuance of bonds worth 405 million Euro, with a fixed interest rate and a redemption date in 2017. This financing secures a solid foundation to further execute on our strategic plan. With the consolidation of the platform 'n' we have strengthened our competitive position at a time when the pay television market offers great opportunities for development. In addition, we continue to move forward with our plans to more fully integrate our multimedia platform, with the goal of balancing our advertising and subscription revenue streams. Finally, our efforts to improve operating efficiencies and leverage our platform in the areas of content acquisition, promotions and sales continue. We are proactively building our Group to capitalize on the opportunities in the Polish market with a focus on maximizing our cash flows and building value for our shareholders.

Best regards,

Markus Tellenbach

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Definitions

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

In this interim report "we", "us", "our", the "TVN Group" 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; "ITI Neovision" refers to ITI Neovision Sp. z o.o., owner and operator of the 'n' DTH platform, which we control since March 11, 2009, "guarantors" refers collectively to the Company, Grupa Onet and ITI Neovision 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 entertainment channel; "TVN 24" refers to our TVN 24 news and current affairs 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 Lingua" refers to our language teaching channel which we shut down on July 15, 2009; "Discovery Historia" refers to the history channel which we operated in cooperation with Discovery Networks Poland. Discovery Networks Central Europe purchased our shares in the Discovery Historia network on May 29, 2009 and become the owner of the channel; "Telezakupy Mango 24" refers to our teleshopping channel and "NTL Radomsko" refers to the local television channel. We purchased these channels in 2007 and 2005, respectively; "TVN CNBC Biznes" refers to our business channel which we operate in cooperation with CNBC Europe; "TVN Warszawa" refers to our television channel targeted at Warsaw inhabitants, which we 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; "ITI Media Group" refers to ITI Media Group N.V.; "ITI Holdings" refers to ITI Holdings S.A.; "ITI Group" refers to ITI Holdings together with the other entities controlled directly or indirectly by ITI Holdings; "Neovision Holding" refers to Neovision Holding B.V., a company registered in Amsterdam, the Netherlands and the sole shareholder of ITI Neovision; "TNK" refers to a new pre-paid digital television service, "Telewizja na kartę", owned and operated by ITI Neovision, launched in October 2008; "'n' acquisition" refers to our proposed acquisition of the remaining 49% interest in Neovision Holding; "9.5% Senior Notes" refer to the 9.5% Senior Notes due 2013 that TVN Finance Corporation plc issued on December 2, 2003 and repaid in full on December 19, 2009; "10.75% Senior Notes" refer to the 10.75% Senior Notes due 2017 that TVN Finance Corporation II AB issued on November 19, 2009; "TVN Finance" refers to our subsidiary, TVN Finance Corporation plc; "TVN Finance II" refers to our subsidiary, TVN Finance Corporation II AB, a limited liability company under the laws of Sweden; "SIB" refers to Strateurop International B.V.; "Indenture" refers to indenture dated November 19, 2009 governing the 10.75% Senior Notes; "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.; and "Shares" refers to our existing ordinary shares traded on the Warsaw Stock Exchange.

Introduction

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

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

We are the leading integrated media group in Poland and operate three major business segments – television broadcasting and production, digital satellite pay television and online. Our three business segments enable us to align strategies and objectives across the group and provide a framework for timely and rational allocations of resources within businesses. Our major segments are presented below:

- **Television broadcasting and production** - we currently own and operate ten television channels: TVN, TVN 7, TVN24, TVN Meteo, TVN Turbo, ITVN, TVN Style, 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 by broadcasting feature films, television series and game shows. TVN24 is the first 24-hour news and current affairs television channel in Poland. TVN Meteo is Poland's first dedicated weather channel. TVN Turbo is a genre thematic channel aimed at male viewers. ITVN is a television channel that targets viewers of Polish origin living abroad. This channel is available in Europe, North America and Australia. TVN Style is a thematic channel focused on life styles, health and beauty, aimed at female viewers. NTL Radomsko is a local television channel addressed to residents of Radomsko and the surrounding areas. TVN CNBC Biznes is our business news channel, launched in cooperation with CNBC Europe. 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.

- **Digital satellite pay television** - we own the 'n' DTH platform, a new generation digital satellite platform launched in October 2006, which offers pay television services in Poland. As of December 31, 2009, the 'n' DTH platform had over 692,000 (not in thousands) active subscribers. Since October 2008, the 'n' DTH platform has operated TNK, which had almost 262,000 (not in thousands) active customers as of December 31, 2009.

- **Online** - we own Grupa Onet, which operates Onet.pl, the largest and the most popular Internet portal in Poland, offering multiple thematic services: news, business, sport, music, e-mail and others. In March 2007, we launched tvn24.pl, the first news vortal in Poland, which combines text, voice and video services. During 2007, we launched a yellow pages service, 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.

Other segments include Telezakupy Mango, which is the only all-day teleshopping channel in Poland, as well as content sales and technical services offered primarily to business entities within the TVN Group.

Forward-Looking Statements

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

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

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

Industry and Market Data

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

- AGB Nielsen Media Research Polska ("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 which measure the viewing habits of people. Consistent with market research conducted for the television industry in other countries, AGB monitors the viewing habits of people which are considered to be representative of Polish television in general;
- Starlink, a Polish media house which provides estimates of the net advertising market;
- World Advertising Research Centre, a global advertising institute providing database for global advertising market figures;
- comScore Networks, a marketing research company that provides marketing data and services to many Internet businesses;
- Interactive Advertising Bureau ("IAB"), a trade association for digital advertising which disseminates market research;
- Central Statistical Office of Poland ("GUS"), Poland's chief government executive agency charged with collecting and publishing statistics related to Poland's economy, population and society, at both national and local levels;
- SMG/KRC, a Millward Brown Company, or "SMG/KRC", a Polish branch of Millward Brown, a global research company. SMG/KRC conducts a Net Track survey in Poland which provides continuous information on Polish Internet users;

- Megapanel PBI/Gemius, a primary source of information regarding website traffic conducted by Polskie Badania Internetu Sp. z o.o, or “PBI”; and
- Egta, a Brussels based trade association of television and radio sales houses that market the advertising space of both public and private broadcasters across Europe.

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

Presentation of Financial Information

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Currency Presentation and Exchange Rate Information

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

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

	Year ended December 31,				
Year (Złoty per Euro)	**2005**	**2006**	**2007**	**2008**	**2009**
Exchange rate at end of period	3.86	3.83	3.58	4.17	4.11
Average exchange rate during period(1).........................	4.02	3.90	3.78	3.51	4.33
Highest exchange rate during period............................	4.28	4.11	3.94	4.18	4.90
Lowest exchange rate during period	3.82	3.76	3.57	3.20	3.92

(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 2009……	4.44	3.92
February 2009……	4.90	4.44
March 2009……	4.75	4.47
April 2009……	4.65	4.24
May 2009……	4.49	4.34
June 2009……	4.55	4.44
July 2009……	4.42	4.16
August 2009……	4.20	4.08
September 2009……	4.25	4.10
October 2009……	4.26	4.15
November 2009……	4.29	4.09
December 2009……	4.20	4.07
January 2010……	4.11	4.01

	Year ended December 31,				
Year (Złoty per Dollar)	2005	2006	2007	2008	2009
Exchange rate at end of period......	3.26	2.91	2.44	2.96	2.85
Average exchange rate during period[1]......	3.25	3.10	2.77	2.41	3.12
Highest exchange rate during period......	3.45	3.30	3.04	3.13	3.90
Lowest exchange rate during period	2.91	2.86	2.43	2.02	2.71

[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 2009……	3.46	2.88
February 2009……	3.90	3.47
March 2009……	3.79	3.33
April 2009……	3.52	3.19
May 2009……	3.33	3.15
June 2009……	3.27	3.12
July 2009……	3.19	2.92
August 2009……	2.98	2.85
September 2009……	2.94	2.80
October 2009……	2.92	2.78
November 2009……	2.92	2.74
December 2009……	2.93	2.71
January 2010……	2.91	2.79

Selected Financial Data

The following tables set forth our selected historical financial data for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 and should be read in conjunction with Item 5 "Operating and Financial Review and Prospects", and the consolidated financial statements (including the notes thereto) included elsewhere in the annual report. We have derived the financial data presented in accordance with IFRS from the audited consolidated financial statements. We changed the classification of certain items in our consolidated income statement, consolidated balance sheet and cash flow statement for the year ended December 31, 2007 as compared to our previous financial statement to ensure comparability of information. No amendments have resulted in changes to previous presented net results or shareholders' equity.

For your convenience, Złoty amounts as of December 31, 2009 have been converted into Euro at a rate of PLN 4.1082 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2009). Złoty amounts for the year ended December 31, 2009 have been converted into Euro at a rate of PLN 4.3406 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2009, February 28, 2009, March 31, 2009, April 30, 2009, May 31, 2009, June 30, 2009, July 31, 2009, August 31, 2009, September 30, 2009, October 31, 2009, November 30, 2009 and December 31, 2009). 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.

	Year ended December 31,					
	2005	**2006**	**2007**	**2008**	**2009**	**2009**
(in thousands)	**PLN**	**PLN**	**PLN**	**PLN**	**PLN**	**Euro**
Income Statement data						
Revenue	860,343	1,165,027	1,554,729	1,897,309	2,123,367	489,187
Operating profit	255,427	348,515	482,012	631,875	612,090	141,016
Profit before income tax	263,620	334,297	297,232	447,552	380,793	87,728
Profit for the period	209,273	258.825	243,308	363,676	346,156	79,748
Cash Flow Data						
Net cash generated by operating activities	222,358	437,331	419,959	615,354	479,767	110,530
Net cash used in investing activities	(44,499)	(762,327)	(174,751)	(813,388)	(562,270)	(129,537)
Net cash (used in)/generated by financing activities	(162,825)	348,832	(239,912)	271,513	273,037	62,903
Increase in cash and cash equivalents	15,034	23,836	5,296	73,479	190,534	43,896
Weighted average number of ordinary shares in issue (not in thousands)	325,464,535	329,830,715	345,979,725	348,585,264	341,262,586	341,262,586
Weighted average number of potential ordinary shares in issue (not in thousands)	325,464,535	334,936,631	352,494,544	353,066,178	342,546,189	342,546,189
Basic earnings per share (not in thousands)	0.64	0.78	0.70	1.04	1.23	0.28
Diluted earnings per share (not in thousands)	0.64	0.77	0.69	1.03	1.23	0.28
Dividend paid or declared per share (not in thousands)	0.00	0.00	0.37	0.49	0.57	0.14
Other data						
EBITDA*	294,042	399,956	554,102	711,378	794,770	183,101
EBITDA margin	34.2%	34.3%	35.6%	37.5%	37.4%	37.4%
Operating margin	29.7%	29.9%	31.0%	33.3%	28.8%	28.8%
Balance Sheet data	**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, 2009 PLN**	**As at December 31, 2009 Euro**
Total assets	1,441,365	2,578,658	2,744,925	3,753,174	4,983,496	1,213,061
Current assets	496,710	592,100	645,446	1,201,394	1,262,767	307,377
Non-current liabilities	888,793	1,026,596	967,064	1,637,872	3,022,865	735,813
Current liabilities	155,897	314,897	348,100	468,348	675,477	164,422
Shareholders equity	396,675	1,237,165	1,429,761	1,646,954	1,285,154	312,827
Share capital	63,970	68,702	69,455	69,903	68,088	16,574

* 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. 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.

The following table provides reconciliation of our operating profit to EBITDA for the years ended December 31, 2009, 2008, 2007, 2006 and 2005.

	Year ended December 31,					
	2005	2006	2007	2008	2009	2009
(in thousands)	PLN	PLN	PLN	PLN	PLN	Euro
Operating profit	255,427	348,515	482,012	631,875	612,090	141,015
Depreciation, amortization and impairment charges	38,615	51,441	72,090	79,503	182,680	42,086
EBITDA	294,042	399,956	554,102	711,378	794,770	183,101

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.

Risks related to our business

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

The financial turmoil affecting the global financial markets and banking system has resulted in a tightening of credit, a low level of liquidity and a widespread withdrawal of investment funding, in Poland's neighboring countries across Central and Eastern Europe, which has had an adverse impact on economic growth and caused many of these countries to fall into recession. Additionally, significant fluctuation of currency exchange rates and reduced availability of funding may adversely impact both retail customers and companies, decreasing their confidence levels in the economy and in their own financial health. The results of our operations depend to a large degree on advertising revenue, and demand for advertising is affected by general and regional economic conditions. Adverse economic conditions in the region generally and downturns in the Polish economy specifically have had a negative impact on the Polish advertising industry. We estimate that total net advertising expenditures in Poland declined at a rate of 13% in 2009, which has had an adverse impact on our revenue and results of operations. Even if the Polish economy does not suffer similar declines to those experienced in other neighboring countries, our customers, many of whom are global companies, could nevertheless reduce global or regional advertising budgets or perceive there to be local weakness and, in any such event, demand for local advertising could be adversely affected. Declines in the level of business activity of our advertising customers may in the future have a material adverse effect on our revenue and results of operations. Moreover, the market power of advertising customers relative to television broadcasters increased, which negatively affected prices and margins realized by television broadcasters.

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

We generate the majority of our revenue from the sale of advertising airtime and sponsoring slots on television channels and the sales of advertising space on websites in Poland. For the year ended December 31, 2009, we derived 67.2% 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% of total net advertising spending in the twelve months ended December 31, 2009, and net expenditure on Internet advertising (including display and search engine marketing) accounted for approximately 13% of total net advertising spending in the twelve months ended December 31, 2009. However, there can be no assurances that the television and Internet advertising markets will maintain their current positions 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, results of operations and cash flow.

Our ability to generate advertising revenue depends on our technical reach, the pricing of our advertising time, the demand for our advertising time, our audience share and profile, changes in audience preferences, shifts in population and other demographics within Poland, technological developments relating to media, levels of competition from other media operators, 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 the 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 their appeal as advertising media could have an adverse effect on our business, financial condition, results of operations and cash flow.

We are subject to intense competition

In Poland, the television broadcasting, Internet and pay TV markets are highly competitive. In the television broadcasting market, we compete for programming content and audience share with other Polish private television channels, the state-owned and operated terrestrial television channels and other television channels distributed via cable and digital platforms. We compete for television advertising revenue on the basis of our television channels' broadcast reach, popularity, audience structure and pricing of advertising airtime. Other television channels may change their content or format to compete directly with our channels for audiences and advertisers. The Internet market is also highly competitive. It is attractive to new entrants due to the growing number of Internet users, the increasing interest of users in online offerings and the increasing interest of advertisers in online marketing services. Our competitors, such as Google, MSN or Yahoo, may have significantly greater resources than we do to build their market positions. 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. In the Polish DTH pay TV market, our 'n' DTH platform and our pre-paid Telewizja na kartę ("TNK") service currently compete with three other players, two of which have significantly more subscribers than our DTH platforms.

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

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

The commercial success of our television channels, DTH platforms and websites depends substantially on our ability to develop, produce or acquire programming and Internet 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 content. The costs of acquiring content attractive to our audiences may increase as a result of increased competition. In addition, our expenditures in relation to the acquisition of locally produced content may increase due to the implementation of new laws and regulations mandating the broadcast of a greater number of locally produced programs. Any such increase could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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

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

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

Media piracy occurs in many parts of the world, including Poland, and is made easier by technological advances and the conversion of media content into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorized copies, on videotapes and DVDs, from pay-per-view through set top boxes and through unlicensed broadcasts on free TV and the Internet. Content we source from external content suppliers, particularly U.S. studios, may be subject to piracy either through us or through a third party, which may have an adverse effect on our business and financial performance by diminishing our reputation in the market and impairing our ability to contract on favorable terms with those and other external content suppliers.

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

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

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

Our interest-bearing liabilities constitute an important component of our financing. As of December 31, 2009, we had total debt of PLN 2,843,916 and, for the twelve months ended December 31, 2009, we had an interest expense of PLN 198,330. 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, the terms of the PLN Bonds and the terms of the Loan Facility, as they include customary covenants that could adversely affect our ability to finance our future operations and continue to enter into transactions necessary to pursue our business strategy. Any breach of the restrictions or the covenants contained in the Indenture our PLN Bonds or our Loan Facility, may result in either acceleration of the repayment of the 10.75% Senior Notes or the PLN Bonds or the Loan Facility being declared due and payable prior to maturity, which may have a material adverse effect on our ability to service our other liabilities and consequently may lead to our insolvency.

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

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

- additional demands placed on our senior management, who are also responsible for managing our existing operations;
- increased overall operating complexity of our business, requiring greater personnel and other resources;
- difficulties of expanding beyond our core expertise in the event that we acquire ancillary businesses;
- significant initial cash expenditures to acquire and integrate new businesses; and

- in the event that debt is incurred to finance acquisitions, additional debt service costs related thereto as well as limitations that may arise under our existing indebtedness.

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

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

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

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

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

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

Our operations are susceptible to outages due to 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, damage to our brands and harm our operating results. We may not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any such events, which cause interruptions in our service.

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

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

Our Onet.pl portal, thematic portals and vortals construct their market position through operations in the premium segment, putting them in competition with other major Polish portals and other major websites like Google.pl and other thematic vortals. Our other websites, thematic vortals and thematic parts of Onet.pl compete for visitors directly with other thematic vortals, and for advertisers with advertising networks that usually sell advertising space on these competing thematic websites. In addition, we derived the vast majority of our online revenues from display advertising. However, the online advertising business consists of display advertising, search engine marketing and directory services of which display advertising represents approximately 50% of the total net online advertising expenditure.

There can be no assurance that our content will continue to be attractive to our key target audiences or that new or existing competitors will not develop more attractive content or that the display advertising market will maintain its share of the total online advertising expenditure in Poland, which may adversely affect our market share. While we use several pricing models, it is likely that our revenue from online advertising would decrease if we were to suffer a decrease in market share or traffic to our sites. We may be required to use significant operational or financial resources to address these issues and to try to maintain the competitiveness of our business, which could adversely affect our financial performance.

Following the ‘n’ acquisition, we cannot assure you that we will be able to increase or even maintain the market share we currently have in the DTH market. It may be necessary for us to use significant financial resources to maintain the profitability of our business and increase our market share. Although the ‘n’ acquisition demonstrates our willingness to invest in new technologies and platforms, we cannot guarantee that the ‘n’ DTH platform will not become obsolete, which would adversely affect the financial performance of our business.

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

Our operations are in Poland where there is a risk of economic uncertainty, biased treatment and loss of business

Our revenue generating operations are located in Poland, which poses different risks to those posed by investments in more developed markets and which may be more heavily impacted by unforeseen developments in economic, political or social life. The economic and political system, legal and tax regimes, standards of corporate governance and business practices in Poland continue to develop. Government policies may be subject to significant adjustments, especially in the event of a change in leadership. This may result in social or political instability or disruptions, potential political influence on the media, inconsistent application of tax and legal regulations, arbitrary treatment before judicial or other regulatory authorities and other general business risks, any of which would have a material adverse effect on our financial positions, results of operations and cash flows.

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

We hold several terrestrial and satellite broadcasting licenses. Like all television licenses in Poland, our licenses have been issued for a fixed term. Our terrestrial analog television license will expire in 2013, while our satellite licenses will expire between 2011 and 2019. The Polish Law on Radio and Television Broadcasting dated December 29, 1992, as amended (the "Broadcasting Law"), is unclear on whether licenses to current license holders will be automatically reissued following the expiry of such licenses. Consequently, we cannot assure you that our broadcasting licenses will be reissued to us when their terms expire. The loss of any of our licenses or other authorizations or a material modification of the terms of any renewed licenses may have a material adverse effect on our business, financial condition, results of operations and cash flow.

In July 2009, the analogue license of our main free-to-air channel TVN was converted to digital standards. The National Broadcasting Council, which we refer to as "KRRiT", granted TVN new frequencies available on the First Terrestrial Digital Multiplex. The license for analogue transmission of TVN has been shortened accordingly to the date of the switch-off from analog to digital transmission, namely July 31, 2013. Our digital license issued under the existing law may be changed to satisfy the requirements of the new regulation. The new regulation on the transformation of analogue terrestrial television into digital standards has not yet been adopted. This may slow the process of transformation.

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

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.

The Broadcasting Law limits the ownership of Polish television broadcasters

The Broadcasting Law limits the ability of non-residents of the European Economic Area ("EEA") to acquire and own shares in Polish entities holding television-broadcasting licenses. Under our licenses, we have received 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, or our licenses including the thresholds imposed by the blanket consent, may result in loss of our licenses, which could adversely affect our business, financial condition, results of operations and cash flow.

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, which is to be completed by 2013. The specific timing and approach to the migration is subject to change. We cannot 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. The availability of competing alternative distribution systems, such as DTH platforms, may require us to acquire additional distribution and content rights or result in an increase in competition for existing distribution and content rights. We may not have access to sufficient resources to make such investments when required.

Broadcasting regulations affect the content of our programming and advertising

We are subject to regulations promulgated under the Broadcasting Law, which governs, among other laws, regulations and applicable requirements, the content of television programs and the content and timing of advertising aired on our channels. In particular, the Broadcasting Law requires that a specific portion of the programming content be represented by programs originally produced in the Polish language and European programs. There can be no assurance that more restrictive laws, rules, regulations or policies will not be adopted in the future, including further changes 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 could be revoked. We are routinely subject to new or modified laws and regulations with which we must comply in order to avoid claims, fines and other penalties (including the loss, revocation or suspension of licenses, permits or approvals), which could adversely affect our business, results of operations, financial condition and cash flows.

Impairment of goodwill and brand allocated to our online and digital platform segments may have an adverse effect on our financial results

As a result of our acquisition of Onet and 'n', we carry on our balance sheet significant amounts of goodwill and brand with indefinite useful lives. We test annually whether the goodwill and brand allocated to our online segment have suffered any impairment by estimating the recoverable amount of the Online cash generating unit based on fair value less cost of sale basis. Similarly, goodwill and other assets recognized as a result of the 'n' acquisition are also subject to an annual impairment test. If any of the key assumptions we use for impairment testing were to change unfavorably, this may have an adverse effect on our financial results.

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 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 be unable to enter into them at a cost effective rate.

Our success depends on attracting and retaining key personnel

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

Frequent changes in tax regulations may have an adverse effect on our results of operations and financial condition and we may incur additional tax liabilities following an audit of our 2007 financial records by the Polish tax authority Urząd Kontroli Skarbowej ("UKS")

The Polish tax system is characterized by low stability. Tax regulations are frequently amended, often to the detriment of taxpayers. Tax laws may also need to be amended in order to implement new EU legislation. The frequent changes in regulations governing the taxation of business activities can be unfavorable to the Company and may consequently have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

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

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

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

The Polish tax authority, UKS, is conducting an audit of certain of our financial records for the 2007 financial year. This process is not finished and therefore we cannot predict the outcome, but if an audit determines that our taxable results or tax returns contain any mistakes or irregularities we may incur additional tax liabilities in the current or future taxable years. Such liabilities could adversely affect our business, financial condition, results of operations and cash flow.

We are party to a number of related party transactions

We currently depend on ITI Holdings for a number of services and therefore engage in a range of related party transactions. In the year ended December 31, 2009 we entered into related party transactions for which we incurred costs from ITI Group, inclusive of an annual advisory fee of up to EUR 3,000, of PLN 34,484. These expenses comprise rent of office premises and the provision of certain management, sales, financial advisory and other services. These transactions exclude the purchases of 'n' shares, for which we recognized as a consideration an aggregate of PLN 319,628, (EUR 95,000) on June 25, 2008 and PLN 452,764 (EUR 46,200 (PLN 216,316) and EUR 60,000 (PLN 236,448) as a contingent consideration being subject to adjustment) in March 2009. We have a related party transactions policy which provides that (i) agreements with related parties must be no less favorable to us than the terms which could have been obtained on an arms-length basis with an unrelated party and (ii) that agreements with related parties who are individuals and which have a value in excess of EUR 150,000 (not in thousands), and agreements with related parties who are legal entities and which have a value in excess of EUR 500,000(not in thousands), must be approved by a vote of our supervisory board, including a majority of our independent directors (with "independent" defined by reference to the "Code of Best Practice for the WSE Listed Companies"). Nevertheless, there is a risk that as circumstances or assumptions change, some of the services we receive from our related parties could be construed to be worth less than what we have agreed to pay.

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

ITI Neovision Sp z o.o. currently operates at a loss and may not generate positive cash flows for the foreseeable future or at all

ITI Neovision Sp. z o.o. is currently operating at a loss and there can be no assurance that it will generate positive cash flows in the foreseeable future or at all. For the year ended December 31, 2009 the 'n' DTH platform had a net loss of PLN 304,922.

We are likely to have to provide financial support to ITI Neovision Sp. z o.o. for the foreseeable future. Under the terms of the share purchase agreement signed in connection with our proposed acquisition of the remaining 49% interest in ITI Neovision Sp. z o.o., we agreed, pending closing of the 'n' acquisition and starting from November 5, 2009, to fund ITI

Neovision Sp. z o.o. as required. There is no certainty that ITI Neovision Sp. z o.o. will become profitable as quickly as expected, or at all, or that we will recover any of our investment in ’n’. The inclusion of ITI Neovision Sp. z o.o. in our results has resulted in costs of revenues and the percentage of revenues represented by costs of revenues being higher than they would have been had we not acquired that business. Similarly, our selling expenses and general and administrative expenses were each higher due to such acquisition, and can be expected to be higher still if and to the extent we successfully acquire 100% of ‘n’. As we invest in the ‘n’ DTH platform, there is a risk that our costs and expenses will continue to grow, both in absolute terms and as a percentage of our revenues, which could have an adverse effect on our financial condition, results of operations and cash flow.

We may not be able to capitalize on the opportunities available to us as a result of the ’n’ acquisition nor successfully compete in the DTH pay TV segment

Following the ‘n’ acquisition, we may not, as intended, be able to (i) improve its competitive position through multi-platform promotion, content acquisition and distribution; (ii) capitalize on the near-term window of opportunity that arises from the rapid migration of terrestrial television users to DTH pay TV services; (iii) diversify our revenues by increasing or benefiting from the proportion of revenues generated by subscription fees for the ‘n’ DTH platform; or (iv) maintain our technological advantage over our competitors in the DTH pay TV market. The ‘n’ DTH platform and the pre-paid TNK service currently compete with three other players on the Polish DTH pay TV market: (1) Cyfrowy Polsat S.A. (“Polsat”), (2) Canal+ Cyfrowy Sp. z o.o (“Canal+”) and (3) Telekomunikacja Polska (“TP”). The DTH platforms offered by Polsat and Canal+ have significantly more subscribers than the ‘n’ platform and all three competitors may have greater financial resources. Further, there can be no assurances that Polsat, Canal+ or any other current competitor or new entrant into the DTH market will not engage in more extensive development efforts, launch successful promotional campaigns for their platforms, adopt more aggressive pricing policies or aggressively compete for programming content to our detriment or make more attractive offers to our existing and potential subscribers. Our failure to compete successfully in the DTH pay TV segment could adversely affect our business, financial condition, results of operations and cash flow.

Risks related to the 10.75% Senior Notes

Our debt service obligations following the issuance of the 10.75% Senior Notes, together with the PLN Bonds, may restrict our ability to fund our operations

We are a highly leveraged company and have significant debt service obligations under the 10.75% Senior Notes, the PLN Bonds and loans from related parties. Our high leverage has important consequences for our business and results of operations, including but not limited to restricting our ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements. In addition, our high leverage may impede our ability to provide further financial support to our unrestricted subsidiaries (which means either any business entity where we do not control, directly or indirectly, more than 50% of the voting rights or a subsidiary designated as an unrestricted subsidiary under the Indenture), because the covenants in the Indenture restrict the manner and extent to which we can finance our unrestricted subsidiaries. We may also have a proportionally higher level of debt than certain of our competitors, which may put us at a competitive disadvantage. Therefore, our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate may be limited. Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations and would therefore have potentially harmful consequences for the development of our business and the implementation of our strategic plans.

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

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

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

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

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

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

Covenant restrictions under the Indenture impose significant operating and financial restrictions on us and may limit our ability to operate our business

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

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

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

Upon the occurrence of a change of control and rating decline, we may be required to repurchase the 10.75% Senior Notes, which we may be unable to do

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

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

SIB, our direct majority shareholder and a subsidiary of ITI Holdings has substantial indebtedness, secured by a pledge over the Company's shares. SIB is dependent on dividends and other proceeds from the Company in order to service interest payments on its indebtedness. Accordingly, if TVN for any reason reduces, delays, fails or is otherwise unable to pay dividends or other payments to SIB, including pursuant to the terms of the 10.75% Senior Notes, SIB could default on its obligations. A downgrading of the 10.75% Senior Notes could also cause a default under the credit agreement, dated August 31, 2009, governing SIB's EUR 320 million credit facilities (the "SIB Credit Facilities"). Any default by SIB under the agreements governing its indebtedness, including a default under the SIB Credit Facilities could ultimately trigger a change of control under the 10.75% Senior Notes as a result of the exercise of enforcement rights by SIB's creditors and could also cause the rating agencies to consider the downgrading, suspension or withdrawal of any rating assigned to the 10.75% Senior Notes. Any such change of control and related downgrade, suspension or withdrawal of their rating would entitle the investors in the 10.75% Senior Notes to require us to repurchase the 10.75% Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. We may have insufficient funds to repurchase the 10.75% Senior Notes upon such an event.

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

Credit rating agencies have begun to monitor companies much more closely and have made liquidity, and the key ratios associated with it, such as gross leverage ratio, a particular priority. In the event our debt or corporate credit ratings are lowered by the ratings agencies, our ability to raise additional indebtedness may be impaired and we may have to pay higher interest rates, which may have an adverse effect on our financial position, results of operations and cash flows. In addition, a downgrading of the 10.75% Senior Notes could cause a default under the SIB Credit Facilities, which, in turn, could result in our change of control. See "— Any default by our majority shareholder on its obligations to pay its indebtedness or its failure to otherwise comply with the various covenants in the instruments governing its indebtedness could ultimately lead to a change of control and ratings decline with respect to the Company and the funds borrowed under the 10.75% Senior Notes to become due and payable."

ITEM 4. INFORMATION ON THE COMPANY

History and Development of TVN Group and Business Overview

Introduction

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

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

We are the leading integrated media group in Poland and operate three major business segments – television broadcasting and production, digital satellite pay television and online. Segments enable the alignment of strategies and objectives across the group and provide a framework for timely and rational allocations of resources within businesses. Our major segments are presented below:

- **Television broadcasting and production** - we currently own and operate ten television channels: TVN, TVN 7, TVN24, TVN Meteo, TVN Turbo, ITVN, TVN Style, 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 by broadcasting feature films, television series and game shows. TVN24 is the first 24-hour news and current affairs television channel in Poland. TVN Meteo is Poland's first dedicated weather channel. TVN Turbo is a genre thematic channel aimed at male viewers. ITVN is a television channel that targets viewers of Polish origin living abroad. This channel is available in Europe, North America and Australia. TVN Style is a thematic channel focused on life styles, health and beauty, aimed at female viewers. NTL Radomsko is a local television channel addressed to residents of Radomsko and the surrounding areas. TVN CNBC Biznes is our business news channel, launched in cooperation with CNBC Europe. 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.

- **Digital satellite pay television** - we control the 'n' DTH platform, a new generation digital satellite platform launched in October 2006, which offers pay television services in Poland. 'n' platform's programming offer consists of television channels, either owned or licensed from other broadcasters, grouped in thematic packages. Our platform also produces five exclusive film and sport television channels. 'n' platform offers a variety of High Definition ("HD") channels and advanced services such as Personal Video Recorder ("PVR") and Video on demand ("VOD").

- **Online** - we own Grupa Onet, which operates Onet.pl, the largest and the most popular Internet portal in Poland, offering multiple thematic services: news, business, sport, music, e-mail and others. In March 2007, we launched tvn24.pl, the first news vortal in Poland, which combines text, voice and video services. During 2007, we launched a yellow pages service, 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.

Other segments include Telezakupy Mango, which is the only all-day teleshopping channel in Poland, as well as content sales and technical services offered primarily to business entities within the TVN Group.

We believe that we have distinguished ourselves among television broadcasters, DTH platforms and Internet portals in Poland by the quality and innovative character of our programming and Internet content. We also offer the largest number of HD channels and the most technologically advanced set-top boxes. Through our principal channel, TVN, we select and schedule programming to attract and retain audiences between the ages of 16 and 49 living in cities with a population in excess of 100,000, which audience we refer to as our key target audience for TVN, in particular during peak – television viewing – time, from 6:00 p.m. to 11:00 p.m. TVN 7 is complementary to TVN and gives us the ability to meet our advertising customers' need to have advertising messages displayed with a certain frequency. In addition, in order to meet the specific communication needs of our advertising customers, we introduced thematic channels directed at those sections of the audience who might be expected to have a particular interest in products offered by our advertising customers. According to AGB, for the year ended December 31, 2009, all of our channels obtained a nationwide all-day audience share of 21.2%, and our TVN channel achieved a peak-time audience share in its key target group of 25.4%. This high market share of our key target audience makes us attractive to advertisers. According to AGB, TVN Group had a 40.8% share of the television advertising market (share of voice, ages 16 through 49, in cities with populations over 100.000 million from 6:00 p.m. until 11:00 p.m.) in 2009. As of December 31, 2009, the 'n' DTH platform had over 692,000 (not in thousands) active subscribers. Since October 2008 the 'n' DTH platform operates TNK, which had almost 262,000 (not in thousands) active customers as of December 31, 2009. According to the latest available data from Megapanel PBI/Gemius for November 2009, Onet's monthly number of real users totaled 12.7 million in November 2009, while the average time spent on the portal was 314 minutes per user (not in thousand).

Our ability to successfully convert 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 2009, our revenue grew at a compound annual growth rate of 20.8%. For the twelve months ended December 31, 2009, we generated, on a consolidated basis, revenue of PLN 2,123,367 and EBITDA of PLN 794,770 with an EBITDA margin of 37.4%.

TELEVISION BROADCASTING AND PRODUCTION SEGMENT

For the year ended December 31, 2009, this segment accounted for 71.7% of our revenues and 79.3% of our EBITDA.

Industry overview

Polish television broadcasting industry

Poland has the largest population in Central and Eastern Europe, with approximately 38 million residents. According to AGB, in 2009 approximately 100% of the country's 13.8 million households had at least one television set, and approximately 23.9% of households had at least a second television set.

The Polish television broadcasting market consists of state-owned and private commercial broadcasting sectors. As of December 31, 2008, Poland's cable networks reached 4.6 million households and had a total cable penetration rate of 33%. Satellite operators served 5.9 million households with a penetration rate of 43%. Based on a TGI survey by SMG/KRC Millward Brown in August 2009, we estimate that approximately 13% of total satellite and cable television subscribers own two or more satellite receivers or have both a satellite receiver and access to a cable network. Taking that into account we estimate that 37% of Polish households receive only a terrestrial television signal. Terrestrial viewers receive, on average, five and a maximum of seven Polish language channels, whereas cable and satellite viewers can receive, as of December 2009, up to 149 Polish language channels.

The Polish television broadcasting sector comprises of four national broadcasters, a number of smaller regional broadcasters, locally available through satellite and cable, and foreign broadcasters that distribute foreign language (predominantly German and English) channels. For the year ended December 31, 2007 (last available data), Telewizja Polska S.A., state owned broadcaster, commonly known as "TVP", derived approximately 24.0% of its revenue from mandatory license fees that are levied on all households with a television set, with the remainder generated primarily from advertising. The remaining channels are mainly financed through advertising and cable and satellite subscription fees.

According to Egta, watching television is a popular leisure activity in Poland with the average viewer watching approximately 210 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 for five comparable countries in Europe in 2008.

Country	Average number of minutes
Italy	233
Spain	233
Germany	223
France	220
Poland	210
Czech Republic	194

Source: Egta

Polish cable and satellite market

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 provided to operators free of coverage fees and therefore is also carried by most Polish cable and satellite operators. For our thematic channels (excluding TVN Warszawa), we charge fees to cable and satellite operators. For the distribution of our teleshopping channel (Telezakupy Mango 24) we pay a small fee to cable and satellite operators.

According to the Polish National Broadcasting Council's listings of licensed television channels, there are 10 terrestrial channels, 73 satellite channels and 223 cable channels. The cable television market is undergoing consolidation, but it still consists of approximately 630 operators, which operate over 1,100 networks. UPC, Aster, Vectra and Multimedia are Poland's largest cable operators with an aggregate 61% share of the Polish cable market as of December 31, 2009. The Polish pay digital satellite market is split between four digital platform operators: (1) Cyfrowy Polsat S.A., operating the Cyfrowy Polsat platform, (2) Canal+ Cyfrowy Sp. z o.o., operating the Cyfra+ platform, (3) ITI Neovision Sp. z o.o., operating the 'n' DTH and TNK platforms and (4) Telekomunikacja Polska ("TP"), operating the TP DTH platform. The satellite platform operators offer about 149 Polish language channels as of December 2009, including original Polish channels, channels translated into Polish and hundreds of foreign unencrypted channels.

Polish television advertising market

Poland is one of the largest advertising markets in Central and Eastern Europe with a total net advertising expenditure (which is calculated based on net prices for advertising airtime quoted by broadcasters and advertising agencies, after discounts or rebates) of approximately PLN 6,945 billion in 2009 (according to Starlink).

Television advertising is the dominant advertising medium in Poland, accounting for approximately 49% of the total net advertising expenditure for the year ended December 31, 2009, according to Starlink. In 2009, total net television advertising expenditure in Poland amounted to approximately PLN 3,372 billion.

We estimate that the total television advertising market in 2009 was 15% lower than in 2008 (after 2008 rapid growth)

The following table sets out the percentages of net advertising expenditure in Poland per advertising medium.

	Year	
Media	**2008**	**2009**
Television………..	49	49
Magazines………..	12	11
Newspapers………...	10	9
Radio………………...	8	7
Outdoor……………..	10	10
Internet (including display and Search Engine Marketing)	10	13
Cinema……………..	1	1
Total………………...	**100.0**	**100.0**

Source: Starlink.

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

According to AGB, gross television advertising expenditure in Poland during peak time represents approximately 54.0% of total gross television advertising expenditure. We believe that advertisers specifically target peak time audiences because they believe that, at such a time, they can reach the largest number of viewers in their preferred demographic group.

Market outlook for television advertising in Poland

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

- expected GDP growth for Poland;
- commercial airtime prices (cost per thousand people - CPT) on TV that are still 32% lower than in Western Europe and cheaper than in some other Central and Eastern European countries, including the Czech Republic and Hungary, according to 2008 data for EU12 by Egta;and
- the effectiveness of the television medium in terms of price, reach and impact.

Our television channels

In October 1997, we launched our first channel, TVN, a free-to-air channel with terrestrial frequencies. TVN's programming was initially centered on a comprehensive news program, *Fakty*, which has steadily gained audience share and, over time, has proved to be the most consistently highly rated TVN show. Other significant successes for the TVN channel include the broadcast of internationally successful program formats such as *Who Wants to be a Millionaire, Strictly Come Dancing, So You Think You Can Dance, Got Talent!* and locally developed series such as *Na Wspólnej, 39 i pół, Teraz albo Nigdy!* and *Naznaczony*.

Since the launch of TVN, we believe we have been an industry leader in Poland, and started the trend of offering a wide variety of thematic channels. Broadcasting an array of thematic channels allows us to profile audiences, distribute our content across multiple channels, cross-sell channels and collect additional subscription based revenues. TVN's broad and increasingly popular thematic channel portfolio has enabled TVN to target several key demographics with particular interests, thereby improving its audience profile and increasing its peak time audience share, both of which are attractive to advertisers. Our ability to share content across multiple channels helps us maximize operational efficiencies and generate additional revenue at low incremental costs. We currently operate ten channels. The table below identifies features of each our channels. Our best known channels, TVN, TVN 24 and TVN 7, are described in greater detail below.

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	89%
TVN 24.............	2001	news	encrypted digital satellite platforms, cable and DSL, Internet	license fee based	53%
TVN 7...............	2002	entertainment	encrypted digital satellite platforms, cable and DSL	free-to-satellite	59%
TVN Meteo........	2003	weather	encrypted digital satellite platforms, cable and DSL	license fee based	51%
TVN Turbo	2003	automotive	encrypted digital satellite platforms, cable and DSL	license fee based	52%
TVN Style..........	2004	health and beauty	encrypted digital satellite platforms, cable and DSL	license fee based	52%
ITVN.................	2004	entertainment	satellite transmitters abroad cable networks abroad	subscription based	n/a(1)
NTL Radomsko(2)......	1995	regional	one FTA terrestrial transmitter, local cable	free-to-air	-
Telezakupy Mango 24(3)…..	2003	teleshopping	FTA digital satellite, cable and DSL	free-to-satellite	52%
TVN CNBC Biznes…………	2007	business	encrypted digital satellite platforms, cable and DSL, Internet	license fee based	29%
TVN Warszawa…….	2008	local news and entertainment	FTA digital satellite, cable and DSL	free-to-satellite	19%

(1) Statistics reflecting household coverage in the countries in which TVN International is broadcast are not available
(2) Acquired by us in 2005
(3) Acquired by us in 2007

TVN

TVN broadcasts a variety of programs 24 hours a day, seven days a week including news, current affairs, information programs, daily talk shows, games, movies, dramas and docu-crime series. The following table sets out the highest nationwide audience share of what we believe were some of TVN's most successful programs broadcast during 2009, demonstrating the strength of both our locally produced and acquired programming content:

Top Ten programs by Nationwide Audience Share

Date	Title	Description	Nationwide audience share (%)
December 5, 2009	Mam talent (Got Talent!)	Entertainment	41.9%
June 26, 2009	Fakty	Main news bulletin	40.0%
December 22, 2009	BrzydUla (Ugly Betty)	Series	36.9%
November 29, 2009	Taniec z Gwiazdami (Strictly Come Dancing)	Entertainment	36.5%
October 17, 2009	Norbit	Movie	32.2%
October 09, 2009	Shrek 3	Movie	31.8%
December 5, 2009	Starsza pani musi zniknąć (Duplex)	Movie	31.6%
September 22, 2009	Detektywi	Docu-crime series	31.5%
October 31, 2009	Miss Agent	Movie	31.1%
December 22, 2009	Majka	Series	31.1%

Source: AGB

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", the most commercially attractive programming period. As of December 2009, we scheduled a total of five weekday strip programs (Monday through Friday) in access prime time that included daily talk shows and drama, as well as news and current affairs seven days a week. 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.

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 programming costs via incremental advertising revenue.

TVN 7 broadcasts 24 hours a day, seven days a week and shows feature films, television series, entertainment and game shows. TVN7's programming content complements TVN's, and by targeting different groups in our key target audience at the same time, we obtain not only a more complete coverage of our key target audience, but also avoid having TVN 7 and TVN compete with each other. Moreover, TVN 7 enables us to use our program archives effectively and, most importantly, increase the frequency of our customers' advertisements.

TVN 24

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

TVN 24 is available to approximately 7.4 million households on digital satellite platforms operating in Poland, namely Cyfra+, Cyfrowy Polsat, 'n' DTH platform, TP and TNK, and about 470 cable operators (out of about 630 cable operators). The major cable operators offering the TVN 24 channel include UPC, Multimedia Polska, Vectra and Aster.

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

Audience market share

During the year ended December 31, 2009 we derived approximately 54.1% of our total revenue from television advertising. We have been able to diversify our advertising revenue stream by developing additional revenue sources, including subscription revenues from the 'n' DTH platform, licensing fees, call TV, teleshopping, e-commerce and hosting services.

In the current television advertising market environment in Poland, advertisers generally allocate their expenditure among channels based on each channel's targeted audience market share, the demographic audience profile and pricing. In order to maximize our advertising revenue, we seek to increase our audience share among those viewers whom we believe are attractive to advertisers by developing and broadcasting programs targeting them. Television broadcasters and advertisers use audience survey data to determine the number and demographic characteristics of an audience watching a particular program. Audience market share figures are expressed as a percentage of the total number of television viewing during the time of broadcast. Ratings figures generally express actual audience numbers as a percentage of the total population, or specific audience.

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

The tables below show our share of nationwide peak time audience (defined as viewers aged four and older) and our share of peak time audience among viewers aged 16-49 compared to that of our major competitors for each year since the beginning of 2005:

Nationwide Peak-time Audience Share

Channel	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009(%)
TVN Group including (but not limited to):	20.4	23.7	24.3	24.6	23.8
TVN	17.7	20.4	20.0	20.4	19.5
TVN 7	1.6	1.4	1.4	1.6	1.6
TVN 24	0.7	1.3	2.1	1.9	1.9
TVN Meteo	0.0	0.1	0.1	0.1	0.1
TVN Turbo..............	0.2	0.3	0.3	0.3	0.3
TVN Style	0.1	0.2	0.3	0.3	0.3
TVP 1	25.0	24.6	23.5	22.5	21.2
TVP 2	21.7	19.5	17.7	17.3	17.1
Polsat	18.0	17.4	18.6	17.6	16.0
TV 4	2.2	1.9	2.1	1.8	2.2
Others.........................	12.7	12.9	13.8	16.1	19.8

Source: AGB

16-49 Peak-time Audience Share

Channel	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009(%)
TVN Group including (but not limited to):	22.1	25.1	24.4	25.0	24.3
TVN	19.2	21.6	20.3	20.6	20.0
TVN 7	1.9	1.7	1.7	2.1	2.0
TVN 24	0.7	1.1	1.6	1.3	1.2
TVN Meteo	0.0	0.0	0.0	0.1	0.1
TVN Turbo..............	0.2	0.4	0.5	0.5	0.5
TVN Style	0.1	0.3	0.4	0.4	0.4
TVP 1	23.2	22.6	21.2	19.9	18.4
TVP 2	19.1	17.7	16.0	15.8	16.1
Polsat	20.5	20.0	21.8	20.4	18.4
TV 4	2.6	2.1	2.4	2.2	2.6
Others.........................	12.5	12.5	14.1	16.7	20.3

Source: AGB

According to AGB, in 2009, our channels captured an aggregate average of 21.2% of Poland's nationwide all-day television audience.

The tables below show our all-day nationwide audience share and our all-day audience share among viewers aged 16-49 compared to that of our major competitors for each year since 2005:

Nationwide All-Day Audience Share

Channel	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009(%)
TVN Group including (but not limited to):	18.3	20.8	21.8	21.9	21.2
TVN	15.0	16.7	16.5	16.7	15.9
TVN 7	1.6	1.4	1.5	1.6	1.7
TVN 24	1.2	2.0	3.0	2.7	2.7
TVN Meteo	0.1	0.1	0.1	0.1	0.1
TVN Turbo	0.3	0.3	0.3	0.4	0.4
TVN Style	0.1	0.3	0.4	0.4	0.4
TVP 1	24.6	24.0	23.2	22.6	20.9
TVP 2	21.7	20.1	18.0	16.8	15.4
Polsat	16.7	16.1	16.8	15.4	14.8
TV 4	2.2	2.1	2.1	1.8	2.1
Others	16.5	16.9	18.1	21.5	25.6

Source: AGB

16-49 All-Day Audience Share

Channel	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009(%)
TVN Group including (but not limited to):	19.9	22.4	22.3	22.8	22.2
TVN	16.6	18.2	17.3	17.5	16.9
TVN 7	1.8	1.7	1.8	2.0	2.0
TVN 24	1.1	1.5	2.3	2.0	2.0
TVN Meteo	0.0	0.0	0.0	0.1	0.1
TVN Turbo	0.3	0.5	0.5	0.6	0.6
TVN Style	0.1	0.4	0.5	0.6	0.5
TVP 1	21.9	21.2	20.2	19.2	17.5
TVP 2	20.1	18.9	16.8	15.6	14.3
Polsat	19.4	18.7	19.9	18.5	17.4
TV 4	2.6	2.3	2.4	2.2	2.5
Others	16.1	16.4	18.4	21.7	26.2

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 2009 came from media houses representing multiple advertisers, with the balance generated directly pursuant to agreements with individual advertisers. For the year ended December 31, 2009, our ten largest individual advertisers collectively accounted for approximately 31.3% of our net advertising revenue with no single advertiser accounting for more than 5.3% of our net advertising revenue.

In order to provide flexibility to our advertising customers, we offer advertising priced on (i) cost per GRP, and (ii) rate-card basis. In 2009, 55% of our advertising sales on our TVN channel were package sales priced on the basis of cost per GRP compared to 30% in 2008. See “Operating and financial review and prospects.”

Advertising priced on a rate-card basis is applied to advertisements scheduled at a specific time. The cost of such advertising is based on the length of the advertisement, the time of the day and the season during which the advertisement is shown. Consistent with industry practice, we provide, as an incentive, a rebate on rate-card prices to a number of advertising agencies and their clients. Advertising priced on a cost per GRP package basis allows an advertiser to define the number of GRPs that it wants to achieve within a defined period of time with its advertisement. We usually schedule specific advertisements one month in advance of broadcasting them so that we meet the GRP target that the advertisers set while maximizing the use and profitability of our available advertising airtime. Unlike some of our competitors, we have not engaged in aggressive price reductions as a result of the economic downturn. The effective decreases of our price in 2009 were primarily a result of (i) discounts provided to secure our revenue and (ii) the change in the proportion of rate-card to GRP airtime sales from 70%/30%, for the year ended December 31, 2008, to 55%/45%, for the year ended December 31, 2009. For a more detailed description of the pricing of advertising airtime, see "Operating and financial review and prospects — Revenue — Television broadcasting and production."

Television advertising sales team

Our television advertising sales team consists of approximately 178 employees responsible for sales of our advertising time, sponsorship, campaign planning, after-sales analysis, market research and analysis, development of new products and, most importantly, enhancing relationships with existing and potential advertisers. In addition to providing advice on the scheduling of advertisements on our channels, our sales teams works closely with advertisers to design special campaigns, including the sponsorship of particular programs and related cross- promotional opportunities.

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

Development of our television advertising market share

As evidenced by our peak time key target audience market share, we attempt to schedule our programming to attract and retain that group of viewers. Our market share of net television advertising expenditure in Poland reflects our ability to consistently attract key target audiences. According to AGB, TVN Group gained a 40.8% share of the television advertising market (share of voice, ages 16 through 49, in cities with populations over 100.000 from 6:00 p.m. until 11:00 p.m.) in 2009. During the same period, we had a peak time key target audience share of 30.7%. We believe that this success is due to the combined strength of our peak time key target audience share and our in-house advertising sales and marketing efforts. With the introduction of thematic channels we are able to deliver specific viewers within the key target audience to our advertising customers, which we believe makes their advertising messages more efficient.

The table below compares our nationwide all-day audience share and our share of total GRP delivery ("share of voice") to that of our main competitors in 2009:

Group	All-day nationwide audience share (%)	All-day share of voice (%)
TVN Group	21.2	29.5
TVP Group	41.8	29.4
Polsat Group	19.4	30.4
Others	17.6	10.7
Total	**100.0**	**100.0**

Source: AGB

The table below compares our peak time key target group audience share and our peak time key target group share of total GRP delivery (share of voice) to that of our main competitors in 2009:

Group	Peak time key target group audience share (%)	Peak time key target group share of voice (%)
TVN Group	30.7	40.8
TVP Group	29.8	22.9
Polsat Group	20.2	25.9
Others	19.3	10.4
Total	**100.0**	**100.0**

Source: AGB

The table below compares peak time key target group audience share and peak time key target group share of total GRP delivery (share of voice) of the TVN channel to that of its main competitors in 2009:

Channel	Peak time key target group audience share (%)	Peak time key target group share of voice (%)
TVN	25.4	35.5
TVP 1	13.7	12.2
TVP 2	12.7	9.6
Polsat	15.8	21.4
Others	32.4	21.4
Total	**100.0**	**100.0**

Source: AGB

Programming sources

Programming produced by TVN Group

We produce a wide variety of television content, including news and current affairs programs, documentaries, reality shows, talk and game shows, soap operas, movies and drama series. In 2009, we produced approximately 2,987 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, Endemol as well as a wide range of Polish independent programming content producers.

In addition to our main news studio in Warsaw, we operate nine regional news offices and provide comprehensive news coverage of Poland. Each regional office can send its reporting crews to any location in Poland and is equipped with the latest transmission facilities. This enables the prompt transfer of video and live coverage of newsworthy events. For the coverage of international events outside Poland, we have entered into agreements with international news agencies such as Reuters, APTN and we have also entered into an agreement with European News Exchange, a non profit organization for the exchange of news footage and transmission services between television broadcasters. We deployed our own news team to cover key events such as the Olympic Games, EURO 2008, 2008 U.S. Presidential Election, the Russia— Georgia conflict and the 2009 European Parliament election. TVN 24 also has permanent foreign correspondents in Moscow, Brussels, London and Washington, D.C.

Acquired foreign programming

Broadcasting rights are generally acquired under one of three types of contractual arrangements: (1) output, (2) volume or (3) spot contracts. Output contracts involve the acquisition of the right to broadcast all current and future releases of a particular film studio. Volume contracts involve the acquisition of a specified volume of television programming content. Spot contracts involve the acquisition of the right to broadcast individual series or films. We have contracts concluded with the major Hollywood studios, including Warner Brothers and Paramount Pictures. We are not dependent on any particular distributor, and none of our suppliers accounts for 3.1% or more of our operating costs.

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, 2009. 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	95%
TVN	89%

Source: AGB

According to AGB, during 2009, TVP1, TVP2 and Polsat together accounted for a nationwide all-day audience share of 51.1%. TVN's market share during this period was 15.9%. The aggregate nationwide all-day audience share of TVP1, TVP2 and Polsat in TVN's coverage area was 45.5%, while for TVN it was 17.9%.

TVP generates approximately 24% (2007, the lates available data) 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.

The remaining Polish audience share is split among over 145 other Polish language cable and satellite channels. According to AGB, these other market participants collectively captured 33.0%of the nationwide all-day audience share in 2009.

ONLINE SEGMENT

Segment overview

For the year ended December 31, 2009, this segment accounted for 9.8% of our total revenues and 6.3% of our EBITDA.

Industry Overview

Polish Internet industry

Poland has the largest population of Internet users in Central and Eastern Europe, with 16.9 million users aged seven and older as of October 2009, based on estimates by Megapanel PBI/Gemius. According to Eurostat in 2009, approximately 59% of Poland's households with at least one person aged between 16 and 74 years old had an Internet connection, with 51% 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. The majority of these services are targeted at 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 accessed the Internet from their mobile phones. By 2014, 39% of Western European consumers will own Internet-enabled phones compared with 18% in 2009, according to Forrester Research.

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

Polish Internet advertising market

Internet advertising is the fastest growing advertising medium in Poland. According to Starlink, Internet advertising in 2009 amounted to approximately PLN 875 million (compared to PLN 802 million in 2008), representing a 9% increase.

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

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

Market outlook for Internet advertising in Poland

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

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

Our portals and vortals

We own and operate Onet.pl, a leading Internet portal in Poland, as well as a number of vortals, including some of the most popular Internet destinations for Polish Internet users.

- Onet.pl has been the leading Polish Internet portal since 2000, offering over 150 free and subscription based media and communication services including multimedia content, thematic services (such as Poland's leading news, business, sport, lifestyle and travel services) and paid services. According to Megapanel PBI/Gemius, as of October 2009, 73.7% of Polish Internet users use Onet.pl each month.
- TVN24.pl is a news vortal launched in 2007 to allow the TVN24 channel to develop a closer relationship with its viewers who are able to upload film, news and commentary often used as a source of materials for the TVN 24 channel.
- Zumi.pl is a yellow pages and maps service designed to locate a wide range of points of interest. Zumi is the most popular yellow pages service in Poland and its number of users per month was 4.5 million as of October 2009.
- Plejada.pl is an interactive multimedia site dedicated to showing business and celebrities and was launched in March 2008 as a joint project of TVN and Onet.pl. It is available via the Internet, mobile phones and the 'n' DTH platform.
- Sympatia.pl is Poland's leading online dating service with 1.3 million users.

In addition to those listed above, we own and operate other vortals that function under their own brands.

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 graphic ad products including the display of rich media advertisements, sponsoring products, video ads, text links and e-mail marketing. In addition to display advertising, we sell online marketing products based on search engine solutions mainly in partnership with Google. Another source of our online advertising revenue relates to online directory services where we sell yellow pages on-line services through our Zumi vortal and through external partnerships with other directory services selling jobs, automotive and other services.

Display of advertisements. We generate revenue related to the display of advertisements on the Onet.pl portal and our thematic vortals TVN24.pl, Zumi.pl, Plejada.pl and Sympatia.pl.

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

Search based revenues. We generate revenues from our partnership with Google. We also monetize our websites by placing Google ad boxes and search boxes on our services.

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

Online advertising sales team

Our Internet advertising sales team consists of approximately 182 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.

Competition

Our Onet.pl portal and our thematic vortals construct their market position through operations in the premium segment. The premium Internet segment consists primarily of large thematic portals, vortals as well as other Internet sites that possess well-known brand, offer high quality content and create sound, attractive and cost-effective advertising environment. The other segment of the Internet advertising market consists of a large amount of Internet services and sites that are created by individuals. They fail to provide high quality content and to deliver advertising capacity. Therefore, they are considered to be a non-premium or low-cost segment.

Our Onet.pl portal competes in principle with other major Polish portals, like WP.pl, Gazeta.pl and Interia.pl, and also with other major websites including Google.pl, Youtube.pl and other major thematic vortals. The following tables set out the reach and number of real users of Onet.pl and those of the top eight Polish websites as of November 2009, and the average number of users during seven-day periods during that month. Reach reflects the percentage of the total population of Internet users visiting a website at least once during a particular period. The number of real users reflects the number of unique visitors who visited a website at least once during a particular period.

The following table presents reach and the number of real users as of November 2009:

Websites	Type	Reach	Real users (in thousands)
Google.pl.......................................	search engine	93.5%	16,197
Onet.pl..	**portal**	**73.4%**	**12,717**
nasza-klasa.pl………….................	social network website	64.9%	11,247
WP.pl..	portal	64.4%	11,164
Allegro.pl.......................................	online auction	64.2%	11,121
Gazeta.pl……………………………	portal	62.6%	10,849
Interia.pl…………………………….	portal	61.6%	10,676
o2.pl…………………………………	portal	55.8%	9,675

Source: Megapanel PBI/Gemius, November 2009

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 2009. For reference it also includes information on the average time spent by a user on a website during the month. The total time spent represents the sum of all of the time the real visitors to a respective website spent there during a month.

Websites	Type	Total time (in thousands hours)	Average time per user (in hours : minutes)
Google.pl..	search engine	122,098	7:32
nasza-klasa.pl………………………	social network website	84,456	7:31
Onet.pl...	**portal**	**66,631**	**5:14**
WP.pl..	Portal	62,781	5:37
Allegro.pl...	online auction	47,633	4:17
Interia.pl……………………………..	Portal	36,570	3:26
o2.pl………………………………….	Portal	32,308	3:20
Gazeta.pl…………………………….	Portal	18,785	1:44

Source: Megapanel PBI/Gemius, November 2009.

PAY TV SEGMENT

Segment overview

For the year ended December 31, 2009, our pay TV segment generated 17.1% of our total revenues.

Industry Overview

Polish pay TV market

The pay TV market in Poland consists primarily of satellite DTH operators and cable TV operators. The Polish pay digital satellite market is split between four digital platform operators: (1) Canal+ Cyfrowy Sp. z o.o., operating the Cyfra+ platform, (2) Cyfrowy Polsat S.A., operating the Cyfrowy Polsat platform, (3) ITI Neovision Sp. z o.o. operating the platform under the 'n' and Telewizja na Kartę ('TNK') brands and (4) Telekomunikacja Polska ("TP"), operating the TP DTH platform and IPTV service. Prior to the launch of the 'n' platform the Polish satellite DTH market had been divided between the Polsat Cyfrowy and Cyfra+ platforms, which also currently remain the largest operators with 3.2 million and 1.5 million active subscribers respectively as at the end of 2009. The 'n' platform entered the market in October 2006 offering technologically advanced set-top boxes, featuring high definition ('HD') picture quality and enabling innovative services such as video-on-demand ('VOD'), personal video recorder ('PVR') and Internet based services. Since then competition in the satellite market has significantly increased. Platform operators are introducing new types of set-top boxes, competing for HD and exclusive content, as well as launching discounted promotional offers to acquire new customers. In October 2008, our subsidiary ITI Neovision introduced the pre-paid service TNK and TP introduced its platform providing television services through satellite DTH, usually in addition to telecommunication services rendered by TP.

The cable television market is undergoing consolidation, but it still consists of approximately 630 operators, which operate over 1,100 networks. Cable networks in Poland are undergoing a gradual process of digitalization, conducted primarily by the largest operators, which is necessary for the cable operators to offer a range of premium services, including HD channels and VOD. In addition, cable operators have begun to offer pay TV services together with telephony and Internet access services, with the aim of attracting new customers, as well as growing average revenue per user ("ARPU") and reducing churn among existing customers. We believe future development of cable operators in Poland will be constrained by the geographical reach of their cable networks and the quality of the cable lines. While the digitalization of cable networks is likely to continue, it will likely only occur in certain parts of the cable networks as the process is capital intensive. UPC, Aster, Vectra and Multimedia are Poland's largest cable operators with an aggregate 61% of the cable market as of December 31, 2009.

Market outlook for pay TV in Poland

We believe that satellite DTH pay TV services will develop over the coming years, due to several factors, including:

- Penetration of pay TV services among Polish households is estimated to be 69.5% as of June 30, 2009, not adjusting for the estimated 13% of TV households with more than one pay TV service. There remains a significant potential to increase pay TV penetration, as the availability of Polish language free-to-air programming is limited and an increasing number of Polish households have an interest in multi-channel television and financial resources to pay the subscription fees for the service.
- The DTH segment of the market is well positioned to benefit from pay TV market growth, as it offers rich content and high quality picture and sound. As opposed to cable and IPTV operators, satellite DTH providers are not constrained by the geographical reach of the network and significant investments are not required to assure sufficient quality of service.
- The number of thematic channels available in the market is increasing, including a growing number of HD programs. This has led to an improvement in content quality which attracts new customers, who are looking for a broader television offering. Customers are also attracted by new ways of consuming television content enabled by technological advances, such as PVR functionality and on-demand viewing.
- There is strong demand for flat screen HD television sets in Poland. As households decide to replace their old equipment with a new HD television set, they often decide at the same time to subscribe to a pay TV service offering HD content.

Our DTH platform

We view the pay TV market as consisting of three broad categories of offerings: economy, mainstream and premium.

ITI Neovision Sp. z o.o. operates the ‘n’ DTH platform, which focuses primarily on the premium segment of the pay TV market and TNK, which provides a pre-paid offering for the economy segment of the market. As of December 31, 2009, the ’n’ DTH platform had over 692,000 active subscribers and TNK had almost 262,000 active customers.

The ‘n’ DTH platform, launched in October 2006, offers pay television services in Poland broadcasted over a satellite to its subscribers. In order to receive ‘n’ services, a subscriber needs a satellite dish and a set-top box with an access card offered by ‘n’. Customers usually sign contracts for 12 to 24 months. They select program packages they are interested in and pay appropriate monthly fees. ITI Neovision’s programming offer consists of television channels, either proprietary or licensed from other broadcasters, grouped in thematic packages. ITI Neovision also produces five exclusive television channels focusing on film and sports content. The ’n’ customers may select to use a set-top box equipped with a hard-disk drive, which enables them to use video on demand and personal video recorder services. Video on demand is offered either for a monthly subscription fee or paid per view. Video on demand services include Polish and international movies and TV series.

In October 2008, ITI Neovision Sp. z o.o., through its subsidiary Cyfrowy Dom Sp. z o.o., launched the pre-paid satellite DTH service TNK. As of December 31, 2009, TNK had almost 262,000 active customers. 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 one to twelve 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. Our investment in the ‘n’ DTH platform has strengthened the competitive position of the TVN Group (i) through multi-platform promotion, content acquisition and distribution and (ii) by enabling us to capitalize on a near-term window of opportunity due to the expected further rapid migration of terrestrial TV users to DTH platforms. The investment will also provide us with revenue diversification.

Distribution

The ITI Neovision Group’s services are distributed primarily through a nationwide network of over 1500 points of sale operated by distribution partners, who have signed agency contracts with us. The agents sign contracts with post paid customers on our behalf, for which they receive volume based commissions and bonuses, collect activation fees and provide certain after sales services to our customers. We also distribute our services through our call center and online shop on the ‘n’ website. TNK’s pre-paid cards are sold to our distribution partners, who subsequently distribute them to retail points of sale. No contracts are signed with TNK customers. Distributors of TNK are not remunerated based on commission schemes, but earn a margin on the purchase and resale of decoding cards.

Security

Our products largely comprise content in which we own, or have license to, the intellectual property rights, delivered through a variety of media, including broadcast programming, interactive television services, and the Internet. Third parties may be able to copy, infringe or otherwise profit from our rights or content, which we own or license, without our, or the right holders’, authorization. These unauthorized activities may be more easily facilitated by the Internet. We have, therefore, implemented several security measures to prevent piracy in the pay TV segment, including the latest Conax CAS 7 conditional access system with pairing of cards and set-top boxes by individually encrypting card-box communications to prevent key sharing.

Competition

Besides ITI Neovision, which owns and operates the 'n' DTH platform and the pre-paid TNK service, there are three other players on the Polish DTH Pay TV market: (1) Cyfrowy Polsat S.A., (2) Canal+ Cyfrowy Sp. z o.o. and (3) Telekomunikacja Polska ("TP"). The table below presents the number of subscribers of all platforms as of the end of 2006, 2007, 2008 and 2009:

	Number of subscribers (in thousands)			
Platform	**2006**	**2007**	**2008**	**2009**
'n' (1)…………………………………………	71	272	493	692
TNK (1)……………………………………….	-	-	92	262
Total 'n' and TNK……………………………..	**71**	**272**	**585**	**954**
Cyfrowy Polsat (2)……………………………..	1,274	2,068	2,727	3,200
Cyfra + (3)……………………………………	920	1,070	1,380	1,500
TP(4)	3	40	113	283
Total market…………………………………	**2,268**	**3,450**	**4,805**	**5,937**

(1) TVN own data;
(2) Cyfrowy Polsat Investors' Center;
(3) Our estimates;
(4) Data for TP includes DTH and IPTV subscribers, data for 2009 as of September 30.

DIRECTIONS OF FURTHER DEVELOPMENT

In order to maximize value to our shareholders we hope to maintain revenue growth from stable sources, high profitability and cash flow growth. In order to achieve these objectives, we intend to capitalize on our strengths and pursue the following key actions:

- ***Advance the strategic integration and sharpen the performance of our multimedia platforms*** - We intend to integrate our businesses to better serve the needs of our diversified media asset base and to increase generation of economies of scale and cross selling opportunities between our three major segments. We will leverage our TV marketing power to support Online and Pay-TV segments and capture advertising revenues across multimedia platforms by using our television channels to promote our Internet and DTH platform activities and through integrated customer relation management. Conversely, we intend to use the Onet.pl portal and 'n' platform to promote the television content we produce and broadcast. We also 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. We also intend to launch additional vortals and services targeting sections of the advertising market, where they are currently underrepresented or not represented at all, and where we can provide access to news, clips and entertainment content produced by our broadcasting segment.

- ***Develop and source attractive programming content*** — The production, sourcing, broadcasting and distribution of attractive and innovative programming content is a key element of our strategy. Our research indicates that programming content produced in Poland is very popular with our key target audiences. We will continue to develop innovative, high quality Polish programming content, in particular, series 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 television programming content. To this end, we use audience research and market knowledge to understand and anticipate the preferences of our audience.

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

- ***Identify and further exploit expansion of our activities and revenue diversification*** — We will continue to identify opportunities to expand our activities in the advertising market mainly by evaluating the development of new channels either in Poland, or abroad. Moreover, maintaining electronic media concentration, we intend to further analyse opportunities to expand our business in a manner assuring further revenue diversification. We also intend to further develop our teleshopping activities through the introduction of new, well targeted and well promoted products. In the year 2009, about 67.9% of our revenue was derived from television and Internet advertising, 16.3% from subscription fees of 'n' platform subscribers and 14.9% from individual customers (teleshopping, call television, digital platform and cable subscription fees and Internet services). In 2008 television and Internet advertising accounted for 85.0% of our revenue.

- ***Secure our position in the distribution market*** – We intend to support the development of the 'n' DTH platform in order to strengthen our competitive position by leveraging our integrated media offering to secure a long-term distribution strategy for our channels. We believe that providing strong marketing and financial support necessary for the further growth of our 'n' DTH platform, maintaining our technological advantage and ensuring 'n' has access to premium content will allow us to strengthen our pay television market position. We also intend to capitalize on market growth by driving potential market consolidation.

OTHER ASPECTS OF OUR BUSINESS

Capital expenditure

We continue to invest consistently in capital expenditure required to support our growth strategies. Our total capital expenditure amounted to PLN 302,538 in 2009. Of this amount, the majority was spent on purchasing set top decoders, which amounted to PLN 173,242. We also spent PLN 47,070 on our data center, as well as PLN 16,988, related to TV broadcasting technical equipment.

Our total capital expenditure in 2008 amounted to PLN 183,633. This amount included primarily capital expenditure for the purposes of our Television Broadcasting and Production segment. This included PLN 43,628 invested in TV broadcasting technical equipment PLN 27,201 invested in properties (such as studios and offices), PLN 14,509 in network infrastructure, it hardware and software and PLN 20,907 invested in vehicles and other recurring investments. We also invested PLN 37,410 in data center.

Our total capital expenditure in 2007 amounted to PLN 126,053. his amount included primarily capital expenditure for the purposes of our Television Broadcasting and Production segment. This included PLN 43,404 invested in TV broadcasting technical equipment, PLN 7,174 in properties (such as studios and offices), PLN 11,754 in network infrastructure, IT hardware and software and PLN 12,736 in vehicles and other recurring investments. We also invested PLN 20,000 in our data center.

Intellectual property

We protect the 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 the following trademarks: (1) TVN, as three verbal-graphic trademarks and an international verbal-graphic trademark, (2) TVN24, as a verbal trademark and two verbal-graphic trademarks, (3) TVN-24, as a verbal trademark, (4) TVN24.pl, as a verbal and verbal-graphic trademark, (5) TVN siedem, as a verbal and verbal-graphic trademark, (6) iTVN, as a verbal trademark, (7) iTVN Grupa ITI, as a verbalgraphic trademark (which is registered also in Canada), (8) TVN meteo, as a verbal and verbalgraphic trademark, (9) TVN turbo, as a verbal and verbal-graphic trademark, (10) TVN style, as a verbal and verbal-graphic trademarks, (11) TVN med, as a verbal and verbal-graphic trademarks, (12) Onet, as a verbal trademark, (13) Onet.pl, as a verbal-graphic trademark, (14) Sympatia.pl, as a verbal and verbal-graphic trademark, (15) Zumi, as a verbal-graphic trademark, (16) Onet.pl emocje, as a verbal-graphic trademark, (17) Tenbit, as a verbal-graphic trademark and (18) Republika www, as a verbal-graphic trademark.

We have filed for the registration of the following trademarks: (1) TVN, as a verbal trademark, (2) TVN siedem, as a verbal-graphic trademark, (3) TVN Warszawa, as a verbal trademark and two verbal-graphic trademarks, (4) Plejada, as two verbal-graphic trademarks, (5) Plejada.pl, as a verbal trademark, and (6) TVN media school, as a verbal trademark.

We have filed for the renewal of trademark protection for the following trademarks: (1) Onet, as a verbal trademark, and (2) Onet.pl, as a verbal-graphic trademark.

Properties

Our properties consist primarily of broadcasting, production and office facilities, all of which are located in Poland. We believe that these facilities are well maintained and in good condition. In addition, we own or have a right of perpetual usufruct to a number of undeveloped plots in Warsaw and we own our data center, an investment in Kraków economic zone completed by our subsidiary Grupa Onet.pl for the total amount of PLN 68,000. Currently, 25% of data center space is used by Onet.pl, 45% is leased to third parties and the remaining 30% will serve our future needs. See also “Major shareholders and related party transactions” below for a description of certain of our leases of office and studio space.

Insurance

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

Legal proceedings

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

Regulation

General

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

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

Internet activities in Poland are subject to the Act on Providing Services by Electronic Means, dated July 18, 2002, as amended, which implemented the “Directive on Electronic Commerce”. There is no governmental agency exclusively devoted to supervision of this sector. The Polish Office for Electronic Communications supervises and regulates the telecommunication market as a whole. In general, Internet operations do not require licenses from any governmental bodies or agencies.

Broadcasting licenses

KRRiT issues television broadcasting licenses, as a rule, for periods of ten years. Licenses are not transferable. KRRiT would revoke a license if a broadcaster materially breaches its obligations under the Broadcasting Law or the terms and conditions specified in its license. In addition, KRRiT would 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 renewal of existing terrestrial and satellite licenses are subject to the Broadcasting Law.

In July 2009, the analogue license of our main free-to-air channel TVN was converted to digital standards. KRRiT decided to grant TVN new frequencies located on the First Terrestrial Digital Multiplex. The license for analogue transmission of TVN has been shortened accordingly to the date of the switch-off from analog to digital transmission, namely July 31, 2013. In addition, the Electronic Communications Office extended TVN’s right to use new frequencies located on the First Terrestrial Digital Multiplex for transmission of TVN up to September 2024.

The table below sets out the licenses that TVN, ITI Neovision Sp. z o.o. and Neovision UK Ltd. currently hold:

Channel	Type of license	License holder	Licensing body	Date of expiration
TVN	Terrestrial broadcast license	TVN	KRRiT	July 31, 2013
TVN Warszawa	Satellite broadcast license	TVN	KRRiT	June 29, 2018
TVN International West	Satellite broadcast license	TVN	KRRiT	May 5, 2018
TVN CNBC Biznes	Satellite broadcast license	TVN	KRRiT	August 30, 2017
TVN Style	Satellite broadcast license	TVN	KRRiT	July 28, 2014
TVN Turbo	Satellite broadcast license	TVN	KRRiT	February 12, 2014
ITVN	Satellite broadcast license	TVN	KRRiT	February 10, 2014
TVN Meteo	Satellite broadcast license	TVN	KRRiT	June 26, 2013
TVN 7	Satellite broadcast license	TVN	KRRiT	February 25, 2012
TVN24	Satellite broadcast license	TVN	KRRiT	September 26, 2011
NTL Radomsko	Terrestrial broadcast license	NTL Radomsko	KRRiT	February 8, 2015
nFilm1	Satellite broadcast license	ITI Neovision	KRRiT	July 27, 2019
nFilm2	Satellite broadcast license	ITI Neovision	KRRiT	October 11, 2019
nSport	Satellite broadcast license	ITI Neovision	KRRiT	December 26, 2016
N-Surround HD/Classic Radio	Satellite broadcast license	ITI Neovision	KRRiT	November 13, 2018
MGM HD	Satellite broadcast license	Neovision UK Ltd.	Ofcom	Indeterminate
Wojna i Pokój	Satellite broadcast license	Neovision UK Ltd.	Ofcom	Indeterminate

Under our licenses, and in accordance with the Broadcasting Law, we must notify KRRiT of, among other matters, acquisitions of interests in other companies in the media industry and the appointment of members to our management and supervisory boards.

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

Restrictions on foreign ownership

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

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

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

In accordance with the KRRiT decision dated September 22, 2004, we have received a 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”, above for further details.

Foreign ownership of Internet portal operations is not restricted or regulated by any law or regulation. The only restrictions regarding ownership of new media companies derive from Polish competition regulations.

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 entertainment programs.

Polish broadcasting laws and regulations impose restrictions on advertising. 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 as of December 31, 2009:

Entity	Country of incorporation and residence	December 31, 2009 Ownership (%)	December 31, 2009 Voting Power (%)
TVN S.A.…………………………………………	Poland	n/a	n/a
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	100
Thema Film Sp. z o.o………………………….	Poland	96	96
TVN Finance Corporation plc…………………	UK	100	100
TVN Finance Corporation II AB……………….	Sweden	100	100
Grupa Onet Poland Holding B.V.**…………...	The Netherlands	100	100
Media Entertainment Ventures Int Ltd**.........	Malta	100	100
Neovision Holding B.V.*……………………….	The Netherlands	51	51
ITI Neovision Sp. z o.o.*……………………….	Poland	51	51
Cyfrowy Dom Sp. z o.o.*………………………	Poland	51	51
Neovision UK Ltd*……………………………...	UK	51	51
Polski Operator Telewizyjny Sp. z o.o……….	Poland	50	50
Discovery TVN Ltd……………………………..	UK	-	-
MGM Channel Poland Ltd (joint venture)*…	UK	23	23
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 (UK).*
***Grupa Onet Poland Holding B.V. owns 82.3% of Grupa Onet.pl S.A. and TVN S.A. owns 17.7% of Grupa Onet.pl S.A. Grupa Onet.pl S.A. wholly owns Media Entertainment Ventures International Ltd, Dream Lab Onet.pl Sp. z o.o, SunWeb Sp. z o.o and owns 20% of Polskie Badania Internetu Sp. z o.o.*

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

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

Impact of Changes in Our Structure on the Reported Results

On March 11, 2009, as a result of an agreement with our controlling shareholder ITI Media Group, which is a wholly owned subsidiary of our ultimate controlling company, ITI Holdings, we took control over ITI Neovision, the owner and operator of the 'n' DTH platform. Accordingly, our financial results for the twelve months ended December 31, 2009 are not fully comparable to the financial results for the corresponding period of 2008. Our results for the twelve months ended December 31, 2009 include our share of the net loss of ITI Neovision, for the period between January 1 and March 11, 2009, and full financial results of ITI Neovision, for the period between March 11 and December 31, 2009. The results for the corresponding period of 2008 include our share of the net loss of ITI Neovision for the period between June 25 and December 31, 2008. To make the comparison between periods more meaningful, we have specifically identified the impact of this change, where material, in the period to period comparison.

On May 29, 2009, Discovery Networks Central Europe purchased our share in the Discovery Historia channel and assumed complete ownership of this channel. Accordingly, our financial results for the three and twelve months ended December 31, 2009 are not fully comparable to the financial results for the corresponding periods of 2008. Our results for the twelve months ended December 31, 2009 include financial results of Discovery Historia channel, only for the period between January 1 and May 31, 2009.

On December 10, 2009 we entered into a share purchase agreement with ITI Media Group, for the acquisition of 49% of the shares in Neovision Holding, the owner of ITI Neovision. Upon the closing of the transactions contemplated by the share purchase agreement, we will directly hold 100% of the shares of Neovision Holding.

Our fiscal year ends on December 31. References to "2007", and "2008" and "2009" are to the years ended December 31, 2007, 2008 and 2009 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:

(PLN)	Year ended December 31, 2009	2008	2009 vs. 2008 increase/ (decrease) (%)	2008	2007	2008 vs. 2007 increase/ (decrease) (%)
Revenue	2,123,367	1,897,309	11.9	1,897,309	1,554,729	22.0
Operating Profit	612,090	631,875	(3.1)	631,875	482,012	31.1
Profit for the period	346,156	363,676	(4.8)	363,676	243,308	49.5
Profit attributable to the owners of TVN S.A.	420,821	363,676	15.7	363,676	243,308	49.5

The following table provides a summary of our consolidated results for the three months ended December 31, 2009 and December 31, 2008.

(PLN)	Three months ended December 31, 2009	2008	2009 vs. 2008 increase/ (decrease) (%)
Revenue	680,361	592,298	14.9
Operating Profit	302,771	222,097	36.3
Profit for the period	204,877	87,634	133.8
Profit attributable to the owners of TVN S.A.	242,661	87,634	176.9

The following table provides reconciliation of our operating profit to our operating profit excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration for each of the three years ended December 31:

(PLN)	Year ended December 31, 2009	2008	2009 vs. 2008 increase/ (decrease) (%)	2008	2007	2008 vs. 2007 increase/ (decrease) (%)
Operating profit	612,090	631,875	(3.1)	631,875	482,012	31.1
Operating loss of ITI Neovision	195,978	-	-	-	-	-
Elimination of intra Group transactions	28,261					
Gain on step acquisition	(122,359)	-	-	-	-	-
Gain on remeasurement of contingent consideration*	(153,610)	-	-	-	-	-
Operating profit excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration	**560,360**	**631,875**	**(11.3)**	**631,875**	**482,012**	**31.1**

**Contingent consideration results from the agreement dated March 11, 2009 under which we acquired 26% of shares in ITI Neovision and took control over the subsidiary. Please refer to the Note 4 in our Consolidated Financial Statements for further information.*

The following table provides reconciliation of our operating profit to our operating profit excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration for the three months ended December 31, 2009 and December 31, 2008:

	Three months ended December 31,		
(PLN)	**2009**	**2008**	**2009 vs. 2008 increase/ (decrease) (%)**
Operating profit................................	302,771	222,097	36.3
Operating loss of ITI Neovision.........	85,467	-	-
Elimination of intra Group transactions	(5,051)		
Gain on step acquisition	(11,669)	-	-
Gain on remeasurement of contingent consideration*	(153,610)	-	-
Operating profit excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration	**217,908**	**222,097**	**(1.9)**

**Contingent consideration results from the agreement dated March 11, 2009 under which we acquired 26% of shares in ITI Neovision and took control over the subsidiary. Please refer to the Note 4 in our Consolidated Financial Statements for further information.*

Three Months Ended December 31, 2009

We estimate that the television advertising market in Poland in the three months ended December 31, 2009 decreased by 13.2% compared to the corresponding period of 2008.

The principal events of the three months ended December 31, 2009 were as follows:

- Our share in the net television advertising market, according to Starlink, increased to 36.2%, from 34.6% in the corresponding period of 2008.
- Our TVN channel maintained its leadership in the all-day key target group, *prime time* key target group and *peak time* key target group, being the most widely watched television channel in Poland. All-day key target group audience share was 23.8%, *prime time* key target group audience share was 27.5% and *peak time* key target group audience share was 28.6%. Additionally our all-day nationwide audience share increased to 17.8%, from 17.6% in the corresponding period of 2008.
- *Fakty* recorded an average audience share of 32.1%, outpacing for the first time in history its main competitor *Wiadomości* TVP1 (31.7%) and becoming the most popular news bulletin in Poland, according to AGB.
- Our Internet portal Onet.pl had on average 12.7 million real users and 3.5 billion page views in November 2009. Average monthly time spent on Onet.pl portal in November 2009 was 66.6 million hours, according to Megapanel PBI/Gemius.
- Our ‘n’ DTH platform, increased its subscriber number by over 120,000 (not in thousands) in the three months ended December 31, 2009. As of December 31, 2009, the ‘n’ DTH platform had over 692,000 (not in thousands) active subscribers. In December 2009, the ‘n’ DTH platform recorded a monthly average revenue per subscriber (“ARPU”) of PLN 57.4 (not in thousands), compared to PLN 57.0 (not in thousands) in December 2008.
- TNK increased its customer base by over 150,000 (not in thousands) in the three months ended December 31, 2009. As of December 31, 2009, TNK had almost 262,000 active

customers and a subscriber base of over 440,000 (not in thousands). The ‘n’ DTH platform including TNK, had reached a total active subscriber number of 954,000 (not in thousands) as of December 31, 2009, compared to 585,000 as of December 31, 2008.

- Our revenue increased by 14.9% to PLN 680,361, from PLN 592,298 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our revenue decreased by 4.4% to PLN 566,411.

- Our ’n’ DTH platform increased its revenue by PLN 43,596, or 50.5%, to PLN 129,850, from PLN 86,254 in the corresponding period of 2008.

- Our operating profit increased by 36.3% to PLN 302,771. Excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration of PLN 153,610, our operating profit decreased 1.9% to PLN 217,908 and our operating margin was 38.5%.

- Our EBITDA increased by 45.7% to PLN 353,963, from PLN 242,905 in the corresponding period of 2008. Our EBITDA margin was 52.0%, as compared to 41.0% in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision Neovision and the gain on remeasurement of contingent consideration, our EBITDA increased by 1.5% to PLN 246,566, and our EBITDA margin was 43.5%.

- EBITDA of our thematic television channels amounted to PLN 31,252, which constituted 8.8% of our EBITDA compared with 6.3% in the corresponding period of 2008.

- We recorded a profit for the period of PLN 204,877, compared to a profit for the period of PLN 87,634 in the corresponding period of 2008.

- We recorded a profit attributable to the owners of TVN S.A., of PLN 242,661, compared to a profit attributable to the owners of TVN S.A. of PLN 87,634 in the corresponding period of 2008.

- Our Net debt to EBITDA ratio as of December 31, 2009 was 2.6 including loans from related parties. Excluding the loans from related parties, our Net debt to EBITDA ratio as of December 31, 2009 was 1.9. We held in total PLN 759,171 of cash at bank, cash in hand and easily marketable available-for-sale financial assets as of December 31, 2009.

- On November 19, 2009 TVN Finance Corporation II AB, our wholly owned subsidiary, issued 10.75% Senior Notes with a total nominal value of EUR 405,000. The 10.75% Senior Notes were sold at a purchase price equal to 98.7% for a total consideration of EUR 399,719, pay interest semi-annually (on May 15 and November 15) at a rate of 10.75% per annum, beginning May 15, 2010 and mature on November 15, 2017.

- On December 10, 2009 we concluded a share purchase agreement with ITI Media Group, under which we will acquire 49% of the shares in the Neovision Holding owner of the ITI Neovision – the operator of the 'n' DTH platform. After completion of this agreement we will directly hold 100% of Neovision Holding.

- On December 19, 2009 we repaid and redeemed all of the outstanding 9.5% Senior Notes due to 2013.

Twelve Months Ended December 31, 2009:

We estimate that the television advertising market in Poland in the year ended December 31, 2009 decreased by 14.8% compared to the corresponding period of 2008.

The principal events of the year ended December 31, 2009, were as follows:

- Our share in the net television advertising market, according to Starlink, increased to 35.2%, from 34.1% in the corresponding period of 2008.

- Our TVN channel maintained its leadership in the all-day key target group, *prime time* key target group and *peak time* key target group, being the most widely watched television channel in Poland. All-day key target audience share was 21.1%, *prime time* key target audience share was 25.0% and *peak time* key target audience share was 25.4%.

- *Fakty* recorded an average audience share of 31.7%, outpacing for the first time in history its main competitor *Wiadomości* TVP (31.2%) and becoming the most popular news bulletin in Poland, according to AGB.

- Our Internet portal Onet.pl had on average 12.7 million real users and 3.5 billion page views in November 2009. Average monthly time spent on Onet.pl portal in November 2009 was 66.6 million hours, according to Megapanel PBI/Gemius.

- The ‘n’ DTH platform increased subscriber number by over 199,000 (not in thousands) in the twelve months ended December 31, 2009. As of December 31, 2009, the ‘n’ DTH platform had over 692,000 (not in thousands) active subscribers. In December 2009, the ‘n’ DTH platform recorded a monthly average revenue per subscriber (“ARPU”) of PLN 57.4 (not in thousands), compared to PLN 57.0 (not in thousands) in December 2008.

- TNK increased its customers base by over 348,000 (not in thousands) in the twelve months ended December 31, 2009. As of December 31, 2009, TNK had almost 262,000 active customers and a subscriber base of over 440,000 (not in thousands). The ‘n’ DTH platform including TNK, had reached a total active subscriber number of 954,000 (not in thousands) as of December 31, 2009, compared to 585,000 (not in thousands) as of December 31, 2008.

- Our revenue increased by 11.9% to PLN 2,123,367, from PLN 1,897,309 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our revenue decreased by 5.1% to PLN 1,799,815.

- Our ’n’ DTH platform increased its revenue by PLN 190,255, or 74.7%, to PLN 444,836, from PLN 254,581 in the corresponding period of 2008.

- Our operating profit decreased by 3.1% to PLN 612,090. Excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration, our operating profit decreased 11.3% to PLN 560,360 and our operating margin was 31.1%.

- Our EBITDA increased by 11.7% to PLN 794,770, from PLN 711,378 in the corresponding period of 2008. Our EBITDA margin was 37.4%, as compared to 37.5% in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration, our EBITDA decreased by 7.1% to PLN 660,697, and our EBITDA margin was 36.7%.

- EBITDA of our thematic television channels amounted to PLN 141,359, which constituted 17.8% of our EBITDA compared with 9.2% in the corresponding period of 2008.

- We recorded a profit for the period of PLN 346,156, compared to a profit for the period of PLN 363,676 in the corresponding period of 2008.

- We recorded a profit attributable to the owners of TVN S.A., of PLN 420,821, compared to a profit attributable to the owners of TVN S.A. of PLN 363,676 in the corresponding period of 2008.

- Our Net debt to EBITDA ratio as of December 31, 2009 was 2.6 including loans from related parties. Excluding the loans from related parties, our Net debt to EBITDA ratio as of December 31, 2009 was 1.9. We held in total PLN 759,171 of cash at bank, cash in hand and easily marketable available-for-sale financial assets as of December 31, 2009.

- On March 11, 2009, we took control over Neovision Holding, the sole shareholder of ITI Neovision, which owns and operates the 'n' DTH platform including a new pre-paid digital television service, TNK. This transaction increased our direct ownership interest in Neovision Holding to 51%.

- On May 13, 2009, our supervisory board accepted the resignation of six members of our management board. These six individuals continue to be employed as directors within the Group. Our management board at that time comprised four members: Piotr Walter (President of the management board and General Director), Karen Burgess (Vice-President, Chief Financial Officer), Edward Miszczak (Vice-President responsible for Programming) and Łukasz Wejchert (Vice-President responsible for Online).

- On May 22, 2009, we won pay television, Internet and mobile license rights to broadcast UEFA Champions League matches in Poland during the next three seasons.

- On July 15, 2009, we shut down our TVN Lingua channel due to its failure to achieve profitability targets.

- On August 13, 2009, our supervisory board appointed Markus Tellenbach as TVN Group President and CEO, effective September 1, 2009 and established a new management board. Our new management board currently comprises four members: Markus Tellenbach (President of the management board and CEO), Piotr Walter (Vice President and head of Television Broadcasting and Production segment), Łukasz Wejchert (Vice President and head of Online segment) and Rafał Wyszomierski (management board Member and Interim CFO).

- On November 19, 2009 TVN Finance Corporation II AB, our wholly owned subsidiary, issued 10.75% Senior Notes with a total nominal value of EUR 405,000. The 10.75% Senior Notes were sold at a purchase price equal to 98.7% for a total consideration of EUR 399,719. Interest on the 10.75% Senior Notes is payable semi-annually (on May 15 and November 15) at a rate of 10.75% per annum, beginning May 15, 2010. The 10.75% Senior Notes mature on November 15, 2017.

- On December 10, 2009 we entered into a share purchase agreement with ITI Media Group, for the acquisition of 49% of the shares of the Neovision Holding, owner of ITI Neovision – the operator of the 'n' digital platform. Upon the closing of the transactions by the share purchase agreement we will directly hold 100% of the shares of Neovision Holding.

- On December 19, 2009 we repaid and redeemed all of the outstanding 9.5% Senior Notes due 2013.

Results of Operations

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

For your convenience, Złoty amounts as of December 31, 2009 have been converted into Euro at a rate of PLN 4.1082 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2009). Złoty amounts for the three months ended December 31, 2009 have been converted into Euro at a rate of PLN 4.1648 per €1.00 (arithmetic average of the effective NBP exchange rates on October 31, 2009, November 30, 2009 and December 31, 2009). Złoty amounts for the year ended December 31, 2009 have been converted into Euro at a rate of PLN 4.3406 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2009, February 28, 2009, March 31, 2009, April 30, 2009, May 31, 2009, June 30, 2009, July 31, 2009, August 31, 2009, September 30, 2009, October 31, 2009, November 30, 2009 and December 31, 2009). Złoty amounts as of December 31, 2008 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). Złoty amounts for the three months ended December 31, 2008 have been converted into Euro at a rate of PLN 3.8542 per €1.00 (arithmetic average of the effective NBP exchange rates on October 31, 2008, November 30, 2008 and December 31, 2008). Złoty amounts for the year ended December 31, 2008 have been converted into Euro at a rate of PLN 3.5321 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2008, February 28, 2008, March 31, 2008, April 30, 2008, May 31, 2008, June 30, 2008, July 31, 2008, August 31, 2008, September 30, 2008, October 31, 2008, November 30, 2008 and 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,			
	2008	2008	2009	2009	2008	2008	2009	2009
	PLN	**Euro**	**PLN**	**Euro**	**PLN**	**Euro**	**PLN**	**Euro**
Income Statement data								
Revenue	592,298	153,676	680,361	163,360	1,897,309	537,162	2,123,367	489,187
Operating profit	222,097	57,625	302,771	72,698	631,875	178,895	612,090	141,016
Profit before income tax	106,709	27,686	204,215	49,034	447,552	126,710	380,793	87,728
Profit for the period	87,634	22,737	204,877	49,193	363,676	102,963	346,156	79,748
Profit attributable to the owners of TVN S.A.	87,634	22,737	242,661	58,265	363,676	102,963	420,821	96,950
Cash Flow Data								
Net cash generated by operating activities	160,246	41,577	257,158	61,746	615,354	174,218	479,767	110,530
Net cash used in investing activities	(263,509)	(68,369)	(453,987)	(109,006)	(813,388)	(230,285)	(562,270)	(129,537)
Net cash from financing activities	27,391	7,107	486,528	116,819	271,513	76,870	273,037	62,903
Increase/ (decrease)in cash and cash equivalents	(75,872)	(19,686)	289,699	69,559	73,479	20,803	190,534	43,896
Weighted average number of ordinary shares in issue (not in thousands)	348,745,620	348,745,620	340,433,781	340,433,781	348,585,264	348,585,264	341,262,586	341,262,586
Weighted average number of potential ordinary shares in issue (not in thousands)	350,757,285	350,757,285	343,167,051	343,167,051	353,066,178	353,066,178	342,546,189	342,546,189
Basic earnings per share (not in thousands)	0.25	0.06	0.71	0.17	1.04	0.29	1.23	0.28
Diluted earnings per share (not in thousands)	0.25	0.06	0.71	0.17	1.03	0.29	1.23	0.28
Dividend paid or declared per share (not in thousands)	0.00	0.00	0.00	0.00	0.49	0.12	0.57	0.14
Other data								
EBITDA*	242,905	63,023	353,963	84,989	711,378	201,404	794,770	183,101
EBITDA margin	41.0%	41.0%	52.0%	52.0%	37.5%	37.5%	37.4%	37.4%
Operating margin	37.5%	37.5%	44.5%	44.5%	33.3%	33.3%	28.8%	28.8%
Balance Sheet data	**As at December 31, 2008 PLN**	**As at December 31, 2008 Euro**	**As at December 31, 2009 PLN**	**As at December 31, 2009 Euro**	**As at December 31, 2008 PLN**	**As at December 31, 2008 Euro**	**As at December 31, 2009 PLN**	**As at December 31, 2009 Euro**
Total assets	3,753,174	899,524	4,983,496	1,213,061	3,753,174	899,524	4,983,496	1,213,061
Current assets	1,201,394	287,938	1,262,767	307,377	1,201,394	287,938	1,262,767	307,377
Non-current liabilities	1,637,872	392,549	3,022,865	735,813	1,637,872	392,549	3,022,865	735,813
Current liabilities	468,348	112,249	675,477	164,422	468,348	112,249	675,477	164,422
Shareholders equity	1,646,954	394,726	1,285,154	312,827	1,646,954	394,726	1,285,154	312,827
Share capital	69,903	16,754	68,088	16,574	69,903	16,754	68,088	16,574

* 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. 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.

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

	Three months ended December 31,				Twelve months ended December 31,			
	2008	2008	2009	2009	2008	2008	2009	2009
	PLN	Euro	PLN	Euro	PLN	Euro	PLN	Euro
Operating profit	222,097	57,625	302,771	72,698	631,875	178,895	612,090	141,016
Depreciation, amortization and impairment charges	20,808	5,398	51,192	12,291	79,503	22,509	182,680	42,085
EBITDA	242,905	63,023	353,963	84,989	711,378	201,404	794,770	183,101

Key factors affecting our results of operations

Cyclicality of Polish advertising market

Advertising sales in Poland have historically 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 economic crisis may have on the growth rate of the Polish economy or on us. Apart from seasonality as discussed below, since future levels of advertising spending are not predictable with any certainty more than one month in advance, we cannot predict with certainty our future levels of advertising sales. Despite the global recession, the Polish economy is estimated to have experienced an estimated NBP growth of 1.8% in 2010 according to GUS. While the estimated 13% reduction in 2009 in advertising spending over the same period is disproportionate to the slowdown in economic growth, the advertising market is expected to start recovering in early 2010 given the fact that TV viewing is a primary leisure activity in Poland and the fact that GRP inventory is currently sold out due to price cuts in the television advertising market.

Although the Polish advertising market is dominated by spending on television advertising, which accounts for about 50% of total advertising expenditure, the fastest growing segment of the market has been online advertising which gained market share at the expense of print media advertising.

Television broadcasting and production

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

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

Seasonality of television advertising. Television viewing in Poland tends to be seasonal, with the second and fourth quarters attracting a greater number of viewers than the first and third quarters, when television competes with a large number of other leisure activities. During the summer months, when audiences tend to decline, advertisers significantly reduce expenditure on television advertising. Consequently, television advertising sales in Poland tend to be at their lowest during the third quarter of each calendar year. Conversely, advertising sales are typically at their highest during the fourth quarter of each calendar year. During the year ended December 31, 2009, we generated approximately 22.3% of our television segment total advertising revenue in the first quarter, 27.8% in the second quarter, 17.2% in the third quarter and 32.7% in the fourth quarter.

Availability of attractive programming content to maximize audience share. The continued success of our advertising sales and the licensing of our channels to digital platform and cable television operators and our success in generating other revenue depend on our ability to attract a large share of our key target audience, preferably during prime time. Our ability to attract a large share of the target audience in turn depends in large part on our ability to broadcast quality programming that appeals to our target audience. According to AGB, our channels captured an average of 21.2% of Poland's nationwide all-day audience in the twelve months ended December 31, 2009, and our TVN channel achieved 25,4% of our key target audience during peak time in the twelve months ended December 31, 2009. We believe our substantial market share of Poland's television viewing audience results from offering attractive programming, which enables us to obtain a larger total audience, as measured by the higher number of gross rating points ("GRPs") in a more efficient manner. This in turn maximizes the use of advertising airtime. While we believe we have been successful in producing and acquiring programming content that appeals to our key target audience, we continue to compete with other television broadcasters for programming content and to seek to air programming that addresses evolving audience tastes and trends in television broadcasting. Further, while we believe that we are able to produce and source programming content at attractive cost levels, increased competition may require higher levels of expenditure in order to maintain or grow our audience share.

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

Online

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 web page, demographics of users of respective websites, and any commercial discounts, volume rebates and agency commissions that the buyer negotiates. Advertising formats range from simple banners displayed on the top of web pages, to animated rich-media advertisements displayed on the top of pages, to video-based advertisements. Reach represents the proportion of Internet users who visit a particular website at least once during a specific time period. Page views represent the number of page impressions created by users on a particular website. Time spent represents the average time that a user spends on a website or the total time spent by all users visiting this website during a specific period of time. Demographics of users represent their characteristics, including their specific interests. As in the case of television advertising, we sell a significant portion of online advertising through centralized media buyers at a discount to published rates. Commercial discounts represent the difference between the published rates for respective online advertising services and the gross prices at which those services are actually sold before the deduction, if applicable, of agency commissions and volume rebates. The Polish online advertising services market is very competitive. The policies and behavior of our competitors relating to pricing and the 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 Internet advertising. Internet usage and advertising in Poland is constantly growing, but, similar to television, tends to be seasonal, with the second and fourth quarters attracting a greater number of users than the first and third quarters, when the Internet competes with a large number of other leisure activities. During the summer months, when there is a relative decline in usage, advertisers reduce expenditure on media advertising, including spending on online advertising services. Consequently, online advertising sales in Poland tend to be at their lowest level during the first or third quarter of each calendar year. Conversely, online advertising and other online marketing services sales are typically at their highest during the fourth quarter of each calendar year. During the year ended December 31, 2009, we generated approximately 21.6% of our total online advertising revenue in the first quarter of 2009, 25.0% in the second quarter, 21.1% in the third quarter and 32.3% in the fourth quarter.

Digital satellite pay television

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

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

Availability and cost of attractive programming content. Our ability to increase our digital satellite platform subscriber base depends largely on our ability to acquire and broadcast high quality programming that appeals to existing and potential new subscribers. Apart from popular channels, also available on other digital satellite platforms and cable networks, we also offer channels that are exclusively available to our subscribers. We also broadcast HD content. While we believe that we are able to successfully acquire competitive, high quality content, we continue to compete with other operators for programming that addresses evolving tastes among our current and potential new subscribers. This may affect our revenue and profitability.

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

Other factors affecting our results of operations

Foreign exchange rate exposure

We generate revenue primarily in Złoty, while a substantial portion of our operating expenses, borrowings and capital expenditures are denominated in foreign currencies, mainly in euro and, U.S. dollars. The estimated net profit (post-tax) impact on the major euro and U.S. dollar denominated balance sheet items of a euro and U.S. dollar appreciation of 5% against the Złoty, with all other variables held constant and without taking into account derivative financial instruments entered into for hedging purposes, is PLN 81,410. In 2008, we entered into EUR put and call currency options to limit the impact on our net results of PLN/EUR exchange rate movements in relation to the 9.5% Senior Notes balance. The hedging strategy based on EUR put and call options had notional value of EUR 225,000. EUR option matured in January 15, 2009. In 2008, we entered into a U.S. dollar put and call option to limit the impact on our net results of PLN/USD exchange rate movements in relation to payments for programming rights. The hedging strategy based on U.S. dollar put and call options had notional value of USD 40,480. USD option had maturity dates between March 23, 2009 and December 22, 2009. In September 2009, we entered into U.S. dollar forward contracts to limit the impact of exchange rate movements on the fair value of our commitments to purchase set top decoders. The hedging strategy based on U.S. dollar forward contracts had notional value of USD 34,005. Our forward contracts had maturity dates between. September 24, 2009 and December 23, 2009. We did not have any open EUR, USD options or forward contracts as of December 31, 2009.

Acquisitions and disposals

On March 11, 2009, as a result of an agreement with our controlling shareholder ITI Media Group, which is a wholly owned subsidiary of our ultimate controlling company, ITI Holdings, we took control over ITI Neovision, the owner and operator of the ‘n’ DTH platform. Accordingly, our financial results for the twelve months ended December 31, 2009 are not fully comparable to the financial results for the corresponding period of 2008. Our results for the twelve months ended December 31, 2009 include our share of the net loss of ITI Neovision, for the period between January 1, and March 11, 2009, and full financial results of ITI Neovision, for the period between March 11, and December 31, 2009. The results for the corresponding period of 2008 include our share of the net loss of ITI Neovision for the period between June 25, and December 31, 2008. To make the comparison between periods more meaningful, we have specifically identified the impact of this change, where material, in the period to period comparison.

On May 29, 2009, Discovery Networks Central Europe purchased our share in the Discovery Historia channel and assumed complete ownership of this channel. Our financial results for the three and twelve months ended December 31, 2009 are not fully comparable to the financial results for the corresponding periods of 2008. Our results for the twelve months ended December 31, 2009 include financial results of Discovery Historia channel, only for the periods between January 1 and May 31, 2009.

On December 10, 2009 we entered into a share purchase agreement with ITI Media Group for the acquisition of 49% of the shares in Neovision Holding, the owner of ITI Neovision – the operator of the 'n' digital platform. Upon the closing of the transaction contemplated by the share purchase agreement we will directly hold 100% of the shares of Neovision Holding.

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 partly relate to Onet's tax credit arising from its investment in a special economic zone and non-deductible provisions and accruals. The recognition of deferred tax assets depends on our assessment of meeting conditions of operating in a special economic zone and the likelihood of future taxable profits with respect to which deductible temporary differences and tax-loss carry forwards can be applied.

Revenue

Television broadcasting and production

This segment primarily derives revenue from commercial advertising. During 2009 and the three months ended December 31, 2009, we derived 54.1% and 55.2%, respectively, of our total revenue from commercial television advertising.

Commercial television advertising revenue

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

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

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

	Year ended December 31,		
	2007	**2008**	**2009**
Our Rate-card pricing	29%	70%	55%
Our Cost per GRP pricing	71%	30%	45%

We usually schedule specific advertisements one month in advance of broadcast. Prices that advertisers pay, whether they purchase advertising time on a GRP package or rate-card basis, tend to be higher during peak viewing months such as October and November than during off-peak months such as July and August. Consistent with television broadcasting industry practice, and in order to optimize ratings and revenue, we do not sell all of our legally available advertising time. During the three and twelve months ended December 31, 2009, we tended to sell over 86% and 94%, respectively, of peak time advertising spots on our TVN channel and over 53% and 62%, respectively, of non-peak time advertising spots. We record our advertising revenue at the time the relevant advertisement is broadcast. As is common in the television broadcasting industry, we provide advertising agencies and advertisers with an incentive rebate. We recognize advertising revenue net of discounts and rebates.

Subscription fees 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, 2009, 6.2% and 8.5%, respectively, of our total revenue came from such fees compared with 6.0% and 6.6% in the corresponding periods of 2008. Generally, our agreements with digital platform and cable television operators specify the rates at which we charge the operators for each subscriber to a given digital platform or cable television service who paid for one of our channels during the relevant reporting period, which we refer to as per-subscriber-rate. We calculate the monthly license fee that a digital platform or cable operator pays us by multiplying the applicable per-subscriber-rate by the average number of digital platform or cable subscribers who paid for one of our channels during the relevant reporting period.

Other television broadcasting and production revenue

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

Online

Our online segment derives a substantial portion of its revenue from online advertising. During 2009 and the three months ended December 31, 2009, we derived 8.1% and 8.2%, respectively, of our total revenue from online advertising, compared with 9.1% and 9.7% in the corresponding periods of 2008.

Online advertising revenue

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 as well as from online directory services.

Online fee revenue

Other revenue sources include revenue generated from a variety of consumer and business fee based services. These include, among others, revenue from paid thematic services (access to high quality content), sale of premium e-mail accounts, hosting services, registration 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.

Digital satellite pay television

This segment derives the majority of its revenue from subscription fees. During 2009 and the three months ended December 31, 2009, we derived 16.3% and 18.1% of our total revenue from ‘n’ DTH platform subscription fees.

Pre-pay and post-pay subscription fees from subscribers to digital satellite platform services

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

Activation fees

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

Other business activity

Revenue in other business activity, not allocated into business segments, primarily includes the sale of goods/teleshopping which accounted for approximately 4.5% and 3.2%.respectivelu, of our revenue in the three and twelve months ended December 31, 2009, compared with 3.4% and 2.7% in the three corresponding periods of 2008. We generate revenue from sales of products offered in a particular show on Telezakupy Mango 24, our dedicated teleshopping channel or on, our other television channels as well as on the Mango Media Internet site. Unallocated revenue also includes revenue from cinema distribution of films we produce.

Our expenses

The majority of our operating expenses, 45.9% and 46.0%, respectively, in the three and twelve months ended 2009 and 51.8% and 49.7% in the corresponding periods of 2008, were related to the acquisition and production of television programming, ‘n’ platform programming and internet content.

Television broadcasting and production

Programming costs

Operating expenses of our television broadcasting and production segment consist primarily of amortization of television programming costs. Excluding the effects of consolidation with ITI Neovision, these costs accounted for 44.4% and 43.0%, respectively, of our operating expenses in 2009 and the three months ended December 31, 2009, compared with 47.7% and 45.4% in the corresponding periods of 2008. Amortization expense includes amortization of production costs for television programming specifically produced by or for us, either under licenses from third parties or under our own licenses and amortization of rights to television programming content produced by third parties and licensed to us. During 2009 and the three months ended December 31, 2009, we commissioned and produced locally through third parties 79.4% and 77.0%, respectively, of programming content on our TVN channel. During 2009 and the three months ended December 31, 2009, we acquired 20.6% and 23.0%, respectively, of our programming content from third parties. Amortization is based on the estimated number of showings and the type of programming content.

Other costs

Other costs of television broadcasting and production consist of broadcasting costs, which mainly consist of rental costs for satellite and terrestrial transmission capacity, staff expenses and share options granted to board members and employees, royalties payable to unions of authors, artists and professionals in the entertainment industry and the Polish Film Institute, depreciation of television and broadcasting equipment, marketing and research costs, rent and maintenance costs for our premises and consulting fees for technical, financial and legal services.

Online

Operating costs of our Online segment consist mainly of Internet content production and acquisition costs, lease of transmission network, staff expenses and share options granted to board members and employees and marketing and research costs. Costs related to Internet content are amortized 100% once the related services or information goes live.

Other Online segments' costs are depreciation of Internet equipment, rent and maintenance costs for our premises and other costs.

Digital satellite pay television

Our digital satellite pay television segment's operating expenses consist of programming costs, depreciation of set-top boxes, broadcasting expenses, staff expenses, sales commissions and marketing expenses. This segment's operating expenses consist primarily of programming costs, which accounted for 14.3% and 15.3% of our cost of revenue in 2009 and in the three months ended December 31, 2009, respectively.

Programming costs

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

Depreciation of set-top boxes

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

Sales commissions

We pay commissions to the 'n' DTH platform distributors and call centers for acquiring new subscribers. The amount of commission depends on the number of acquired customers as well as on the type of services to which a customer subscribes to and the length of contract. For meeting certain periodical sales targets we pay additional commissions to the ‘n’ DTH platform distributors.

Other expenses

Other segment expenses include 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 authors, artists and professionals in the entertainment industry, provisions for doubtful debts, employee salaries, rent for office space, IT equipment, software maintenance fees, consulting services, marketing services and costs related to the repair and maintenance of set-top boxes.

Other business activity

Other business activities’ expenses consist primarily of costs of services and goods sold, broadcasting expenses, staff expenses and marketing and research expenses.

Other operating items

In 2009, following the acquisition of control over ITI Neovision on March 11, 2009, and as a result of early adoption by us of new accounting standards for business companies (“IFRS 3 Revised”) we recorded an operating profit gain on step acquisition of PLN 122,359.

Part of the consideration payable to ITI Neovision for our acquisition of control over ITI Neovision on March 11, 2009 is contingent upon ITI Neovision meeting certain performance measures in 2010. The maximum additional payment is EUR 60,000 and was recognized, in the full amount, as liability by us at the acquisition date. In November 2009, based on the updated business plan of new management of ITI Neovision we remeasured our contingent liability and recorded a gain in operating profit of PLN 153,610.

Financial Condition and Results of Operations

Financial Condition

Our property, plant and equipment increased by PLN 451,357 or 129.9%, to PLN 798,757 as of December 31, 2009, from PLN 347,400 as of December 31, 2008. This increase related primarily to the recognition of ITI Neovision's property, plant and equipment in the amount of PLN 446,607, of which PLN 362,414 represented set top boxes as of December 31, 2009.

Our goodwill increased by PLN 724,957, or 76.1%, to PLN 1,677,614 as of December 31, 2009, from PLN 952,657 as of December 31, 2008, and our brand increased by PLN 95,300, or 13.7%, to PLN 788,988 as of December 31, 2009, from PLN 693,688 as of December 31, 2008. These increases related to the business combination with ITI Neovision.

Our other intangible assets increased by 36,492 or 64.3%, to PLN 93,288 as of December 31, 2009, from PLN 56,796 as of December 31, 2008, partly as a result of the consolidation of software held by ITI Neovision, which amounted to PLN 14,890 as of December 31, 2009 and partly due to customer related intangibles of PLN 23,666, excluding amortization, recognized on our business combination with ITI Neovision in March 2009.

Our current and non-current programming rights inventory increased by PLN 42,194, or 12.1%, to PLN 389,611 as of December 31, 2009, from PLN 347,417 as of December 31, 2008. The increase resulted mainly from the consolidation of ITI Neovision programming inventory of PLN 24,942. The increase is also partly due to an increase of PLN 21,425 in our free to air television acquired programming rights, primarily from our Warner and Paramount deals.

Our investments in associates decreased to PLN 1,229 as of December 31, 2009, from PLN 120,076 as of December 31, 2008. Our loan to associate decreased to PLN 0 as of December 31, 2009, from 179,138 as of December 31, 2008. These decreases result from us taking control over ITI Neovision, followed by the change in accounting for our investment in ITI Neovision, from the equity method to full consolidation.

Our non-current available-for-sale financial assets increased to PLN 138,250 as of December 31, 2009, from PLN 7,588 as of December 31, 2008. This increase represents our investment in German government bonds of a nominal value of EUR 30,850 and maturing beyond 12 months.

Our deferred tax asset increased by PLN 23,596, or 68.4%, to PLN 58,111 as of December 31, 2009, from PLN 34,515 as of December 31, 2008. The increase is mostly due to the impact of a tax deduction claimed and deferred in relation to operations in the special economic zone.

Our current available-for-sale financial assets decreased to PLN 246,851 as of December 31, 2009, from PLN 315,616 as of December 31, 2008. The balance as of December 31, 2008, represented our investment in Polish government short-term treasury bills, matured or sold before December 31, 2009. The balance as of December 31, 2009, represents mainly our investment in German government treasury bills with total nominal value of EUR 59,500 maturing in 2010. We invested in these bills in December 2009.

Our derivative financial assets decreased by PLN 149,865 to nil as of December 31, 2009, from PLN 149,865 as of December 31, 2008. We settled all our derivative financial instruments before December 31, 2009.

Our prepayments and other assets increased by PLN 29,773 to PLN 81,059 as of December 31, 2009, from PLN 51,286 as of December 31, 2008. This increase was primarily due to the consolidation of prepayments and other assets held by ITI Neovision. This amount represented programming and non-programming inventory related prepayments as well as VAT & non-CIT receivables.

Our share capital decreased by PLN 1,815, or 2.6%, to PLN 68,088 as of December 31, 2009, from PLN 69,903 as of December 31, 2008. This change results primarily from share redemption of PLN 1,832, resulting from our Share Buyback Program.

Our share premium increased by PLN 1,249, to PLN 607,054 as of December 31, 2009 from PLN 605,805 as of December 31, 2008. This increase results primarily from shares issued under our stock option program.

Our treasury shares balance as of December 31, 2009 was nil, compared to a negative balance of PLN 37,428 as of December 31, 2008. During 2009, we repurchased additional own shares for the total amount of PLN 62,572. In 2008 and 2009 we spent in total PLN 100,000 on the Share Buyback Program. All shares were redeemed in July 2009.

Our other reserves decreased by PLN 167,574, or 153.7%, to a negative balance of PLN 58,526 as of December 31, 2009, from PLN 109,048 as of December 31, 2008. This decrease is primarily due to the accounting for the share purchase agreement with ITI Media Group, under which we will acquire 49% of the shares in the Neovision Holding, the sole owner of ITI Neovision. The transaction is accounted for under IFRS as an acquisition of non-controlling interest despite pending completion of the agreement. As a result of this agreement, we recognized a financial liability related to an acquisition of a non-controlling interest at the fair value of PLN 131,616, representing our firm commitment to acquire a non-controlling interest in Neovision Holding. The corresponding entry for this financial liability is equity, as this financial liability is a commitment to acquire own equity instrument. As a result of entering into the share purchase agreement, we also revised expected repayment dates of shareholder loans, and the expected payment date of contingent consideration and adjusted their carrying value accordingly. Both these adjustments resulted in a total loss of PLN 59,651 recognized in our other reserves.

Non-controlling interest is negative and amounts to PLN 359,717. It represents mainly the interest of ITI Media Group in the identifiable net liabilities of ITI Neovision assumed by us as of March 11, 2009 and ITI Media Group's share in ITI Neovision's net loss for the period between March 11, 2009 and December 31, 2009.

Our 10.75% Senior Notes due 2017, excluding accrued interest, amounted to PLN 1,589,292 as of December 31, 2009. This amount represents the PLN value of our Notes of a nominal value of EUR 405,000, less unamortized discount and issuance costs.

Our 9.5% Senior Notes due 2013, excluding accrued interest, decreased to PLN 0 as of December 31, 2009, from PLN 855,432 as of December 31, 2008. We repaid and redeemed all these notes on December 19, 2009.

Our loans from related parties amounted to PLN 544,612 as of December 31, 2009. This balance represents loans granted to ITI Neovision by their non-controlling shareholder, ITI Media Group, and the related accrued interest.

Our loan facility was nil as of December 31, 2009, compared to PLN 109,875 as of December 31, 2008. We repaid the balance of our Loan facility in December 2009, from the proceeds from the issue of 10.75% Senior Notes.

Our non-current trade payables increased by PLN 14,464 to PLN 21,415 as of December 31, 2009, from PLN 6,951 as of December 31, 2008. This increase was primarily from the recognition of ITI Neovision's payables related to set-top boxes.

Contingent consideration of PLN 78,397 represents the fair value of a correction payment that is payable to ITI Media Group in 2011, contingent upon certain specified conditions being achieved by the ‘n’ DTH platform in 2010. This obligation arose pursuant to the purchase of a 51% stake in Neovision Holding, and initially amounted to PLN 236,448. The decrease reflects our assessment of the likelihood of meeting these conditions based on the updated business plans of ITI Neovision prepared by its new management reflecting new strategic and current economic surroundings. On completion of the share purchase agreement for the remaining 49% of Neovision Holding shares the contingent consideration will be annulled (please refer to the Part 5 of this report for further information).

Our financial liability related to the acquisition of a non-controlling interest amounted to PLN 131,325 as of December 31, 2009. This liability represents our commitment to purchase the non-controlling interest in Neovision Holding from ITI Media Group.

Our current trade payables increased by PLN 144,972 to PLN 286,877 as of December 31, 2009, from PLN 141,905 as of December 31, 2008. This increase is primarily due to the consolidation of ITI Neovision’s trade payables of PLN 147,197 as of December 31, 2009.

Our corporate income tax payable decreased by PLN 27,552 to PLN 13,007 as of December 31, 2009, from PLN 40,559 as of December 31, 2008, primarily because we recognized lower taxable profit for 2009 than for 2008.

Our accrued interest on borrowings increased by PLN 14,352, to PLN 22,010 as of December 31, 2009, from PLN 7,658 as of December 31, 2008. This results primarily from the recognition of interest accrued on our 10.75% Senior Notes, which amounted to PLN 20,371 as of December 31, 2009, partly offset by the decrease of interest accrued on our 9.5% Senior Notes of PLN 3,551 and decrease of interest accrued on our Loan facility of PLN 1,951.

Our overdraft facility liability amounted to PLN 0 as of December 31, 2009, compared with PLN 48,733 as of December 31, 2008. This decrease is due to us not utilizing our overdraft facility as of December 31, 2009.

Our other liabilities and accruals increased by PLN 124,090, or 54.1% to PLN 353,583 as of December 31, 2009, from PLN 229,493 as of December 31, 2008. The increase results mainly from the consolidation of ITI Neovision’s other liabilities and accruals as of December 31, 2009, which amounted to PLN 107,597.

Results of Operations

Three Months Ended December 31, 2009 Compared to Three Months Ended December 31, 2008

Revenue. Our revenue increased by PLN 88,063, or 14.9%, to PLN 680,361 in the three months ended December 31, 2009, from PLN 592,298 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our revenue decreased by PLN 25,887, or 4.4%, to PLN 566,411. This decrease resulted primarily from a decrease in our advertising revenue of PLN 42,571 partly offset by an increase of PLN 8,634 in revenue from sales of goods and services and an increase in subscription fees from satellite and cable operators of PLN 6,801.

Our advertising revenue decreased by PLN 42,571, or 9.1%, to PLN 424,128 during the three months ended December 31, 2009, from PLN 466,699 in the corresponding period of 2008. This decrease was primarily due to a decrease of PLN 38,373, or 10.7% in the net advertising revenue of our TVN channel, which recorded an effective decrease of 17.0% in the price of GRPs sold, which was partially offset by a 6.7% increase in the volume of inventory sold.

Revenue from sales of goods and services increased by PLN 8,634, or 42.7%, to PLN 28,873 in the three months ended December 31, 2009, from PLN 20,239 in the corresponding period of 2008. This increase results mainly from an increase in teleshopping revenue in Mango Media, by PLN 9,033, or 81.3%, to PLN 20,142. This increase was primarily due to an increase in sales volume and partly due to an increase in average revenue per unit sold.

Subscription fees from satellite and cable operators increased by PLN 6,801, or 19.1%, to PLN 42,456 in the three months ended December 31, 2009, from PLN 35,655 in the corresponding period of 2008. The increase was mainly due to higher PLN/EUR exchange rate in the fourth quarter of 2009 compared with the corresponding period of 2008. Subscriber fees are primarily denominated in Euro. The increase was also partly due to an increase in the number of subscribers for our pay channels, which on average increased by approximately 0.9 million subscribers.

Cost of revenue. Cost of revenue increased by PLN 103,856, or 35.7%, to PLN 395,110 in the three months ended December 31, 2009, from PLN 291,254 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our cost of revenue decreased by PLN 14,537, or 5.0%, to PLN 276,717 in the three months ended December 31, 2009.

The decrease was mainly due to a decrease in amortization of locally produced content by PLN 19,009 in the three months ended December 31, 2009, compared with corresponding period of 2008. This decrease partly reflects our decision to shorten our autumn schedule in December, and is partly due to savings in costs per episode of the shows that we aired. We also recorded a decrease in cost of news services aired via our TVN 24 channel due to cost saving initiatives. This decrease is also partly due to our decision to withdraw from the production of the Discovery Historia channel.

As a percentage of revenue, our cost of revenue increased in the three months ended December 31, 2009 to 58.1%, compared to 49.2% in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our cost of revenue as a percentage of revenue decreased in the three months ended December 31, 2009 to 48.9%.

Selling expenses. Our selling expenses increased by PLN 63,959, or 159.5%, to PLN 104,058 for the three months ended December 31, 2009, from PLN 40,099 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our selling expenses decreased by PLN 1,228, or 3.1% to PLN 38,871.

As a percentage of revenue, our selling expenses increased to 15.3% in the three months ended December 31, 2009, from 6.8% in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our selling expenses as a percentage of revenue increased to 6.9% in the three months ended December 31, 2009.

General and administration expenses. Our general and administration expenses increased by PLN 502, or 1.3%, to PLN 39,152 for the three months ended December 31, 2009, compared with PLN 38,650 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our general and administration expenses decreased by PLN 6,342, or 16.4%, to PLN 32,308. This decrease results primarily from a reduction in staff expenses of PLN 7,017 or 31.2%, resulting mainly from a lower stock option program expense and partly from a reduction in annual bonuses.

As a percentage of revenue, our general and administration expenses decreased to 5.8% in the three months ended December 31, 2009, from 6.5% in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our general and administration expenses decreased to 5.7% of revenue.

Gain on step acquisition. We recorded PLN 11,669 of gain on step acquisition. This income was a result of remeasuring the gain of PLN 110,690 we recognized provisionally in the previous periods. Gain on step acquisition results from measuring at fair value our 25% equity investment in ITI Neovision that we held before taking control over that company.

Gain on remeasurement of contingent consideration. Our contingent consideration for the acquisition of the controlling stake in Neovision Holding, that we recognized on March 11, 2009, was remeasured in November, 2009 to reflect our estimation of the probability of the ‘n’ DTH platform meeting the conditions upon which the consideration is payable. The remeasurement was based on the updated business plan of the new management of ITI Neovision and resulted in a gain of PLN 153,610.

Operating profit. Operating profit increased by PLN 80,674, or 36.3% to PLN 302,771 for the three months ended December 31, 2009, from PLN 222,097 in the corresponding period of 2008. The increase is primarily due to the gain on remeasurement of contingent consideration, partly offset by the decrease in advertising revenue and consolidation of the operating losses of ITI Neovision. Excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration, our operating profit in the three months ended December 31, 2009, was PLN 217,908.

Our operating margin in the three months ended December 31, 2009 was 44.5%, whereas in the corresponding period of 2008 it amounted to 37.5%. Our operating margin excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration was 38.5%.

Investment income, net. We recorded investment income, net of PLN 11,227 for the three months ended December 31, 2009, compared to investment income, net of PLN 66,217 in the corresponding period of 2008.

The decrease was mainly due to lower revaluation gains on our U.S. Dollar currency options, which amounted to PLN 127 in the three months ended December 31, 2009, compared with PLN 24,793 in the corresponding period of 2008. The decrease was also partly due to a decrease in foreign exchange gains in the three months ended December 31, 2009, mainly on programming related payables. These gains amounted to PLN 21,167 in the three months ended December 31, 2009, compared with PLN 29,270 in the corresponding period of 2008. We also recognized fair value losses on loans to associate of PLN 11,703. We also recorded a decrease in interest income of PLN 10,004, resulting primarily from the fact that in 2008 we recognized PLN 4,992 of income from Polish government treasury bills which we disposed of during 2009 and PLN 3,217 of income on interest on our loans to ITI Neovision, which was not eliminated on consolidation when the company was our associate.

Finance expense, net. We recorded finance expense, net of PLN 109,741 for the three months ended December 31, 2009, compared to finance expense, net of PLN 106,222 in the corresponding period of 2008.

We recorded PLN 62,932 of costs related to the early redemption of our 9.5% Senior Notes. Of this amount, PLN 27,855 represents a premium on early repayment, and PLN 35,077 relates to writing off the balance of unamortized debt issuance costs of our 9.5% Senior Notes.

We recorded a loss of PLN 3,162 on unwinding of interest on the contingent consideration related to the correction payment that may be payable to ITI Media Group in 2011.

Our interest expense increased by PLN 23,592 to PLN 60,730 in the three months ended December 31, 2009, from PLN 37,138 in the corresponding period of 2008. This increase was primarily due to interest expense of PLN 20,381 on our 10.75% Senior Notes, accrued from November 2009, and partly due to PLN 8,825 of interest expense on loans payable from ITI Neovision to its non-controlling shareholder.

We recognized foreign exchange gains on our 9.5% Senior Notes of PLN 9,103 in the three months ended December 31, 2009, compared to foreign exchange losses of PLN 170,844 in the corresponding period of 2008. We recognized foreign exchange losses of PLN 6,955 on our 10.75% Senior Notes. We recognized foreign exchange gains of PLN 15,491 on loans granted to ITI Neovision by its non-controlling shareholder.

The change in the fair value of options embedded in our 9.5% Senior Notes in the three month period ended December 31, 2009 was nil, whereas in the corresponding period of 2008 we recorded a loss of PLN 26,127.

We did not recognize any options embedded in our 10.75% Senior Notes and did not recognize any fair value changes in finance expense or investment income accordingly.

Share of loss of an associate. Our share of loss of an associate amounted to PLN 42 in the three months ended December 31, 2009, compared with share of loss of an associate PLN 75,383 in the corresponding period of 2008. In the three months ended December 31, 2008, the share of loss of an associate represented primarily share of the loss of ITI Neovision, whereas in the corresponding period of 2009, we recognized only a share of the losses of other associates, and the net results of ITI Neovision were consolidated.

Profit before income tax. Our profit before income tax was PLN 204,215 for the three months ended December 31, 2009, compared to a profit before income tax of PLN 106,709 in the corresponding period of 2008. This increase was partly due to an increase in our operating profit mainly due to a gain on remeasurement of contingent consideration and partly due to a lower share of losses of associates than in the corresponding period of 2008. The increase in operating profit was partly offset by a lower investment income, net.

Income tax charge. For the three months ended December 31, 2009, we recorded a total income tax benefit of PLN 662, compared to an income tax charge of PLN 19,075 in the corresponding period of 2008. The change from a tax charge to a tax benefit resulted partly from the recognition of a non-taxable gain on remeasurement of contingent consideration in the three months ended December 31, 2009 and was partly due to the impact of a tax deduction claimed, and deferred, in relation to our operations in the special economic zone.

Profit for the period. Our profit for the period amounted to PLN 204,877 in the three months ended December 31, 2009, compared to a profit of PLN 87,634 in the corresponding period of 2008. The increase was primarily due to an increase in our profit before income tax and tax benefit.

Loss attributable to non-controlling interests. Loss attributable to non-controlling interests represents the share of ITI Neovision's net loss attributable to its non-controlling shareholders and amounted to PLN 37,784, in the fourth quarter of 2009.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 242,661 for the three months ended December 31, 2009, compared to a profit of PLN 87,634 in the corresponding period of 2008.

Results by Business Segment

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

The table below sets forth the summarized financial results by segment for the three months ended December 31, 2009 and 2008:

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items**		Total	
	Three months ended December 31, 2009	Three months ended December 31, 2008	Three months ended December 31, 2009	Three months ended December 31, 2008	Three months ended December 31, 2009	Three months ended December 31, 2008	Three months ended December 31, 2009	Three months ended December 31, 2008	Three months ended December 31, 2009	Three months ended December 31, 2008	Three months ended December 31, 2009	Three months ended December 31, 2008
Revenue from external customers	469,520	511,036	129,321	-	56,051	60,621	25,467	20,641	**-**	-	680,361	592,298
Inter-segment revenue	7,858	5,913	528	-	10,042	3,213	14,211	4,295	(32,639)	(13,421)	-	-
Total revenue	**477,379**	**516,949**	**129,850**	**-**	**66,093**	**63,834**	**39,677**	**24,936**	**(32,639)**	**(13,421)**	**680,361**	**592,298**
Segment result	210,190	216,022	(84,740)	-	15,234	16,215	9,834	673	152,253	(10,813)	302,771	222,097
Segment result excluding stock option plan expense	214,324	222,501	(84,740)	-	15,267	17,720	10,030	898	152,713	(9,580)	307,594	231,539
EBITDA*	**225,181**	**230,214**	**(58,562)**	**-**	**24,103**	**21,833**	**10,989**	**1,673**	**152,253**	**(10,813)**	**353,963**	**242,905**
EBITDA* excluding stock option plan expense	229,315	236,693	(58,562)	-	24,135	23,337	11,185	1,898	152,713	(9,580)	358,786	252,348
EBITDA* margin	**47.2%**	**44.5%**	**-**	**-**	**36.5%**	**34.2%**	**27.7%**	**6.7%**	**-**	**-**	**52.0%**	**41.0%**
EBITDA* margin excluding stock option plan expense	48.0%	45.8%	-	-	36.5%	36.6%	28.2%	7.6%	-	-	52.7%	42.6%

* 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.

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

The following table provides reconciliation of each segment result to EBITDA for the three months ended December 31, 2009 and 2008.

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items**		Total	
	Three months ended December 31, 2009	Three months ended December 31, 2008	Three months ended December 31, 2009	Three months ended December 31, 2008	Three months ended December 31, 2009	Three months ended December 31, 2008	Three months ended December 31, 2009	Three months ended December 31, 2008	Three months ended December 31, 2009	Three months ended December 31, 2008	Three months ended December 31, 2009	Three months ended December 31, 2008
Segment result	210,190	216,022	(84,740)	-	15,234	16,215	9,834	673	152,253	(10,813)	302,771	222,097
Depreciation, amortization and impairment charges	14,991	14,192	26,178	-	8,869	5,618	1,155	1,000	-	-	51,192	20,808
EBITDA	225,181	230,214	(58,562)	-	24,103	21,833	10,989	1,673	152,253	(10,813)	353,963	242,905
Stock option plan expense	4,134	6,479	-	-	32	1,504	196	225	460	1,233	4,823	9,443
EBITDA excluding stock option plan	229,315	236,693	(58,562)	-	24,135	23,337	11,185	1,898	152,713	(9,580)	358,786	252,348

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the three months ended December 31, 2009 and 2008:

	Three months ended December 31,							
	2009				2008			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
TVN channel	366,659	193,931	52.9%	53.8%	410,550	214,956	52.4%	53.6%
TVN 24 channel	53,643	24,701	46.0%	47.5%	52,496	21,505	41.0%	49.1%
Other television channels	57,077	6,551	11.5%	11.8%	53,972	(6,179)	-	-
Total	**477,379**	**225,183**	**47.2%**	**48.0%**	**517,018**	**230,282**	**44.5%**	**45.8%**
Consolidation adjustment (intra segment)	-	(2)	-	-	(69)	(68)	-	-
Total segment	**477,379**	**225,181**	**47.2%**	**48.0%**	**516,949**	**230,214**	**44.5%**	**45.8%**

Television broadcasting and production revenue in the three months ended December 31, 2009 decreased by PLN 39,570, or 7.7%, to 477,379, compared to PLN 516,949 in the corresponding period of 2008.

Our TVN channel revenue decreased by PLN 43,891, or 10.7%, in the three months ended December 31, 2009. This decrease was primarily due to a decrease of PLN 38,373, or 10.7% in the net advertising revenue of our TVN channel, which recorded an effective decrease of 17.0% in the price of GRPs sold, which was partially offset by a 6.7% increase in the volume of inventory sold.

TVN 24 increased its revenue by PLN 1,147, or 2.2%, mainly due to an increase in subscription fees from satellite and cable operators, which increased by PLN 5,508, or 25.1% to PLN 27,483. This increase was mostly due to a higher average PLN/EUR exchange rate in the three months ended December 31, 2009, compared with the corresponding period of 2008, as subscriber fees are primarily denominated in Euro, and partly due to an increase in the average number of subscribers of 0.9 million in three months ended December 31, 2009 compared to the corresponding period of 2008. This increase was partly offset by decreases of PLN 3,196, or 12.5% in advertising revenue and PLN 931, or 23.3%, decrease in sponsoring revenue.

Our other channels’ revenue increased by PLN 3,105, or 5.8%, in the three months ended December 31, 2009. This increase was primarily attributable to an increase in subscription fees from satellite and cable operators.

Our TVN channel’s EBITDA decreased by PLN 21,025, or 9.8%, to PLN 193,931 in the three months ended December 31, 2009, from PLN 214,956 in the corresponding period of 2008. TVN channel’s EBITDA margin increased to 52.9% from 52.4% in the corresponding period of 2008. The decrease in our TVN channel’s EBITDA was mostly due to a decrease in advertising revenue. The increase in our TVN channel’s EBITDA margin was achieved by operating cost reductions. Our TVN 24 channel’s EBITDA increased by PLN 3,196, or 14.9%

to PLN 24,701 in the three months ended December 31, 2009 from PLN 21,505 in the corresponding period of 2008, and its EBITDA margin was 46.0%. The increase in EBITDA was partly due to an increase in subscription fees from satellite and cable operators and partly due to cost reductions.

EBITDA for our other channels increased by PLN 12,730. Excluding the start up losses of TVN Warszawa channel which we launched in December 2008, our other television channels increased EBITDA by PLN 13,847 to PLN 12,463, with an EBITDA margin of 22.6%.

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the three months ended December 31, 2009 and 2008. We, however, fully consolidated the financial results of our digital satellite pay television segment for the period between March 11, 2009 and December 31, 2009.

	Three months ended December 31,					
	2009			2008		
	Revenue	**EBITDA**	**EBITDA %**	**Revenue**	**EBITDA**	**EBITDA %**
‘n’ post paid subscribers	125,089	(56,357)	-	78,898	(90,943)	-
‘n’ pre-paid subscribers (Telewizja na kartę)	4,761	(2,205)	-	7,356	(6,142)	-
Total segment	**129,850**	**(58,562)**	**-**	**86,254**	**(97,085)**	**-**

The table below sets forth reconciliation of segment result to EBITDA for our digital satellite pay television segment for the three months ended December 31, 2009 and 2008.

	Twelve months ended December 31,	
	2009	2008
Segment result	(84,740)	(113,755)
Depreciation, amortization and impairment charges	26,178	16,670
EBITDA	(58,562)	(97,085)

‘n’ DTH platform revenue increased by PLN 43,596, or 50.5%, to PLN 129,850 in the three months ended December 31, 2009 from PLN 86,254 in the corresponding period of 2008. This increase resulted mainly from an increase in subscription fee revenue, which increased by PLN 41,697, or 51.1%, to PLN 123,227, in the three months ended December 31, 2009, from PLN 81,530 in the corresponding period of 2008.

This increase is primarily due to a higher average number of subscribers and higher average monthly revenue per user (ARPU). The ‘n’ DTH platform’s subscribers increased by 207,000 (not in thousands) to an average of 616,652 (not in thousands) in the three month period ended December 31, 2009, from an average of 409,651 subscribers in the corresponding period in 2008. The ‘n’ DTH platform’s ARPU increased by PLN 2.2 to PLN 57.5 in the three months ended December 31, 2009 from the reported ARPU of PLN 55.3 in the corresponding period of 2008 (all amounts not in thousands). As a result of adoption in November 2009 of accounting policy regarding recognition of discounts related with the activation fees, which were previously reducing subscription revenues, ARPU for the three month period ended December 31, 2009, and for the comparative three month period ended December 31, 2008, is calculated using the policy. .The ‘n’ DTH platform recorded 139,892 (not in thousand) post paid subscriber additions in the three months ended December 31, 2009, compared to 151,791 (not in thousands) in the three months ended December 31, 2008.

TNK recorded a decrease in revenue of PLN 2,595, to PLN 4,761 in the three months ended December 31, 2009. This result primarily from the revenue from sale of set-top boxes recognized in 2008, and not recorded in the three months ended December 31, 2009. TNK increased its customer base by over 150,000 (not in thousands) in the three months ended December 31, 2009. As of December 31, 2009, TNK had over 262,000 active customers and a subscriber base of over 440,000 (not in thousands). In the three months ended December 31, 2009, TNK recorded ARPU of PLN 8.19 (not in thousands).

The ‘n’ DTH platform recorded a loss at the EBITDA level of PLN 58,562 in the three months ended December 31, 2009, compared to PLN 97,085 in the corresponding period of 2008. The increase in EBITDA results primarily from higher revenue.

Online

The table below sets forth summarized financial results for our Online segment for the three months ended December 31, 2009 and 2008:

	Three months ended December 31,							
	2009				2008			
	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense
Onet.pl	58,635	29,161	49.7%	49.4%	58,898	21,544	36.6%	46.5%
Other	9,541	(4,731)	-	-	10,117	363	3.6%	-
Total	**68,176**	**24,430**	**35.8%**	**38.1%**	**69,015**	**21,907**	**31.7%**	**41.4%**
Consolidation adjustment (intra segment)	(2,083)	(327)	-	-	(5,181)	(74)	-	-
Total segment	**66,093**	**24,103**	**36.5%**	**38.6%**	**63,834**	**21,833**	**34.2%**	**52.2%**

Online revenue increased by PLN 2,259, or 3.5%, to PLN 66,093 in the three months ended December 31, 2009, from 63,834 in the corresponding period of 2008. Onet.pl revenue decreased by PLN 263, to PLN 58,635 in the three months ended December 31, 2009, from PLN 58,898 in the corresponding period of 2008. Revenue of our Internet vortals, presented in the table above as ‘Other’, decreased by PLN 576, or 5.7%, to PLN 9,541 in the three months ended December 31, 2009, from PLN 10,117 in the corresponding period of 2008. The decrease is mostly due to a decrease in the cash advertising revenue of Zumi.pl.

Segment EBITDA increased by PLN 2,270, to PLN 24,103 in the three months ended December 31, 2009. EBITDA margin increased to 36.5%, from 34.2% in the corresponding period of 2008. Onet.pl EBITDA increased by PLN 7,617 or 35.4%. The increase resulted mainly from decrease in marketing costs of PLN 5,910 and partly from lower staff expenses resulting from savings in our stock option program. EBITDA of our Internet vortals presented in the table above as ‘Other’ decreased by PLN 5,094 to a negative amount of PLN 4,731 in the three months ended December 31, 2009. This resulted primarily from a decrease in EBITDA of Zumi.pl, by PLN 4,659.

All Other

The table below sets forth the summarized financial results of our "All Other" segment for the three months ended December 31, 2009 and 2008. The segment comprises teleshopping, cinema movies distribution as well as content sales and technical services offered primarily to business entities within TVN Group.

	Three months ended December 31,							
	2009				2008			
	Revenue	**EBITDA**	**EBITDA %**	**EBITDA % excluding stock option plan expense**	**Revenue**	**EBITDA**	**EBITDA %**	**EBITDA % excluding stock option plan expense**
Mango Media	23,418	3,621	15.5%	15.5%	13,374	1,444	10.8%	10.8%
Other	16,975	7,367	43.4%	44.6%	11,987	229	1.9%	3.8%
Total	**40,393**	**10,988**	**27.2%**	**27.7%**	**25,361**	**1,673**	**6.6%**	**7.5%**
Consolidation adjustment (intra segment)	(716)	1	-	-	(425)	-	-	-
Total segment	**39,677**	**10,989**	**27.7%**	**28.2%**	**24,936**	**1,673**	**6.7%**	**7.6%**

"All other" revenue increased by PLN 14,741, or 59.1%, to PLN 39,677 in the three months ended December 31, 2009, from 24,936 in the corresponding period of 2008. Mango Media revenue increased by PLN 10,044, or 75.1%, to PLN 23,418, primarily due to an increase in the volume of goods sold and partly due to higher average revenue per item sold. Business units classified as "Other" increased revenue by PLN 4,988, or 41.6%.

Segment EBITDA increased by PLN 9,316, to PLN 10,989 in the three months ended December 31, 2009. EBITDA margin for three months ended December 31, 2009 increased to 27.7% from 6.7% in the corresponding period of 2008. EBITDA for business units classified as "Other" increased by PLN 7,138, partly due to higher by PLN 3,988 revenue from services the "All other" segment delivers to the 'n' DTH platform, mainly due to the recognition of outstanding revenue for the entirety of 2009 in December 2009, and partly due to lower cost of our script generating unit.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments, head office expenses and the portion of stock option plan expenses not allocated to business segments. Other reconciling items had a positive impact on our profit of PLN 152,253 in the three months ended December 31, 2009, compared to a negative impact of PLN 10,813 in the corresponding period of 2008. This resulted mostly from the gain on remeasurement of contingent consideration of PLN 153,610.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenue. Our revenue increased by PLN 226,058, or 11.9%, to PLN 2,123,367 in the twelve months ended December 31, 2009, from PLN 1,897,309 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our revenue decreased by PLN 97,494, or 5.1%, to PLN 1,799,815. This decrease resulted primarily from a decrease in our advertising revenue of PLN 168,040, partly offset by an increase in subscription fees from satellite and cable operators of PLN 51,367 and an increase in revenue from sales of goods and services of PLN 25,870.

Our advertising revenue decreased by PLN 168,040, or 11.4%, to PLN 1,307,212 during the twelve months ended December 31, 2009, from PLN 1,475,252 in the corresponding period of 2008. This decrease was primarily due to a decrease of PLN 154,868, or 13.8% in the net advertising revenue of our TVN channel, which recorded an effective decrease of 19.0% in the price of GRPs sold, which was partially offset by a 5.8% increase in the volume of inventory sold.

Subscription fees from satellite and cable operators increased by PLN 51,367, or 40.7%, to PLN 177,438 in the twelve months ended December 31, 2009, from PLN 126,071 in the corresponding period of 2008. The increase was mainly due to a higher average PLN/EUR exchange rate in the twelve months ended December 31, 2009 compared with the corresponding period of 2008. Subscriber fees are primarily denominated in Euro. The increase was also partly due to an increase in the number of subscribers for our pay channels, which on average increased by approximately 1.1 million subscribers.

Revenue from sales of goods and services increased by PLN 25,870, or 50.9%, to PLN 76,679 in the twelve months ended December 31, 2009, from PLN 50,809 in the corresponding period of 2008. This increase results mainly from an increase in teleshopping revenue in Mango Media by PLN 16,705, or 40.1%, to PLN 58,383. This increase was primarily due to an increase in volume of sales.

Cost of revenue. Our cost of revenue increased by PLN 359,088, or 37.1%, to PLN 1,326,241 in the twelve months ended December 31, 2009, from PLN 967,153 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our cost of revenue decreased by PLN 15,361, or 1.6%, to PLN 951,792 in the twelve months ended December 31, 2009.

The decrease was primarily due to a decrease in amortization of locally produced content of PLN 37,715 or 7.4%. This decrease reflects our decision to reduce investment in our TVN channel's schedule in June 2009 due to the slow down in the advertising market, our decision to shorten our autumn schedule in December 2009, and was partly due to a lower cost per episode of some of the shows that we aired, and partly due to a decrease in the cost of news following cost saving initiatives, as well as our decision to withdraw from the production of the Discovery Historia channel. These decreases were partly offset by an increase in television production and broadcasting equipment depreciation of PLN 7,889. This increase results from the capital investments we made in 2008, when we acquired and started to use another high definition television production vehicle, production equipment for our new series and studio equipment for our new TVN Warszawa channel.

As a percentage of revenue, our cost of revenue increased in the twelve months ended December 31, 2009 to 62.5%, compared to 51.0% in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our cost of revenue as a percentage of revenue increased in the twelve months ended December 31, 2009 to 52.9%.

Selling expenses. Our selling expenses increased by PLN 124,415 or 82.0%, to PLN 276,187 for the twelve months ended December 31, 2009, from PLN 151,772 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our selling expenses decreased by PLN 3,913, or 2.6% to PLN 147,859.

As a percentage of revenue, our selling expenses increased to 13.0% in the twelve months ended December 31, 2009, from 8.0% in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our selling expenses as a percentage of revenue increased to 8.2% in the twelve months ended December 31, 2009.

General and administration expenses. Our general and administration expenses increased by PLN 27,556, or 18.5%, to PLN 176,357 for the twelve months ended December 31, 2009, compared with PLN 148,801 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our general and administration expenses decreased by PLN 12,593, or 8.5%, to PLN 136,208. This decrease results primarily from a reduction in staff expenses of PLN 14,334 or 17.4%, resulting mainly from a lower stock option program expense and partly from a reduction in annual bonuses.

As a percentage of revenue, our general and administration expenses increased to 8.3% in the twelve months ended December 31, 2009, from 7.8% in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our general and administration expenses decreased to 7.6% of revenue.

Gain on step acquisition. We recorded PLN 122,359 of gain on step acquisition. Gain on step acquisition results from measuring at fair value our 25% equity investment in ITI Neovision that we held before taking control over that company.

Gain on remeasurement of contingent consideration. Our contingent consideration for the acquisition of a controlling stake in Neovision Holding, that we recognized on March 11, 2009, was remeasured in November 2009, to reflect our estimation of the probability of the 'n' DTH platform meeting the conditions upon which the consideration is payable. The remeasurement was based on the updated business plan of the new management of ITI Neovision and resulted in a gain of PLN 153,610.

Operating profit. Operating profit decreased by PLN 19,785, or 3.1% to PLN 612,090 for the twelve months ended December 31, 2009, from PLN 631,875 in the corresponding period of 2008. This decrease is primarily due to the decrease in advertising revenue and consolidation of the operating losses of ITI Neovision, partly offset by the gain on step acquisition and gain on remeasurement of contingent consideration.

Our operating margin in the twelve months ended December 31, 2009 amounted to 28.8%, whereas in the corresponding period of 2008 it amounted to 33.3%. Our operating margin excluding the effects of consolidation of the operating loss of ITI Neovision, gain on step acquisition and gain on remeasurement of contingent consideration was 31.1%.

Investment income, net. We recorded investment income, net of PLN 51,175 for the twelve months ended December 31, 2009, compared to investment income, net of PLN 81,090 in the corresponding period of 2008.

This decrease was primarily due to the recognition of fair value loss of PLN 38,189, resulting from the elimination of loans granted by us to Neovision Holding and ITI Neovision. This loss represented a difference between the fair value of loans we acquired and book value. The decrease was also partly due to a lower revaluation gains on our U.S. Dollar currency options which amounted to PLN 4,107 in 2009 compared with 22,672 in 2008.

These decreases were partly offset by foreign exchange gains, net of PLN 69,549 mainly on programming related payables, partly on ITI Neovision obligation to UEFA and partly on other foreign currency denominated trade payables, whereas in the corresponding period of 2008 we recognized other foreign exchange gains of PLN 33,404.

Finance income, net. We recorded finance expense, net of PLN 243,340 for the twelve months ended December 31, 2009, compared to finance expense, net of PLN 170,973 in the corresponding period of 2008.

We recognized foreign exchange losses on our 9.5% Senior Notes of PLN 1,580 in the twelve months ended December 31, 2009, compared to foreign exchange losses of PLN 130,605 in the corresponding period of 2008. We recognized foreign exchange gains of PLN 57,096 on loans granted to ITI Neovision by its non-controlling shareholder. We also recognized foreign exchange gains on our contingent consideration of PLN 24,962.

Our interest expense increased by PLN 85.562 to PLN 198,330 in the twelve months ended December 31, 2009, from PLN 112,768 in the corresponding period of 2008. This increase was partly due to interest expense of PLN 41,543 on our PLN Bonds which we issued in June 2008 compared to PLN 24,776 of expense in 2008, partly due to PLN 32,091 of interest payable by ITI Neovision to its non-controlling shareholder, compared to an expense of nil in 2008, partly due to PLN 20,381 of interest payable on our 10.75% Senior Notes and partly due to interest on our 9.5% Senior Notes, which amounted to PLN 97,438 in 2009, compared to PLN 85,816 in 2008.

We recorded PLN 62,932 of costs related to the early redemption of our 9.5% Senior Notes. Of this amount, PLN 27,855 represented a premium for early repayment, and PLN 35,077 related to writing off the balance of unamortized debt issuance costs of our 9.5% Senior Notes.

We recognized a net loss of PLN 25,107 on our EUR currency options entered into to hedge potential foreign exchange losses on our 9.5% Senior Notes during the twelve months ended December 31, 2009, compared to a net gain of PLN 100,558 in the corresponding period of 2008. The loss represented the revaluation of our PLN/EUR options during the period of January 1, to January 15, 2009, when we settled the options.

We recorded a loss of PLN 15,514 on the unwinding of interest on the contingent consideration related to the correction payment that may be payable to ITI Media Group in 2011.

The change in the fair value of options embedded in our 9.5% Senior Notes in the twelve month period ended December 31, 2009 was nil, whereas in the corresponding period of 2008 we recorded a loss of PLN 20,447.

We did not recognize any options embedded in our 10.75% Senior Notes and did not recognize any fair value changes in the finance expense or investment income accordingly.

Share of loss of an associate. Our share of loss of an associate amounted to PLN 39,132 in the twelve months ended December 31, 2009, compared with PLN 94,440 in 2008. This amount primarily represented our share in the net loss of the 'n' DTH platform for the period between January 1, and March 11, 2009, which amounted to PLN 39,588 whereas in 2008 we recognized a share of the loss of the 'n' DTH platform for the period between June 25, 2008 and December 31, 2008. From March 11, 2009, we fully consolidate the net results of ITI Neovision.

Profit before income tax. Our profit before income tax was PLN 380,793 in the twelve months ended December 31, 2009, compared to a profit before income tax of PLN 447,552 in the corresponding period of 2008. This decrease was primarily due to decrease in operating profit, higher finance expense, net and lower interest income, net.

Income tax charge. For the twelve months ended December 31, 2009, we recorded a total income tax charge of PLN 34,637, compared to an income tax charge of PLN 83,876 in the corresponding period of 2008. This decrease resulted primarily from lower profit before income tax, the recognition of a non-taxable gain on the valuation of contingent consideration, partly due to higher tax deductions recognized under tax relief obtained by Onet in a special economic zone, offset by a higher net tax impact of other expenses and losses not deductible for tax purposes and revenue not taxable and partly by the reversal of deferred tax liability related to the loan from TVN Finance Corporation plc to TVN S.A. The effective tax rate for the twelve months ended December 31, 2009 was 9.1%, compared to 18.7%.

Profit for the period. Our profit for the period amounted to PLN 346,156 in the twelve months ended December 31, 2009, compared to a profit of PLN 363,676 in the corresponding period of 2008. The decrease was primarily due to the decrease in our profit before income tax, partly offset by the lower income tax charge.

Loss attributable to non-controlling interests. Loss attributable to non-controlling interests represents the share of ITI Neovision's net loss attributable to its non-controlling shareholders and amounted to PLN 74,665 in the twelve months ended December 31, 2009.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 420,821 for the twelve months ended December 31, 2009, compared to a profit of PLN 363,676 in the corresponding period of 2008.

Results by Business Segment

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

The table below sets forth the summarized financial results by segment for the twelve months ended December 31, 2009 and 2008:

	Television Broadcasting & Production: Twelve months ended December 31, 2009	Television Broadcasting & Production: Twelve months ended December 31, 2008	Digital satellite pay television **: Twelve months ended December 31, 2009	Digital satellite pay television **: Twelve months ended December 31, 2008	Online: Twelve months ended December 31, 2009	Online: Twelve months ended December 31, 2008	All other: Twelve months ended December 31, 2009	All other: Twelve months ended December 31, 2008	Other reconciling items***: Twelve months ended December 31, 2009	Other reconciling items***: Twelve months ended December 31, 2008	Total: Twelve months ended December 31, 2009	Total: Twelve months ended December 31, 2008
Revenue from external customers	1,483,821	1,620,359	361,239	-	186,784	196,200	81,652	80,750	-	-	2,113,496	1,897,309
Inter-segment revenue	38,876	10,755	1,259	-	21,294	9,967	39,375	12,768	(90,933)	(33,490)	9,871	-
Total revenue	**1,522,697**	**1,631,114**	**362,498**	**-**	**208,078**	**206,167**	**121,027**	**93,518**	**(90,933)**	**(33,490)**	**2,123,367**	**1,897,309**
Segment result	567,922	620,041	(212,545)	-	20,777	35,298	19,086	13,608	216,850	(37,072)	612,090	631,875
Segment result excluding stock option plan expense	583,199	645,638	(212,545)	-	22,346	43,204	19,764	14,505	221,069	(31,401)	633,833	671,945
EBITDA*	**630,626**	**676,672**	**(126,558)**	**-**	**50,194**	**55,952**	**23,658**	**17,711**	**216,850**	**(38,957)**	**794,770**	**711,378**
EBITDA* excluding stock option plan expense	645,903	702,269	(126,558)	-	51,763	63,858	24,336	18,608	221,069	(33,287)	816,513	751,448
EBITDA* margin	**41.4%**	**41.5%**	**-**	**-**	**24.1%**	**27.1%**	**19.6%**	**18.9%**	**-**	**-**	**37.4%**	**37.5%**
EBITDA* margin excluding stock option plan expense	42.4%	43.1%	-	-	24.9%	31.0%	20.1%	19.9%	-	-	38.5%	39.6%

* 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.

**Since March 11, 2009.

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

The following table provides reconciliation of each segment result to EBITDA for the twelve months ended December 31, 2009 and 2008.

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items**		Total	
	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008
Segment result	567,922	620,041	(212,545)	-	20,777	35,298	19,086	13,608	216,850	(37,072)	612,090	631,875
Depreciation, amortization and impairment charges	62,704	55,631	85,987	-	29,417	20,654	4,572	4,103	-	(1,885)	182,680	79,503
EBITDA	630,626	676,672	(126,558)	-	50,194	55,952	23,658	17,711	216,850	(38,957)	794,770	711,378
Stock option plan expense	15,277	25,597	-	-	1,569	7,906	678	897	4,219	5,670	21,743	40,070
EBITDA excluding stock option plan	645,903	702,269	(126,558)	-	51,763	63,858	24,336	18,608	221,069	(33,287)	816,513	751,448

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the twelve months ended December 31, 2009 and 2008:

	Twelve months ended December 31,							
	2009				2008			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
TVN channel	1,124,280	491,723	43.7%	44.8%	1,274,418	612,647	48.1%	49.7%
TVN 24 channel	195,275	97,388	49.9%	51.3%	177,183	64,544	36.4%	38.8%
Other television channels	203,142	43,971	21.6%	22.0%	180,910	878	0.5%	1.1%
Total	**1,522,697**	**633,082**	**41.6%**	**42.6%**	**1,632,511**	**678,069**	**41.5%**	**43.1%**
Consolidation adjustment (intra segment)	-	(2,456)	-	-	(1,397)	(1,397)	-	-
Total segment	**1,522,697**	**630,626**	**41.4%**	**42.4%**	**1,631,114**	**676,672**	**41.5%**	**43.1%**

Television broadcasting and production revenue in the twelve months ended December 31, 2009 decreased by PLN 108,417, or 6.6%, to PLN 1,522,697, compared to PLN 1,631,114 in the corresponding period of 2008.

Our TVN channel's revenue decreased by PLN 150,138, or 11.8%, in the twelve months ended December 31, 2009. This decrease was primarily due to a decrease of PLN 154,868, or 13.8% in the net advertising revenue of our TVN channel, which recorded an effective decrease of 19.0% in the price of GRPs sold, which was partially offset by a 5.8% increase in the volume of inventory sold.

TVN 24 increased its revenue by PLN 18,092, or 10.2%, mainly due to an increase in subscription fees from satellite and cable operators, which increased by PLN 36,334, or 47.6% to PLN 112,742, mostly due to a higher average PLN/EUR exchange rate in the twelve months ended December 31, 2009, compared with the corresponding period of 2008, as subscriber fees are primarily denominated in Euro, and partly due to an increase in the average number of subscribers by 1.1 million in the twelve months ended December 31, 2009. This increase was partly offset by decreases of PLN 13,546, or 16.4% in advertising revenue and PLN 4,060, or 27.3%, in sponsoring revenue.

Our other channels' revenue increased by PLN 22,232, or 12.3%, in the twelve months ended December 31, 2009. This increase was primarily attributable to an increase in subscription fees from satellite and cable operators.

Our TVN channel's EBITDA decreased by PLN 120,924, or 19.7%, to PLN 491,723 in the twelve months ended December 31, 2009, from PLN 612,647 in the corresponding period of 2008 and its EBITDA margin decreased to 43.7% from 48.1%, in the corresponding period of 2008. The decrease is mostly due to a decrease in advertising revenue. Our TVN 24 channel's

EBITDA increased by PLN 32,844, or 50.9% to PLN 97,388 in the twelve months ended December 31, 2009 from PLN 64,544 in the corresponding period of 2008 and its EBITDA margin was 49.9%. The increase in EBITDA is partly due to an increase in subscription fees from satellite and cable operators, and partly due to cost reductions.

EBITDA for our other channels increased by PLN 43,093. Excluding the start up losses of our TVN Warszawa channel which we launched in December 2008, other television channels increased EBITDA by PLN 57,674 to PLN 66,739, with an EBITDA margin of 33.8%.

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the twelve months ended December 31, 2009 and 2008. We, however, fully consolidated the financial results of our digital satellite pay television segment for the period between March 11, 2009 and December 31, 2009.

	Twelve months ended December 31,					
	2009			2008		
	Revenue	**EBITDA**	**EBITDA %**	**Revenue**	**EBITDA**	**EBITDA %**
‘n’ post paid subscribers	424,518	(150,520)	-	247,225	(194,195)	-
‘n’ pre-paid subscribers (Telewizja na kartę)	20,318	(6,111)	-	7,356	(6,188)	-
Total segment	**444,836**	**(156,631)**	**-**	**254,581**	**(200,383)**	**-**

The table below sets forth reconciliation of segment result to EBITDA for our digital satellite pay television segment for the twelve months ended December 31, 2009 and 2008.

	Twelve months ended December 31,	
	2009	2008
Segment result	(241,689)	(255,138)
Depreciation, amortization and impairment charges	85,058	54,755
EBITDA	(156,631)	(200,383)

‘n’ DTH platform revenue increased by PLN 190,255, or 74.7%, to PLN 444,836 in the twelve months ended December 31, 2009 from PLN 254,581 in the corresponding period of 2008. This increase results mainly from an increase in subscription fee revenue, which increased by PLN 193,220, or 82.8%, to PLN 426,642, in the twelve months ended December 31, 2009, from PLN 233,422 in the corresponding period of 2008.

This increase is primarily due to a higher average number of subscribers and higher average monthly revenue per user (ARPU). The ‘n’ DTH platform’s number of subscribers increased by 222,291 (not in thousands) to an average of 561,094 (not in thousands) in the twelve month period ended December 31, 2009, from an average of 338,803 subscribers in the corresponding period of 2008. The ‘n’ DTH platform’s ARPU increased by PLN 7.0 to PLN 58.2 in the twelve months ended December 31, 2009 from reported ARPU of PLN 51.2 in the corresponding period of 2008 (all amounts not in thousands). As a result of adoption in

November 2009 of accounting policy regarding recognition of discounts related with the activation fees, which were previously reducing subscription revenues, ARPU for the twelve month period ended December 31, 2009, and for the comparative twelve month period ended December 31, 2008, is calculated using the policy. The 'n' DTH platform recorded 302,378 (not in thousand) subscriber additions in the twelve months ended December 31, 2009, compared to 258,549 (not in thousands) in the twelve months ended December 31, 2008.

TNK recorded revenue of PLN 20,318 in the twelve months ended December 31, 2009. TNK increased its customer base by almost 348,000 (not in thousands) in the twelve months ended December 31, 2009. As of December 31, 2009, TNK had almost 262,000 active customers and a subscriber base of over 440,000 (not in thousands). In the twelve months ended December 31, 2009, TNK recorded ARPU of PLN 9.5 (not in thousands).

The 'n' DTH platform recorded a loss at the EBITDA level of PLN 156,631 in the twelve months ended December 31, 2009, compared to a loss of PLN 200,383 in the corresponding period of 2008. The increase in EBITDA results primarily from the increase in revenue, which outpaced an increase in 'n' DTH platform costs resulting partly from the adverse impact of PLN/EUR and PLN /USD exchange rates changes.

Online

The table below sets forth the summarized financial results for our Online segment for the twelve months ended December 31, 2009 and 2008:

	Twelve months ended December 31,							
	2009				2008			
	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense
Onet.pl	180,443	57,493	31.9%	35.7%	187,235	61,973	33.1%	42.6%
Other	32,996	(6,902)	-	-	26,855	(5,822)	-	-
Total	**213,439**	**50,591**	**23.7%**	**28.7%**	**214,090**	**56,151**	**26.2%**	**37.6%**
Consolidation adjustment (intra segment)	(5,361)	(397)	-	-	(7,923)	(199)	-	-
Total segment	**208,078**	**50,194**	**24.1%**	**29.0%**	**206,167**	**55,952**	**27.1%**	**38.3%**

Online revenue increased by PLN 1,911 or 0.9%, to PLN 208,078 in the twelve months ended December 31, 2009, from 206,167 in the corresponding period of 2008. Onet.pl's revenue decreased by PLN 6,792, or 3.6%, to PLN 180,443 in 2009, compared with PLN 187,235 in 2008. The decrease in Onet.pl's revenue is partly due to a higher advertising revenue base in 2008. The revenue base in 2008 was increased by significant one-off contracts with telecom operators. The revenue of our Internet vortals, presented in the table above as 'Other', increased by PLN 6,141, or 22.9%, to PLN 32,996 in the twelve months ended December 31, 2009, from PLN 26,855 in the corresponding period of 2008, mainly due to an increase of PLN 6,183, or 35.7%, in advertising revenue in Zumi.pl.

Segment EBITDA decreased by PLN 5,758, to PLN 50,194 in the twelve months ended December 31, 2009. EBITDA margin decreased to 24.1%, from 27.1% in the corresponding period of 2008. Onet.pl EBITDA decreased by PLN 4,480 or 7.2%. The decrease of Onet.pl EBITDA resulted mainly from a higher advertising revenue base in 2008, which resulted from significant one-off contracts with telecom operators. The EBITDA of our Internet vortals presented in the table above as 'Other' decreased by PLN 1,080 to a negative amount of PLN 6,902 in the twelve months ended December 31, 2009.

All Other

The table below sets forth the summarized financial results of our "All Other" segment for the twelve months ended December 31, 2009 and 2008. The segment comprises teleshopping, cinema movies distribution as well as content sales and technical services offered primarily to business entities within TVN Group.

	Twelve months ended December 31,							
	2009				2008			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
Mango Media	68,595	7,559	11.0%	11.0%	50,703	9,964	19.7%	19.7%
Other	53,903	16,099	29.9%	31.1%	44,109	7,747	17.6%	19.6%
Total	**122,498**	**23,658**	**19.3%**	**19.9%**	**94,812**	**17,711**	**18.7%**	**19.6%**
Consolidation adjustment (intra segment)	(1,471)	-	-	-	(1,294)	-	-	-
Total segment	**121,027**	**23,658**	**19.5%**	**20.1%**	**93,518**	**17,711**	**18.9%**	**19.9%**

"All other" revenue increased by PLN 27,509, or 29.4%, to PLN 121,027 in the twelve months ended December 31, 2009, from 93,518 in the corresponding period of 2008. Mango Media revenue increased by PLN 17,892, or 35.3%, to PLN 68,595, primarily due to increase in volume of goods sold. Business units classified as "Other" increased their revenue by PLN 9,794, or 22.2%.

Segment EBITDA increased by PLN 5,947, or 33.6%, to PLN 23,658 in the twelve months ended December 31, 2009. EBITDA margin for the twelve months ended December 31, 2009 increased to 19.5% from 18.9% in to the corresponding period of 2008.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments, head office expenses and the portion of stock option plan expenses not allocated to business segments. Other reconciling items had a positive impact on our profit of PLN 216,850 in the twelve months ended December 31, 2009, resulting mainly from the recognition of gain on step acquisition of PLN 122,359 and gain on remeasurement of contingent consideration of PLN 153,610, compared to a negative impact of PLN 38,957 in the corresponding period of 2008.

The following table sets out our summary historical consolidated financial information for the years ended December 31, 2008 and December 31, 2007. 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 years 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.

	Twelve months ended December 31,			
	2007 PLN	2007 Euro	2008 PLN	2008 Euro
Income Statement data				
Revenue	1,554,729	372,622	1,897,309	454,728
Operating profit	482,012	115,524	631,875	151,442
Profit before income tax	297,232	71,238	447,552	107,265
Net profit excluding revaluation of embedded options	330,478	79,206	380,238	91,132
Net profit	243,308	58,314	363,676	87,162
Cash Flow Data				
Net cash generated from operating activities	419,959	100,652	615,354	147,482
Net cash used in investing activities	(174,751)	(41,883)	(813,388)	(194,945)
Net cash (used in)/ generated by financing activities	(239,912)	(57,500)	271,513	65,074
Increase in cash and cash equivalents	5,296	1,269	73,479	17,611
Weighted average number of ordinary shares in issue (not in thousands)	345,979,725	345,979,725	348,585,264	348,585,264
Weighted average number of potential ordinary shares in issue (not in thousands)	352,494,544	352,494,544	353,066,178	353,066,178
Basic earnings per share (not in thousands)	0.70	0.17	1.04	0.25
Basic earnings per share excluding revaluation of embedded option (not in thousands)	0.96	0.23	1.09	0.26
Diluted earnings per share (not in thousands)	0.69	0.17	1.03	0.25
Dividend paid or declared per share (not in thousands)	0.37	0.09	0.49	0.12
Other data				
EBITDA*	554,102	132,802	711,378	170,496
EBITDA margin	35.6%	35.6%	37.5%	37.5%
Operating margin	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**
Total assets	2,744,925	657,877	3,753,174	899,524
Current assets	645,446	154,694	1,201,394	287,938
Non-current liabilities	967,064	231,776	1,637,872	392,549
Current liabilities	348,100	83,429	468,348	112,249
Shareholders equity	1,429,761	342,671	1,646,954	394,726
Share capital	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. 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.

The following table provides reconciliation of our operating profit to EBITDA for the years ended December 31, 2008 and December 31, 2007.

	Twelve months ended December 31,			
	2007	2007	2007	2007
	PLN	PLN	PLN	PLN
Operating profit	482,012	115,524	631,875	151,442
Depreciation, amortization and impairment charges	72,090	17,278	79,503	19,054
EBITDA	554,102	132,802	711,378	170,496

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

Revenue. Our 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 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 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. Our 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 reflected our decision to strengthen our TVN channel's 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, 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 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, 2008, from PLN 126,452 in 2007. This increase was partly due to increased marketing of our TVN channel's 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 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 expenses 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 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 the '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 the '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 9.5% 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 9.5% Senior Notes.

Share of loss of associate. Our share of loss of associate amounted to PLN 94,440 in 2008. This amount primarily represented our share in the net loss of the '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 the ‘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 was 18.7% in 2008, 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.

Business Segment Results

In the years stated, our business comprised 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 the purpose of making financial decisions and allocating resources.

The table below sets forth the summarized financial results by segment for the twelve months ended December 31, 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)	1,897,309	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.*

The following table provides reconciliation of each segment result to EBITDA 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
Segment result	635,630	498,544	34,866	19,345	(38,621)	(35,877)	631,875	482,012
Depreciation, amortization and impairment charges	60,733	56,127	20,655	15,963	(1,885)	-	79.503	72,090
EBITDA	696,363	554,671	55,521	35,308	(40,506)	(35,877)	711,378	554,102
Stock option plan expense	26,629	21,384	7,770	16,463	5,671	6,985	40,070	44,832
EBITDA excluding stock option plan expense	722,992	576,055	63,291	51,771	(34,835)	(28,892)	751,448	598,934

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television broadcasting and production segment for the twelve months ended December 31, 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 (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 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's by PLN 4,276. Our TVN CNBC Biznes channel's total revenue increased by PLN 6,914.

EBITDA increased by PLN 141,692, or 25.5%, 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 the 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 the 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 (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's cash advertising revenue of PLN 21,359 and partly due to an increase in Zumi.pl's cash advertising revenue of PLN 15,482. Revenue of our Internet vortals presented above as 'Other' increased by PLN 23,400, or 677.3%, 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

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 segments and elimination of intersegment revenue and costs. Unallocated loss was PLN 38,621 in 2008, compared with 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.

The above 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.

Liquidity and Capital Resources

Historical Overview

The table below summarizes our consolidated cash flow for the year ended December 31, 2009, 2008 and 2007.

	Year ended December 31,			
	2007	**2008**	**2009**	**2009**
	PLN	**PLN**	**PLN**	**Euro [(1)]**
Cash generated from operations.....................................	507,669	725,951	599,434	138,099
Net cash generated by operating activities..................	419,959	615,354	479,767	110,530
Net cash used in investing activities................................	(174,751)	(813,388)	(562,270)	(129,537)
Net cash generated by financing activities….	(239,912)	271,513	273,037	62,903
Increase in cash and cash equivalents……..	5,296	73,479	190,534	43,896

(1) For the convenience of the reader, we have converted Złoty amounts for the twelve months ended December 31, 2009 into Euro at the rate of PLN 4. 3406 per €1. (arithmetic average of the effective NBP exchange rates on January 31, 2009, February 28, 2009, March 31, 2009, April 30, 2009, May 31, 2009, June 30, 2009, July 31, 2009, August 31, 2009, September 30, 2009, October 31, 2009, November 30, 2009 and December 31, 2009). You should not view such translations as a representation that such Złoty amounts actually represent such Euro amounts, or could be or could have been converted into Euro at the rates indicated or at any other rate.

Cash flow for the year ended December 31, 2009 and 2008

Cash Generated from Operations

Cash generated from operations decreased by PLN 126,517 to PLN 599,434 in the twelve months ended December 31, 2009, from PLN 725,951 in the corresponding period of 2008. We attribute the decrease primarily to the decrease in EBITDA, excluding the gain on step acquisition and gain on remeasurement of contingent consideration, by PLN 192,577 and partly due to higher by PLN 14,375 payments made to acquire programming rights. These decreases were partly offset by an increase in our lower local production balance of PLN 43,532, recognition of positive working capital change of our digital platform of PLN 16,280 and the adjustment related to costs of acquisition of a subsidiary of PLN 16,608.

Net Cash Generated by Operating Activities

Net cash generated by operating activities includes all cash generated from operations and also reflects cash paid for taxes. Net cash generated by operating activities amounted to PLN 479,767 for the twelve months ended December 31, 2009, compared to PLN 615,354 generated by operating activities for the corresponding period in 2008. The decrease is a result of a lower level of cash generated from operations.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to PLN 562,270 in the twelve months ended December 31, 2009, in comparison to net cash of PLN 813,388 used in the corresponding period of 2008. The decrease in net cash used in investing activities primarily related to net cash of PLN 347,270 we received from our investment in Polish treasury bills we held, partly to PLN 9,864 we received on settlement of currency options limiting our PLN/USD exchange rate exposure and partly to interest received of PLN 7,648. These cash inflows were offset by the cash outflows related to the purchase of German government treasury bills and bonds, which amounted to PLN 411,890, and cash outflows related to the business combination with ITI Neovision. This included PLN 97,683 we paid for a controlling stake in 'n' net of cash acquired and PLN 75,344 of loans we granted to that company before March 11, 2009. We also recorded PLN 297,977 of payments to acquire property, plant and equipment, which included PLN 174,795 of payments made by ITI Neovision to acquire set-top boxes and PLN 54,300 paid by Onet for its new data center in Kraków. We also recorded PLN 31,497 of payments to acquire intangible assets and PLN 13,355 of costs of acquisition of subsidiary.

Net Cash Generated by Financing Activities

Net cash generated by financing activities amounted to PLN 273,037 in the twelve months ended December 31, 2009, compared to net cash generated from financing activities of PLN 271,513 in the corresponding period of 2008. The net cash generated by financing activities results primarily from the proceeds from the issue of 10.75% Senior Notes due 2017 in the amount of PLN 1,635,209, net of related costs of PLN 55,549 and due to cash inflow of PLN 101,014 from early settlement of currency options, hedging our PLN/EUR exchange rate exposure as well as from loans granted to ITI Neovision by its non-controlling shareholder of PLN 61,823. These inflows were partly offset by cash outflows related to the early repayment of our 9.5% Senior Notes due 2013 in the total amount of PLN 907,399, repayment of the balance of our Loan Facility of PLN 110,000 and our distributions to shareholders, in the form of dividend of PLN 194,025 and a share buyback of PLN 62,572. We also repaid our overdraft facility, which resulted in a cash outflow of PLN 48,733, and paid PLN 147,361 of interest related to our long-term borrowings.

Total cash and cash equivalents, excluding restricted cash, that we held as of December 31, 2009 amounted to PLN 381,658 and to PLN 184,867 as of December 31, 2008. We hold cash and cash equivalents on bank deposit in Poland in Złoty, Euro and U.S. Dollars.

As of December 31, 2009, we also held PLN 243,543 in easily marketable German government EUR denominated treasury bills classified as current available-for-sale financial assets, maturing on April 28, 2010 and October 27, 2010 respectively and PLN 133,970 in easily marketable German government EUR denominated treasury bills classified as non-current available-for-sale financial assets, maturing on April 8, 2011, excluding PLN 3,308 of accrued interest, presented as current available-for-sale financial assets. Both categories of financial assets are easily marketable.

Sources of our cash flows

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

Cash flow for the year ended December 31, 2008 and 2007

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 34,910, 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 61,491.

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 increase was primarily due 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 the ‘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 2007. Net cash generated by financing activities in 2008 primarily represented proceeds from the issuance of PLN Bonds of PLN

498,458 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 9.5% Senior Notes and PLN Bonds, the repurchase of 9.5% 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 investment in ITI Neovision through loans or equity 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 our debt service obligations on our 10.75% Senior Notes and PLN Bonds. We believe that our existing cash balances, easily marketable available for sale financial assets and cash generated from our operations will be sufficient to fund these needs.

The table below sets forth the components of our gross debt, cash and cash equivalents, and marketable available-for-sale financial assets of December 31, 2009:

	Value	Coupon/ effective interest	Maturity
10.75% Senior Notes due 2017 (nominal value[(1)])……………….	1,663,821	10.75%	2017
PLN Bonds (nominal value)……………………………………...	500,000	WIBOR 6m + 2.75%	2013
Loans from related parties[(2)]………………………………………..	545,849	9.50%	2015, 2018
Guarantees………………………………………………………….	112,236	-	-
Accrued interest on long term debt………………………………...	22,010	-	-
Total debt…………………………………………………………….	**2,843,916**	**-**	**-**
Cash at bank and in hand…………………………………………..	381,658	-	-
Cash and cash equivalents……………………………………….	**381,658**	-	-
EUR denominated German treasury bills………………………….	113,214	0.260%	April 28, 2010
EUR denominated German treasury bills………………………….	130,329	0.565%	October 27, 2010
EUR denominated German treasury bonds……………………….	133,970	0.760%	April 8, 2011
Total…………………………………………………………………….	**759,171**	**-**	**-**
Net debt ……………………………………………………………...	**2,084,745**	**-**	**-**

(1) This value represents outstanding nominal value of our 10.75% Senior Notes, which amounts to EUR 405,000 multiplied by the rate of PLN 4.1082 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of December 31, 2009).
(2) This value represents outstanding nominal value of loans from Strateurop, which amounts to EUR 64,657 and N-Vision, which amounts to EUR 47,149 multiplied by the rate of PLN 4.1082 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as at December 31, 2009) and interest accrued on these loans.

Our activities expose us to a variety of financial risks: 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 where hedging instruments are assessed to be cost effective.

Financial risk management is carried out by us under policies approved by the management board and supervisory board. Our Treasury Policy lays down the rules for managing financial risk and liquidity, through determination of the financial risk factors to which we are exposed and their sources. Details of the duties, activities and methodologies used to identify, measure, monitor and report risks as well as forecast cash flows, finance maturity gaps and invest free cash resources are contained in approved supplementary written instructions.

The following organizational units within 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 board member responsible for our financial reporting and heads of the teams within our financial department. The risk committee meets monthly and, based on an analysis of financial risks, recommends the financial risk management strategy, which is approved by the management board. The supervisory board approves risk exposure limits and is consulted prior to the execution of hedging transactions. The financial planning and analyzing team measures and identifies financial risk exposure based on information reported by operating units generating exposure. The liquidity management team performs analysis of our 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 settlement of the transactions.

In our opinion we have sufficient working capital for our present requirements.

Financing Activities

The ratio of consolidated net debt defined as total borrowings (nominal amount of principal and accrued interest thereon), including loans from related parties and guarantees issued on our behalf, net of cash and cash equivalents (excluding restricted cash) and easily marketable available for sale financial instruments, to our consolidated shareholders' equity was 1.6 as of December 31, 2009, and 0.6 as of December 31, 2008. Excluding the loans from related parties, the ratio of consolidated net debt to our consolidated shareholder's equity was 1.2 as of December 31, 2009.

Our consolidated net debt to EBITDA ratio increased to 2.6, from 1.5, in the twelve months ended December 31, 2009. Excluding the effect of loans from related parties, our consolidated net debt to EBITDA ratio increased to 1.9. This increase is primarily due to bank guarantees issued on behalf of ITI Neovision to UEFA in relation to UEFA Champions League rights acquired.

EBITDA is calculated for the last twelve months and is defined as profit/(loss) net, for the period, before depreciation and amortization (other than programming rights), impairment charges and reversals on property plant and equipment and intangible assets, finance expense, net, investment income, net, share of loss of associate and income tax charges.

Our current liabilities amounted to PLN 675,477 at December 31, 2009, compared with PLN 468,348 at December 31, 2008. This increase was mainly due to the recognition of ITI Neovision's trade payables and partly due to the recognition of ITI Neovision's programming payables and other liabilities and accruals as of December 31, 2009.

Our borrowed funds excluding accrued interest as of December 31, 2009, consisted of PLN 1,589,292 of indebtedness represented by the 10.75% Senior Notes, PLN 498,837 of indebtedness represented by PLN Bonds and PLN 544,612 of indebtedness represented by loans from related parties (including accrued interest).

9.5% Senior Notes

TVN Finance, our wholly-owned subsidiary, issued 9.5% Senior Notes in an aggregate principal amount of EUR 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, a third supplemental indenture dated August 31, 2006 and a fourth supplemental indenture dated July 31, 2009, by and among the Company, TVN Finance, Grupa Onet, ITI Neovision and the trustee, registrar and transfer and principal paying agent.

In 2008 we repurchased 9.5% Senior Notes of a total nominal value of EUR 20,000 and accounted for this in the consolidated balance sheet as derecognition of the corresponding part of the Senior Notes.

On December 19, 2009 we repaid and redeemed all 9.5% Senior Notes due 2013 in a consolidated principal amount of EUR 215,000 issued by TVN Finance Corporation plc. The 9.5% Senior Notes were redeemed at a redemption price of 103.167% of the principal amount plus the aggregate amount of accrued interest on the 9.5% Senior Notes between December 15, 2009 up to but not including December 19, 2009. The total amount paid to redeem 9.5% Senior Notes was EUR 222 million. The 9.5% Senior Notes were repaid and redeemed from cash proceeds of the issue of the 10.75% Senior Notes in an aggregate principal amount of EUR 405,000 issued on November 19, 2009.

10.75% Senior Notes

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

We received PLN 1,579,660 in proceeds from the issue of our 10.75% Senior Notes, net off issue costs. Of these proceeds, we used PLN 907,399 to redeem our 9.5% Senior Notes, including the redemption premium and PLN 110,000 to repay the balance on our Loan facility. We also incurred PLN 53,126 in fees and expenses related to the issue of the 10.75% Senior Notes. We invested additional liquidity generated by the issue in German government treasury bonds (PLN 133,970) and German government treasury bills (PLN 243,543). The remaining amount, PLN 131,622, has been or will be used for general corporate purposes.

Change of Control

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

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

Optional redemption

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

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

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

In addition, prior to November 15, 2012, we may on any one or more occasions redeem up to 35% of the original principal amount of 10.75% Senior Notes with the net cash proceeds of one or more public equity offerings at a redemption price of 110.75% of the principal amount plus accrued and unpaid interest, if any, up to the redemption date.

We separated an embedded derivative with respect to this repayment option, but did not recognize the instrument which was assessed to have a negligible value due to remote probability of realization.

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

We separated an embedded derivative with respect to this repayment option, but did not recognize the instrument which was assessed to have a negligible value due negative intrinsic value.

Covenants

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

- incur or guarantee additional indebtedness;
- make investments or other restricted payments;
- create liens;

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

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

Events of Default

The Indenture contains customary events of default, including, payment defaults, covenant defaults, certain cross-defaults to other indebtedness and obligations, and certain events of bankruptcy, insolvency or reorganization. Upon the occurrence and subsistence of an event of default (other than an event of default due to bankruptcy or insolvency), holders of at least 25% in principal amount of the 10.75% Senior Notes may declare all the outstanding 10.75% Senior Notes to be due and payable. If an event of default on account of bankruptcy or insolvency occurs and continues on account of bankruptcy or insolvency, all the outstanding 10.75% Senior Notes will become due and payable without any declaration or other act by the holders of the 10.75% Senior Notes.

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 6 month WIBOR plus 2.75%.

Loan Facility

We have a loan facility of PLN 200,000 with Bank Pekao S.A., in order 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 was recently 1.6%. The loan has been secured on our trade receivables up to the equivalent of EUR 25,000. The loan is also guaranteed by Grupa Onet, Mango Media and ITI Neovision, our subsidiaries.

In November 2009 we repaid with the cash proceeds of the issue of our 10.75% Senior Notes the amount used under our loan facility in the form of a revolving loan.

As of December 31, 2009, the following amounts were used under our credit facility:

- Euro 2,026 and PLN 1,351, in the form of guarantees issued by the bank on our behalf; and
- Euro 6,000, in the form of guarantees issued by the bank to UEFA on behalf ITI Neovision in relation to UEFA Champions League rights acquired and USD 3,780 in the form of guarantees issued by the bank for Universal Pictures on behalf ITI Neovision in relation to programming licenses acquired.

Guarantee

On November 20, 2009, we entered into a guarantee agreement with Rabobank Polska S.A. (Rabobank). Pursuant to this agreement, Rabobank issued a guarantee to UEFA on behalf of ITI Neovision, to secure payment for UEFA Champions League Season 2010/2011 rights. The guarantee amounts to EUR 16,000 and expires on June 30, 2011. The payment for the rights is to be settled in agreed installments, and the amount of the guarantee will be reduced each time ITI Neovision settles each consecutive installment.

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, 2009 under our operating leases and other material agreements. The information presented below reflects the contractual maturities of our obligations. These maturities may differ significantly from their actual maturity.

	As of December 31, 2009						
	2010	**2011**	**2012**	**2013**	**2014**	**thereafter**	**Total**
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases ……	73,970	76,059	45,999	31,214	31,214	57,241	315,697
Other technical leases…………..	8,773	8,773	8,773	8,773	8,773	-	43,865
Operating leases – other………..	49,829	43,302	41,299	36,996	29,597	46,844	247,867
Programming rights……………….	250,457	297,034	281,254	190,273	34,763	4,169	1,057,950
Total operating leases…………	**383,029**	**425,168**	**377,325**	**267,256**	**104,347**	**108,254**	**1,665,379**
Commitments to purchase equipment and software (2)…….	65,604	-	-	-	-	-	**65,604**
Total cash commitments ……..	**448,633**	**425,168**	**377,325**	**267,256**	**104,347**	**108,254**	**1,730,983**
Barter commitments (1)…………	2,984	-	-	-	-	-	**2,984**
Total cash commitments and other obligations ………………	**451,617**	**425,168**	**377,325**	**267,256**	**104,347**	**108,254**	**1,733,967**

(1) As of December 31, 2009**,** pursuant to barter agreements, we had contractual commitments outstanding amounting to PLN 2,984, 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, 2009, the remaining commitment amounted to PLN 94,748.

We have no off-balance sheet arrangements.

Trend Information

The principal trends of which we are aware that we believe will affect our revenue and profitability are growth in the television and Internet advertising markets in Poland and growth in the pay television market. To a lesser extent, we also believe that the continued development of paid cable and ADSL (Asymmetric Digital Subscriber Line) will have a positive impact on our revenue and profitability. We are exposed to fluctuations in the exchange rates of Złoty to both the Euro and the U.S. Dollar. Our 10.75% Senior Notes due 2017 are denominated in Euro, and a large proportion of our programming costs are denominated in U.S. Dollar. In recent months the Złoty has both rapidly appreciated and depreciated against the Euro and the U.S. Dollar. We expect this high volatility of Złoty exchange rates and, similarly, of prices of financial instruments to continue.

The annual inflation rate in Poland in December 2009 was 3.5%, compared with 3.3% in December 2008, 3.6% in March 2009, 3.5% in June 2009 and 3.4% in September 2009. We do not believe that the current inflationary trends will have a material impact on our business. We cannot predict the likelihood that these trends will continue. In particular we cannot predict the effect the current global crisis may have on the Polish economy, on financial markets, and on us or when we can expect recovery and how strong and sustainable it would be.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We are committed to ensuring that our corporate governance is transparent and meets applicable Polish and international standards. We comply with the “Best Practices for WSE Listed Companies”, adopted by the Warsaw Stock Exchange on July 4, 2007 and effective as of January 1, 2008.

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 our internal rules of procedure of the management board and the supervisory board.

The management board is responsible for the day-to-day management of our business. The management board must have at least three members, including a president and at least one vice-president. The members of the management board are appointed by the supervisory board for a renewable joint three year term of office, and may be removed or suspended by the supervisory board for just cause only. 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 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 our operations. The supervisory board may consist of between seven and eleven members, elected for a renewable joint three year term of office. The terms of the members of the current supervisory board, who were appointed as of May 15, 2009 by a resolution of the annual shareholders’ meeting held on that day, will terminate upon the approval of our 2012 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 of the content of any such proposed resolution.

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

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

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 four 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
Markus Tellenbach....	49	President Chief Executive Officer	2009	2009	2014
Piotr Walter..............	42	Vice President Television and Broadcasting	1999	2007	2014
Łukasz Wejchert........	36	Vice President Online	2006	2007	2014
Rafał Wyszomierski…	40	Interim Chief Financial Officer	2009	2009	2010

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

Piotr Walter has been Vice-President of the management board and Head of Television Broadcasting since September 2009. From 1991 to 2000 he worked in ITI Group companies, where he started his career as video editor, subsequently becoming a producer. In 1998 he became Vice President of ITI Film Studio's and in 1999 was appointed Vice President of the management board in charge of marketing and on-air promotion. In July 2001 he took over, succeeding his father Mariusz Walter, the position of President of the management board and General Director of TVN and remained in that position until August 2009. He is member of the supervisory board of Onet.pl and ITI Neovision. He graduated from Columbia College in Chicago and the International Institute for Management Development in Lausanne. He also studied at the University of Warsaw (Journalism) and at the Film School in Łódz (Film Directing).

Łukasz Wejchert has been Vice-President, responsible for our Online business segment, since August 2006. He is also the Chief Executive Officer of Onet.pl and since September 2008 also has served on the board of directors of ITI Holdings, the majority shareholder of TVN.

Prior to joining us, he worked for Onet.pl since 2002 and the ITI Group which he joined in 1997. He is also a supervisory board member of ITI Neovision Sp. z o.o. since April 2009. He started his professional career in 1995 at ING Bank. He is a graduate of the Finance and Economy Faculty at Portobello Business College (Dublin).

Rafał Wyszomierski has been a member of our management board and our interim Chief Financial Officer since September 2009. He joined us in February 2005 as a financial director responsible for the accounting and tax team. In 1995 he started his career in PricewaterhouseCoopers in Warsaw and from 1999 to 2000 he worked for PricewaterhouseCoopers in Luxembourg. After his return to Poland he worked as the senior manager in the financial services department in PricewaterhouseCoopers providing services for asset management companies. Rafał Wyszomierski graduated from Warsaw University of Technology and has also MBA from the Warsaw University of Technology.

On May 13, 2009, our supervisory board accepted the resignation of six members of our management board - Tomasz Berezowski, Olgierd Dobrzyński, Waldemar Ostrowski, Adam Pieczyński, Jarosław Potasz and Piotr Tyborowicz. On August 12, 2009, Edward Miszczak submitted his resignation, with effect as of August 31, 2009, from the management board and from his position as vice-president of the management board. These seven individuals continue to be employed as directors within the Group. On August 31, 2009, Karen Burgess resigned for personal reasons from our management board and the positions of Vice-President and Chief Financial Officer. She is no longer employed with the Group.

Compensation

The table below sets out the compensation of our management board members, comprising base salary and bonuses actually paid under the management board mandate during the year ended December 31, 2009 (in PLN):

Name	Salary	Bonuses	Total
Markus Tellenbach	1,450	-	1,450
Piotr Walter	1,947	2,320*	4,267
Łukasz Wejchert	1,356	502*	1,858
Rafał Wyszomierski	222	-	222
Tomasz Berezowski	221	350*	571
Karen Burgess	2,103	1,080*	3,183
Olgierd Dobrzyński	246	284*	530
Edward Miszczak	564	780*	1,344
Waldemar Ostrowski	189	350*	539
Adam Pieczyński	236	500*	736
Jarosław Potasz	194	350*	544
Piotr Tyborowicz	194	1,249**	1,443
Total	**8,922**	**7,765**	**16,687**

**Bonuses paid for 2008 during 2009.*

***Bonuses paid for 2006, 2007 and 2008 during 2009*

Share based payments

Certain members of our management board participate in stock option plans introduced in December 2005 ("stock option plan I") and July 2006 ("stock option plan II"). Under the terms of stock option plan I, awards of share options were made in four tranches between December 2005 and December 2008, subject to certain vesting conditions being met. Under the terms of stock option plan II, awards of share options were made in four tranches between July 2006 and April 2008. All tranches have already been granted and one of them is subject to certain vesting conditions being met. The remuneration and related party transactions committee recommended and the supervisory board approved, the number of option granted to management board members. Further details of the stock options plans are presented below. The table below summarizes the number of share options allocated to each management board member as of December 31, 2009:

Name	**Total number of options granted up to December 31, 2009 (not in thousands)**	**Total number of options vested up to December 31, 2009 (not in thousands)**	**Total number of options vested and held as of December 31, 2009 (not in thousands)**
Markus Tellenbach	-	-	-
Piotr Walter	622,600	622,600	458,080
Łukasz Wejchert	577,065	577,065	577,065
Rafał Wyszomierski	206,200	154,650	103,100

The table below sets out shares in TVN S.A. held by each management board member as of December 31, 2009:

Name	**Number of shares**
Markus Tellenbach	-
Piotr Walter	-
Łukasz Wejchert	515,805
Rafał Wyszomierski	18,299

The table below sets out shares in related parties held by our management board members as of December 31, 2009:

Name	**Name of related party**	**Number of shares (not in thousands)**	**Nominal value of one share (not in thousands)**
Łukasz Wejchert controlled entity	ITI Holdings S.A.	2,308,153	1.25 EUR
Łukasz Wejchert controlled entity	ITI Media Group N.V.	100	1.00 USD

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

Name	Age	Position	Year first appointed	Year appointed for the current term*
Wojciech Kostrzewa	49	Chairman of the supervisory board Member of the related party transactions and remuneration committee	2005	2009
Bruno Valsangiacomo	54	Deputy Chairman of the supervisory board Member of the audit committee	1999	2009
Arnold Bahlmann	55	Independent member of the supervisory board Member of the related party transactions and remuneration committee	2005	2009
Romano Fanconi	44	Member of the supervisory board	2004	2009
Paweł Gricuk	44	Independent member of the supervisory board Member of the audit committee Member of the related party transactions and remuneration committee	2005	2009
Paweł Kosmala	58	Member of the supervisory board	2008	2009
Wiesław Rozłucki	61	Independent member of the supervisory board Member of the audit committee	2007	2009
Andrzej Rybicki	61	Member of the supervisory board	2006	2009
Aldona Wejchert	40	Member of the supervisory board	2007	2009
Gabriel Wujek	57	Member of the supervisory board	2008	2009
Michał Broniatowski	55	Independent member of the supervisory board	2009	2009

* Term expires at the General Shareholders Meeting at which our 2012 consolidated financial statements are approved.

Wojciech Kostrzewa is the President and Chief Executive Officer of ITI Holdings, which positions he has held since January 2005. 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 the position of President of the Polish Development Bank. In 1996, he was appointed as Deputy

President of BRE Bank S.A. and was made President of the same in May 1998, a post which he held until November 2004. From 1999 to 2004 he was a non executive director of ITI Holdings SA. Between January 2002 and November 2004, he was an executive member of the regional management board of Commerzbank AG where he was responsible for all the operations of Commerzbank in Central and Eastern Europe. He has served on the supervisory boards of Multikino S.A., Onet.pl and ITI Neovision Sp. z o.o. since 2005 and 2006, respectively. Since 2007 he has also been the Vice President of the 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 is Managing Partner of FFC Fincoord Finance, Coordinators Ltd., Zurich, an investment banking and advisory firm he founded in 1991. He joined ITI Holdings in 1991 as a founding shareholder and holds the position of Deputy Executive Chairman of ITI Holdings. He has been a member of the Executive Committee of the ITI Group. He is a member of the TVN supervisory board and serves as member of the TVN audit committee. He is an experienced entrepreneur and investor in various industries. He started his career in corporate banking and worked at major institutions in Switzerland such as UBS (1972 to 1982) and Banque Paribas (1982 to 1991) for 20 years. He has successfully structured, negotiated, launched and implemented several complex businesses and ground-breaking financial transactions. Since 1991 his strong entrepreneurial focus has been media and entertainment in Poland however he also specializes in other industries such as finance, FMCG and pharma. He leads the Tectus Group of companies, a Swiss based family owned holding company with interests in construction engineering worldwide. He is a graduate of the School of Economics and Administration in Zurich.

Arnold Bahlmann is a senior advisor to Permira, one of Europe's largest private equity funds, and sits on its industrial advisory board. Transactions which he has arranged have involved SBS Broadcasting, of which he was a member of the supervisory board from October 2005 to July 2007, and ProSiebenSat 1. For more than 20 years he worked in various positions within Bertelsmann AG, starting in 1982 as Head of Strategic Planning of the Ariola Group, which later merged with RCA to create BMG, as President of Premiere GmbH, the German pay TV operator and as a Member of the Executive Board of Bertelsmann AG and Chief Strategic Officer responsible for major transactions, such as the sale of AOL Europe, Mediaways and Springer. He ended his career at Bertelsmann AG in 2003 as President and Chief Executive Officer of Bertelsmann Springer and a member of the executive board of Bertelsmann AG. He also serves as a member of the supervisory board of YOC AG, a mobile marketing company, Senator Entertainment AG, Business Gateway AG, Freenet AG and Telegate AG. Previously, he has also served on the boards or supervisory boards of Haring Service Company, Debitel AG, Source Media Inc. and Germany 1 Acquisition Limited. He was appointed Chairman of ITI Neovision Sp. z o.o. in April 2009 and has sat on the supervisory board since May 2005. 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 the ITI Group and is responsible for company administration, contract management, tax planning, due diligence coordination, financial analysis, preparation of business plans and other support services. He is a Managing Partner of FFC Fincoord Finance Coordinators Ltd., an investment banking and advisory firm located in Zurich, which he joined in 1995. He has been a member of the TVN supervisory board since 2004. Prior to joining the ITI Group he held various positions at UBS and Credit Suisse. He sits on the economic advisory board to the council of the community of Brunnen, Switzerland. He holds a Bachelors degree from the Lucerne School of Economics, Business and Administration.

Pawel Gricuk, is the President of Petrolinvest S.A., which he joined in 2005. He has also been Chairman of Embayugneft, Vice Chairman of Petrolinvest Gas and a director of Occidental Res., since 2005. He worked at J.P. Morgan in London from 1993 to 2005. He also serves as a member of the supervisory board of Bioton S.A. He has been a member of the supervisory board since May 2005. He is an economics graduate from the University of Lodz and also graduated from the Beijing University of Foreign Studies.

Pawel Kosmala has acted as Vice President of ITI Corporation Sp. z o.o. since 2001. In 1974 he started his professional career at Paged, a 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, an international shipping company. In 1995 he joined ITI Holdings as President of Chio Lilly Snack Foods, a leading Polish potato chips and snack food producer. Between 2001 and 2006 he was President of Grupa Onet.pl S.A. He has been a member of the board of directors of ITI Holdings S.A. since June 2007. He currently also sits on the supervisory boards of Legia Warszawa SSA, a soccer club, and Pascal S.A., a publishing company. He is a graduate from SGGW in Warsaw and completed finance and HR seminars for senior executives at London Business School.

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

Andrzej Rybicki is the Chief Executive Officer of the 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.

Aldona Wejchert has been the Chairman of the supervisory board of Multikino S.A. since 2005. She is also the Chairman of the supervisory boards of ITI Film Studio Sp. z o.o. and ITI Cinema Sp. z o.o., board member of the TVN charity Foundation 'Nie jesteś sam' and member of the trust board of the National Museum in Warsaw. Between 1996 and 2005 she was responsible for the development of the first multiplex chain in Poland, Multikino Sp. z o.o. She is also a current member of the management board of the Politikos Foundation, an educational and charitable foundation. She graduated from the Warsaw School of Economics and extended her business education at London Business School in the United Kingdom.

Gabriel Wujek is a partner in the law firm Radzikowski, Szubielska i Wspólnicy sp.k., which is part of the New York-based law firm Chadbourne & Parke LLP. Since 2006 he has sat on the supervisory board of Multimedia Polska S.A. Between January 2004 and December 2007, he was the managing partner of Chadbourne & Parke LLP's Warsaw office. Between 1990 and 2003, he was managing partner of the Warsaw office of Altheimer & Gray, a law firm based in Chicago. Between 1986 and 1990, he was deputy director and director of the 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 a graduate of the Faculty of Law and Administration of the Warsaw University, a doctor of law and the author of numerous publications on commercial and business law and international investments.

Michał Broniatowski was appointed to the supervisory bard on October 28, 2009. He previously served as an independent director and independent member of the supervisory board of the ITI Group from 1994 to 2005, and as a member of the board of Onet from 2001 to 2005. From 2003 to May 2009 he was global services director and member of the board of Interfax International Information Group ("IIIG"), an international news and information company operating in Russia, former Soviet Union states, China and major countries in Central and Eastern Europe, and he is now Chairman of the Board of Interfax Central Europe Ltd, a sales company of IIIG. In 2002-2003 he served as a consultant at Telekomunikacja Polska SA, Poland's largest telecoms operator and at Edipresse Polska, the Polish branch of the Swiss publishing house Edipresse. From January 2001 to March 2002 he held the positions of ITI Management Vice-President and new media director within the ITI Group. From 1985 to end-2000 he worked at Reuters, a global news and information agency, where he started as a correspondent in Poland and left as a Manager in Russia and CIS. Since July 2009 he has been the CEO of Polski Terminal Finansowy Ltd and Mount Tarango Ltd. He graduated from the Department of Spanish Language and Culture (Iberystyka) at the University of Warsaw, and has undertaken further study at the University of Columbia.

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

The audit committee consists of three supervisory board members — currently Wieslaw Rozlucki (chairman), Pawel 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 2009 the audit committee met five 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 the compensation of management and supervisory board members and making recommendations on these to the supervisory board. The committee currently comprises Wojciech Kostrzewa (chairman), Arnold Bahlmann and Pawel Gricuk.

The committee was established on June 17, 2005 and met seven times during 2009 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 "Major shareholders and related party transactions", below.

Compensation

The table below sets out the compensation of our supervisory board members, comprising payments for the year ended December 31, 2009:

Name	Remuneration
Wojciech Kostrzewa	192
Bruno Valsangiacomo	156
Arnold Bahlmann	243
Romano Fanconi	72
Pawel Gricuk	144
Paweł Kosmala	72
Wiesław Rozłucki	132
Andrzej Rybicki	72
Aldona Wejchert	72
Gabriel Wujek	72
Michał Broniatowski	12
Markus Tellenbach	48
Total	**1,287**

Share ownership

The table below sets out shares in TVN S.A. held by each supervisory board member as of December 31, 2009:

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	-
Aldona Wejchert	-
Gabriel Wujek	-
Michał Broniatowski	-
Total	**898,747**

The table below sets out shares in related parties held by our supervisory board members as of December 31, 2009:

Name	Name of related party	Number of shares (not in thousands)	Nominal value of one share (not in thousands)
Wojciech Kostrzewa controlled entity	ITI Holdings S.A.	809,011	1.25 EUR
Wojciech Kostrzewa controlled entity	ITI Media Group N.V.	100	1.00 USD
Bruno Valsangiacomo affiliated entity	ITI Holdings S.A.	10,039,271	1.25 EUR
Bruno Valsangiacomo controlled entity	ITI Media Group N.V.	100	1.00 USD

Contracts and termination benefits of management board members

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

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

Employees

As of December 31, 2009, we had 3,048 full-time employees. Of that number, 444 were employed in management and administration, 1,139 in production and programming, 91 in the marketing department, 415 in the technical department and 959 in the sales department. The increase over the number of employees we had as of December 31, 2008 results mainly from consolidating ‘n’ DTH platform employees. 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, 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.

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.

Stock option plan

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

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

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

The stock option plans are designed to motivate highly qualified personnel, including top management, key employees and co-workers, our management board members and management board members of our subsidiaries to contribute to the value of the Group over the long term by granting them rights to purchase series “C” and “E” shares. A total of up to 9,870,000 series “C” and 8,781,675 series “E” shares will be issued in order to enable participants to exercise their rights to purchase shares. The deadline for the issue of series “C” and series “E” shares is December 31, 2014.

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

Stock option plan I

Stock option plan participants had the right to exercise the following remaining number of options in a given tranche as of December 31, 2009:

Tranche	Number of options	Exercise price	Service vesting period
C1	341,150	PLN 8.66	vested
C2	1,632,250	PLN 9.58	vested
C3	3,479,210	PLN 10.58	vested
Total	**5,452,610**		

Stock option plan II

Stock option plan participants had the right to exercise the following remaining number of options in a given tranche as of December 31, 2009:

Tranche	Number of options	Exercise price	Service vesting period
E1	217,730	PLN 8.66	vested
E2	282,135	PLN 9.58	vested
E3	1,335,285	PLN 10.58	vested
E4	2,441,065	PLN 11.68	vested
E4	2,833,670	PLN 11.68	until January 1, 2010
Total	**7,109,885**		

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

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

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

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

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

Our share capital amounts to PLN 68.1 million and is divided into 340,440,528 ordinary shares. The table below sets forth, as of December, 31 2009, the beneficial ownership of the ordinary shares of TVN S.A.

Shareholder	Number of Shares	% of Share Capital	Number of Votes	% of votes
Strateurop International B.V. (1)	180,355,430	52.98%	180,355,430	52.98%
N-Vision B.V. (1)	10,762,147	3.16%	10,762,147	3.16%
Cadizin Trading&Investment (1)	8,131,477	2.39%	8,131,477	2.39%
ITI Impresario (1)	1,400	0.00%	1,400	0.00%
Other shareholders	141,190,074	41.47%	141,190,074	41.47%
TOTAL:	**340,440,528**	**100.00%**	**340,440,528**	**100.00%**

(1) Entities controlled by ITI Holdings.

Included in the total number of shares in issue as at December 31, 2009 held by other shareholders is 4,071 shares of C2 and E3 series not registered by the Court.

During the year ended December 31, 2009 82,221 shares of C1, C2 and E3 series were issued under the stock option plan for an amount of PLN 751 (in thousands).

Pursuant to the Polish Commercial Companies Code, shareholders may participate in the general meeting of shareholders and may exercise their voting rights in person or by written proxy. Each share is entitled to one vote at the general meeting of shareholders. Pursuant to the Polish Commercial Companies Code, one or more shareholders representing at least 1/20 of the share capital may request an extraordinary general meeting of shareholders and submit particular matters for the agenda of the next meeting. Such request may be filed with the management board in writing or in electronic form. Such extraordinary general meeting should be called within two weeks from the filing of the request. Submitting particular matters for the agenda of the next meeting should be made at least 21 days (for public companies) before the proposed date of the next general meeting of shareholders. If the management board does not convene the extraordinary general meeting of shareholders within two weeks following the filing of the request, then the requesting shareholders may convene such meeting, after obtaining the approval of the registry court. The registry court shall appoint the chairman of such meeting.

Below we present significant changes in the ownership of our shares by our major shareholders during the past three years.

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 thousands) of our registered shares as an in kind contribution to our 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 by it 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 by it to 178,597,985 (not in thousands), which represented 51.44% of our share capital and votes.

On February 29, 2008 N-Vision B.V. transferred 10,000,000 (not in thousands) of our 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 shares representing 7.85% of our share capital and votes, whereas Cadizin held 10,000,000 (not in thousands) 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 exchange for newly issued shares.

In the period between April 3, 2009 and June 8, 2009 our direct shareholder Cadizin transferred 1,519,080 (not in thousands) of our shares as a result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions, Cadizin decreased the number of our shares held to 8,480,920 (not in thousands), which represented 2.49% of our share capital and votes.

In the period between June 9, 2009 and July 23, 2009 Cadizin transferred 349,443 (not in thousands) of our shares as a result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions Cadizin decreased the number of our shares held by it to 8,131,477 (not in thousands), which represented 2.39% of our share capital and votes.

On September 21, 2009 we were informed that N-Vision transferred 10,326,560 of our share as a result of several sale transactions conducted in the period between March 1, 2008 and September 15, 2009, (of which 6,113,235 of our shares were transferred in the period between January 1 and September 15, 2009) including transaction of contribution in-kind as well as sale transactions including the sale transaction on the regulated market conducted on September 15, 2009.

As a result of the above mentioned transactions, N-Vision reduced the number of our shares held by it to 16,935,400 (not in thousands), representing 4.98% of our share capital and votes.

In the period between September 16, 2009 and October 14, 2009 N-Vision transferred 2,967,000 (not in thousands) as a result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions, N-Vision reduced the number of our shares held by it to 13,968,400 (not in thousands), representing 4.10% of our share capital and votes.

In the period between October 15 and December 31, 2009 N-Vision transferred 3,206,253 of our shares as result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions, N-Vision reduced the number of our shares held by it to 10,762,147 (not in thousands), representing 3.16% of our share capital and votes.

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.

Related party transactions

We are party to various agreements and other arrangements with members of the ITI Group, indirect shareholders of such companies, or certain companies of such shareholders. In our opinion all such transactions were entered into on an arm's length basis (i.e. on standard market terms) and follow from our and our related parties ordinary course of business.

Our supervisory board has adopted a policy aimed at regulating transactions between us and related parties. Related parties include our major shareholders and their affiliates, our supervisory and management board members, and our employees and their respective immediate family members. The related party transactions policy provides that the terms of each agreement between us and a related party shall be no less 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 EUR 0.15 million and are concluded with related parties who are individuals and (ii) agreements that have a value in excess of EUR 0.5 million with related parties that are legal entities must be approved by a resolution passed by a majority vote of our supervisory board, including the affirmative vote of a majority of the independent members of our supervisory board, with "independent" being defined by reference to the "Best Practices for WSE Listed Companies" of the Warsaw Stock Exchange.

Furthermore, in a shareholders meeting held on May 10, 2005, we established a related party transaction and remuneration committee of the supervisory board (the "Related Party Transaction and Remuneration Committee"). The responsibilities of the Related Party Transaction and Remuneration Committee are, among other things to review the terms and conditions of related party transactions to ensure that such transactions are in accordance with our policies for related party transactions.

Management, financial and other services

On July 22, 2004, we entered into a services agreement (the "Services Agreement") with ITI Services AG ("ITI Services"), a member of the ITI Group, for certain management, sales, financial advisory and other services. The Services Agreement was further amended 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.pl S.A.

Under the Services Agreement, ITI Services, ITI Corporation and Market Link have agreed to provide us with certain services related to sales and procurement, market and industry research, information technology, accounting and financial management, human resources, legal, investor relations and other areas. We, ITI Services and ITI Corporation review the scope and quality of the services annually.

Under the Services Agreement, we agreed to pay ITI Services, ITI Corporation and Market Link an annual services fee in the amount of up to EUR 3,000 in consideration for (i) the above-referenced services and (ii) an annual guarantee 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 agreed to reimburse ITI Services, ITI Corporation and Market Link for reasonable costs and expenses incurred in connection with the provision of the services or guarantees. However, the terms of the indenture governing our 9.5% Senior Notes limited the annual fees payable to the ITI Group to EUR 3,000. Accordingly, the aggregate amount of the services fee, the guarantee fee, the amounts paid for the reimbursement of costs and expenses and any other amounts we pay to ITI Services, together with any other fees and related expenses we or any restricted subsidiary (as defined in the Indenture) paid to any member of the ITI Group, was limited to EUR 3,000.

The Service Agreement expired on December 31, 2009. The new services agreement with ITI Group for certain management, sales, financial activity and other services is being negotiated. The terms of the Indenture limits the annual management fees that we can pay to the ITI Group to EUR 5,000.

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, expiring on March 31, 2007, relating to the premises at ul. Augustówka in Warsaw. This agreement was terminated on October 24, 2006 and replaced with the following agreements:

- a lease agreement, dated October 24, 2006, with Brel-An Sp. z o.o. and ITI Poland Sp. z o., subleasing business premises located at Augustówka 3, Warsaw, for a period of 10 years (from November 1, 2006 until October 31, 2016), for a monthly fee of EUR 62,618 (not in thousands) and an annual tax fee of PLN 74,400 (not in thousands).
- a sublease agreement, dated October 24, 2006, with ITI Poland Sp. z o.o. leasing a television studio located at Augustówka 3, Warsaw for a period of 10 years (from November 1, 2006 until October 31, 2016) for a monthly fee in the amount of EUR 12,375 (not in thousands). Poland Media Properties is the legal successor of ITI Poland Sp. z o.o.

Since April 1, 2009, we have subleased 2,001 square meters from Poland Media Properties S.A. at Powsińska 4 Street, Warsaw, for a period of seven years (until December 31, 2016) for a monthly rent of EUR 30,017(not in thousands).

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 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 — 2009, this agreement was amended several times to reflect additional space we occupied and, by the end of December 2009, the total amount of rental space was 9,946 square meters. The monthly fee under this agreement is EUR 0.2 million, which covers office and studio space as well as parking space, plus a maintenance fee of PLN 0.3 million.

Lease of premises from Poland Media Properties S.A.

On March 18, 2009, we entered into a lease agreement with Poland Media Properties S.A. for a total of 3,628.15 square meters of space at Kłobucka 23, Warsaw. We use this space for our pay TV activities. The annual fee is PLN 2.8 million.

Investment in the 'n' DTH platform

Acquisition of associate

On June 25, 2008, we acquired from the parent company of our majority shareholder, ITI Media, 25% of the share capital plus one share of Neovision Holding, a company registered in Amsterdam, The Netherlands, which was the sole shareholder of ITI Neovision Sp. z o.o., which owns and operates the 'n' DTH platform in Poland. For a total cash consideration of PLN 319,628 (EUR 95 million) the Group purchased 25% of the share capital plus one share in Neovision Holding and a corresponding pro-rata interest in the shareholder's loans granted to ITI Neovision with a nominal value of EUR 35.3 million.

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 the 'n' shareholder loans. The value attributed initially to the investment in an associate reflects the purchase price paid to ITI Media less the fair value of the 'n' shareholder loans acquired. We estimated the fair value of the 'n' shareholder loans receivable based on a valuation model with the key inputs being credit spread and market interest rates.

Before March 11, 2009, we had significant influence on, but no control over, ITI Neovision Sp. z o.o.. Accordingly, the investment was classified as an investment in an associate and accounted for using the equity method with the recognition of 25% share of the associate's net results.

Acquisition of control on March 11, 2009

On March 11, 2009, we and ITI Media entered into a preliminary agreement (the "Preliminary Agreement") under which the parties agreed that we would increase our direct ownership interest in Neovision Holding and our indirect ownership of ITI Neovision Sp. z o.o. to an aggregate of 51% of each company's shares for the price of PLN 452,764 (EUR 46.2 million paid in cash and contingent consideration of a maximum of EUR 60.0 million). We subsequently entered into a transaction agreement (the "Transaction Agreement") and amendments to the shareholders agreement with ITI Media and Neovision Holding implementing the Preliminary Agreement. Following the completion of the actions taken on March 31, 2009, we owned shares in Neovision Holding and, through our ownership interest in Neovision Holding, indirectly owned shares of ITI Neovision Sp. z o.o. representing 50.0005% of each company's shares and also owned 52.4% of the 'n' shareholder loans.

On August 4, 2009, Neovision Holding repurchased an additional 390 of its shares at a buy-back price equal to the par or nominal value of those shares and canceled the 20,390 repurchased shares which it held. As a result, we directly owned shares in Neovision Holding and, through that ownership interest, indirectly owned shares of ITI Neovision Sp. z o.o. representing 51% of each company's shares. The Transaction Agreement also provided that the

Religia.tv channel, be formally separated from ITI Neovision Sp. z o.o. by no later than December 31, 2009, with ITI Media being responsible for any associated costs and liabilities pre- and post-separation. This understanding was reaffirmed in the 'n' Acquisition Term Sheet, described below, and the separation was effective as of December 10, 2009.

The Transaction Agreement provides that we will pay ITI Media a correction payment if and to the extent the 'n' DTH platform subscriber revenues for the 2010 calendar year exceed PLN 555,618. The amount of the correction payment will be computed as EUR 0.3214 (not in thousands) for each PLN 1.00 (not in thousands) in excess of the foregoing threshold amount. ITI's right to receive this correction payment is also contingent upon the 'n' DTH platform reaching or exceeding certain specified targets during the 2010 calendar year with respect to EBITDA, number of subscribers and ARPU. In order to trigger a correction payment ITI Neovision Sp. z o.o. would need to be profitable at the EBITDA level, have in excess of 848,000 (not in thousands) post paid subscribers, ARPU should exceed PLN 60.48 (not in thousands) and post paid subscription revenue should not be lower than PLN 555.6 million. The amount of the correction payment is subject to a cap of EUR 60 million. The cap amount will be reduced if and to the extent that, prior to the end of 2010 calendar year, ITI Media sells all or a part of its remaining ownership interest in Neovision Holding or ITI Neovision Sp. z o.o. to a third party where the purchase price paid by the third party reflects the 'n' DTH platform having an equity value that is less than the amount specified in the Transaction Agreement (which amount reflects our investment in, and the resulting equity value of, the 'n' DTH platform).We have the option to pay up to one-half of the correction payment in the form of our shares, with the balance paid in cash.

Consistent with us becoming the direct majority shareholder of Neovision Holding and the indirect majority shareholder of ITI Neovision Sp. z o.o., the board of directors of Neovision Holding and the supervisory board of ITI Neovision Sp. z o.o. have been reorganized so that a majority of the members of each body are persons nominated by us. The shareholders agreement as amended remains in effect, however we are now the majority shareholder and the option granted to us in the shareholders agreement to acquire a 51% direct ownership interest in Neovision Holding is deemed to have been exercised pursuant to the transactions described above.

The direct costs relating to the acquisition amounted to PLN 16.6 million and included mainly legal, valuation and professional consulting fees, and have been fully expensed in the twelve months ended December 31, 2009. These agreements were entered into on an arm's length basis and were approved by the majority of our independent supervisory board members and we received fairness opinions on the transactions entered into.

Acquisition of remaining interest in 'n'

On November 5, 2009 we entered into the 'n' Acquisition Term Sheet to purchase ITI Media's remaining 49% equity interest in Neovision Holding and all of the remaining debt interests of ITI Media and other ITI Group companies in Neovision Holding and ITI Neovision Sp. z o.o. (the "'n' Transaction"). The purchase price for the 'n' Transaction is EUR 188 million.

On December 10, 2009 we concluded a share purchase agreement for the 'n' Transaction with ITI Media Group. Upon completion of the 'n' Transaction, we will directly hold 100% of the shares in Neovision Holding and 100% of the shareholder loans granted to Neovision Holding and ITI Neovision Sp. z o.o. In the share purchase agreement, we have also agreed, pending closing of the 'n' Transaction, to fund all of ITI Neovision Sp. z o.o.'s costs from November 5, 2009. If the 'n' Transaction does not close, the share purchase agreement provides that we will have the right, pursuant to the procedures set forth in the shareholders' agreement, to convert into equity the portion of funding ITI Media would have been obligated to provide to ITI Neovision Sp. z o.o. for the period starting on November 5, 2009.

The total purchase price payable by us for the ‘n’ Transaction is EUR 188 million. Payment of the ‘n’ Transaction purchase price will be made by way of issue of 10.75% Senior Notes in favor of ITI Media Group in the amount corresponding to this purchase price (the “ Additional Notes”). The Additional Notes will be issued by TVN Finance Corporation II AB, our subsidiary, on the same terms and conditions as the 10.75% Senior Notes issued on November 19, 2009. Upon the closing of the ‘n’ Transaction, Additional Notes of an aggregate nominal value of EUR 148 million will be issued in favor of ITI Media Group directly and Additional Notes of an aggregate nominal value of EUR 40 million will be held in an escrow account by the escrow agent on behalf of ITI Media Group. The Additional Notes held in the escrow will be released to ITI Media on the earlier of: (i) ITI Neovision Sp. z o.o. reaching break-even EBITDA after closing for: (a) two consecutive quarters; or (b) one quarter, if we re-launch and re-brand the ‘n’ DTH platform; (ii) the sale of all or a substantial part of our interest in ITI Neovision Sp. z o.o. to a third party; or (iii) an internal reorganization and/or merger where ITI Neovision Sp. z o.o. ceases to exist in its current form. Upon the closing of the ‘n’ Transaction, the existing shareholders’ agreement and the Transaction Agreement between us and ITI Media will be terminated and any earn-out provision or contingent liability potentially owed by us thereunder cancelled. For so long as ITI Media holds any Additional Notes, it will agree not to vote those Additional Notes in matters to be voted on by noteholders under the Indenture. If the ‘n’ Transaction closes, then we will be the owner of all of the shareholder loans.

The closing of the ‘n’ Transaction is conditional upon the fulfillment of a number of conditions, in particular, on obtaining the consent of the banks lending to ITI Group for the issuance of Additional Notes. In addition, the parties may make changes to the ‘n’ Transaction’s steps, structure and financing sources for reasons of tax efficiency and in order to be in compliance with all legal requirements. If the ‘n’ Transaction does not close by March 31, 2010, then the share purchase agreement will expire and neither we nor ITI Media will have any right or obligation to close the ‘n’ Transaction.

Transactions with ITI Neovision Sp. z o.o.

As of March 11, 2009, ITI Neovision Sp. z o.o. was fully consolidated into the TVN Group’s consolidated financial statements and, therefore, no longer considered a related party of the TVN Group.

Services

We broadcast ‘n’ DTH platform and TNK advertising spots on our television channels and advertise their services on our Internet sites. Our total revenue from advertising of 'n' and TNK amounted to PLN 0.2 million in the period between January 1, 2009 and March 11, 2009. ITI Neovision Sp. z o.o. distributes our channels on the ‘n’ DTH platform and on the TNK service. Our total revenue from the distribution license fees for our channels amounted to PLN 4.7 million in the period between January 1, 2009 and March 11, 2009.

We provide broadcasting services (including playout, uplink, back up systems, multiplexing), archive services, IT support and maintenance and television scheduling services to ITI Neovision Sp. z o.o. We also rent television production equipment to ITI Neovision Sp. z o.o. based on a commercial price list. Additionally, we sub-rent studio space and equipment, and sublicense production software mainly for the purposes of the nSport channeL to ITI Neovision Sp. z o.o. We provide television production services (including realization, graphics, cameramen, editing) as well as lease television equipment and other facilities of our regional offices to ITI Neovision Sp. z o.o. Our total revenue from the broadcast, rental, television production and other related services amounted to PLN 5.6 million in the period between January 1, 2009 and March 11, 2009.

ITI Neovision Sp. z o.o. produced sport news programs for both TVN 24 and TVN Fakty news bulletin for a remuneration of PLN 0.5 million in the period between January 1, 2009 and March 11, 2009.

Loan agreements with ITI Neovision Sp. z o.o.

On June 25, 2008, in connection with our purchase of a minority stake in Neovision Holding, we purchased a corresponding pro-rata interest in the loans granted to ITI Neovision having an aggregate nominal value of EUR 35.3 million. The loans have nominal values of EUR 25.1 million, EUR 4.5 million and EUR 5.7 million and are due for repayment on December 31, 2015, April 5, 2011 and July 19, 2011, respectively. Between June 25, 2008 and March 10, 2009, we also granted to ITI Neovision Sp. z o.o. additional loans in the total amount of EUR 15.2 million, which are due for repayment on June 30, 2015. All loans bear interest at 9.5% per annum.

Loan agreements entered into by related parties

Strateurop International

In 2007, Strateurop International B.V. entered into two loan agreements with ITI Neovision Sp. z o.o. for a total amount of EUR 85.0 million. The loans bear interest at 9.50% per year. The outstanding balance of the loans as at December 31, 2009 was EUR 64.7 million and they are due for repayment on December 31, 2015.

N-Vision

In 2007 and 2008, N-Vision B.V. entered into three loan agreements with ITI Neovision Sp. z o.o. for a total amount of EUR 100.0 million. The outstanding principal balance of the loans as at December 31, 2009 was EUR 45.4 million and the loans are due for repayment on December 31, 2015 and 2018. On September 9, 2008, N-Vision B.V. entered into a loan agreement with Cyfrowy Dom Sp. z o.o. for a total amount of EUR 10.0 million. The outstanding principal balance of the loan as at December 31, 2009 was EUR 1.8 million and the loan is due for repayment on December 31, 2015.

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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-84

Legal Proceedings

There are no pending legal proceedings where the amounts claimed against us either separately or jointly would exceed 10% of our capital.

Dividend Policy

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

We paid a dividend of PLN 194,025 (or PLN 0.57 per share) on June 18, 2009.

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 allowed us to purchase up to 35 million shares, but not more than 10% of our share capital as calculated on the last day of the Share Buyback Program. The program expired on December 31, 2009, and since commencing the Share Buyback Program, we have purchased a total of 9,157,107 shares at an average price of PLN 10.92 per share (numbers not in thousands) for a total of PLN 100,000 including share buyback cost.

The first tranche of PLN 50,000 of the Share Buyback Program commenced on November 17, 2008. Up to January 21, 2009, we purchased a total of 3,903,188 (not in thousands) shares at an average price of PLN 12.81 (not in thousands) per share for the total price of PLN 49,999,961 (not in thousands).

The second tranche of PLN 50,000 of the Share Buyback Program commenced on February 5, 2009. Up to March 18, 2009, we purchased a total of 5,253,919 (not in thousands) shares at an average price of PLN 9.52 (not in thousands) per share for the total price of PLN 49,999,991 (not in thousands).

We spent PLN 62,572 from the Share Buyback Program in 2009. Redemption of the shares purchased in the Share Buyback Program was registered by the court on July 3, 2009.

On July 3, 2009 we decreased the share capital from PLN 69,903 to PLN 68,072 by way of a voluntary redemption of 9,157,107 (not in thousands) shares held by TVN S.A. for compensation of PLN 99,651.

Reconciliation of our 2009 results to our recent forecast.

The table below provides a comparison of our consolidated financial results for the year ended December 31, 2009 and the updated forecast of our 2009 results published on August 13, and March 11, 2009.

	Actual results 2009	**Updated 2009 forecast of results**
Capital expenditure*	302,538	323,000
Post paid subscribers of ‘n’ DTH platform	692,000	766,000
Average monthly revenue per user (ARPU)	57.4	62.9

** Defined as an increase of gross book value of our fixed and other intangible assets*

The differences between our forecasted and actual results do not exceed 10%.

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, 2009.

ITEM 9. THE OFFER AND LISTING

Listing Details and Markets

On December 21, 2009 our 10.75% Senior Notes were listed on the Euro MTF market of the Luxembourg Stock Exchange.

Our shares have been listed on the regulated market on the Warsaw Stock Exchange since December 7, 2004.

As of December 29, 2006, a 1:5 share split was effective. We decreased the nominal value of each of our shares from PLN 1 to PLN 0.2, and increased the number of shares to 343,508,455 (not in thousands) as of that date.

As of December 31, 2009, the number of shares in TVN S.A. amounted to 340,440,528 (not in thousands). The share capital of TVN S.A. accounts for PLN 68,088.

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 2009	13.79	9.87
August 2009	16.14	12.28
September 2009	15.20	12.90
October 2009	15.50	13.93
November 2009	14.25	12.24
December 2009	14.43	12.52

(PLN not in thousands)	Highest share price during the quarter	Lowest share price during the quarter
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
First quarter ended March 31, 2009	14.11	7.90
Second quarter ended June 30, 2009	12.75	8.10
Third quarter ended September 30, 2009	16.14	9.87
Fourth quarter ended December 31, 2009	15.50	12.24

(PLN not in thousands)	Year ended December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009
Share price at end of period	15.60	24.90	25.00	13.46	14.29
Average share price during period	10.24	20.17	24.36	18.55	12.02
Highest share price during period	16.40	26.60	29.28	26.75	16.14
Lowest share price during period	7.40	15.10	19.50	10.60	7.90

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 and ordinary shares, the Polish Commercial Companies Code and other regulations which are material for our operation. This description does not purport to be complete and is qualified in its entirety by reference to our Articles of Association and the Polish Commercial Companies Code and other applicable regulations in effect on the date of this annual report.

TVN Sp. z o.o. was incorporated on May 22, 1995 and was entered in the commercial register maintained by the District Court for the city of Warsaw, Commercial Court, XVI Commercial and Registration Division, under the RHB no. 43929. On June 12, 2001, the Registry Court entered TVN Sp. z o. o., into the National Court Register under number KRS 0000018906.

On July 2, 2004, the extraordinary general meeting of shareholders of TVN Sp. z o.o. unanimously adopted Resolution No. 12 transforming TVN Sp. z o.o. into a joint-stock company, TVN S.A. This transformation was officially registered on July 30, 2004, by entering TVN S.A. on that date in the Register of Entrepreneurs maintained by the Registry Court under number KRS 0000213007.

Share Capital

Our share capital is divided into 340,440,528 registered and bearer ordinary shares, Series A, B, C1, C2, D, E1, E2 and E3 with a nominal value of 20 groszy each (of which 180,355,430 are registered shares and 160,085,098 are bearer shares).The series C shares were issued pursuant to the Resolution of TVN General Shareholders Meeting dated June 8, 2006, with a conditional increase of share capital of up to 9,870,000(not in thousands) shares of series C in respect of the employee share option scheme. The series E shares were issued pursuant to the Resolution of TVN General Shareholders Meeting, dated September 26, 2006, with a conditional increase of our share capital of up to 8,781,675 (not in thousands) shares of series E in respect of the employee share option scheme.

Pursuant to §7 Section 1 of our Articles of Association, our management board may, within three years from January 1, 2008, increase our authorized share capital one or more times, currently by an aggregate amount of up to PLN 15,000,000 (not in thousands) i.e., by 75,000,000 (not in thousands) shares (assuming the nominal value remains 20 groszy per share). The authorization to increase the share capital includes shares being acquired in exchange for a contribution in-kind and the possibility of the issuance of subscription warrants 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 our existing shares, and requires the adoption of a resolution by a qualified majority of three-quarters of the votes of the shareholders in a general meeting.

The provisions of the Polish Commercial Companies Code, in addition to an ordinary share capital increase, provide for (i) a share capital increase with the use of funds from our reserve capital or from the supplementary capital within the limits defined by the law, (ii) a share capital increase within the value of the authorized capital, and (iii) a conditional share capital increase.

Transfer of Shares

Our shares are 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 Law, the Act on Trading in Financial Instruments, and the Act on Public Offering, and other provisions of law the material provisions of which are summarized below.

Pursuant to §10 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 the transfer of the shares to the purchaser designated by the management board shall be executed, and the price for the shares shall be paid by the purchaser, within 14 days following the date of designation by the management board, unless the purchaser and transferring shareholder agree to other terms. In the event the purchaser designated by the management board does not purchase the shares within the requisite time period, a shareholder may sell the shares to another person or effect a conversion of registered shares into bearer shares without management board consent. The limitations concerning the disposal of our shares set forth in §10, section 1 shall not apply to the disposal of our registered shares for the benefit of 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 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 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 our Articles of Association 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 5% of our share capital may request that an extraordinary general meeting of shareholders be convened and submit particular matters for the agenda of the meeting of the shareholders. Such request should be filed with the management board in writing or in electronic form. . If the management board does not convene the extraordinary general meeting of shareholders within two weeks following the filing of the request, then the shareholders may refer the matter to the registry court and convene such meeting upon authorization of the registry court. At the same time, the court shall appoint the chairman of such meeting.

Supervisory Board

Pursuant to Article 385, §1 of the Polish Commercial Companies Code, the members of the supervisory board are appointed and removed by the general meeting of shareholders.

Pursuant to Article 385, §3 of the Polish Commercial Companies Code, upon an 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. 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 by written resolution without holding a meeting. If the resolution is adopted at a meeting of the management board, the meeting must be attended by at least half of its members. In the case of a tied vote, the vote of the president is decisive.

The 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 EUR 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 EUR 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 EUR 5,000 in aggregate per year;

- acquisition of securities or shares of any company for an amount exceeding the equivalent of EUR 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 EUR 5,000 in aggregate per year, except for those included in the approved annual budget;

- exercising 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 EUR 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 the refinancing of existing obligations which are greater than EUR 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 when such proposal has been published in the agenda of the general shareholders' meeting and the written reasons for such resolution have been presented by the management board, under Article 433 § 2 of the Commercial Companies Code.

Pursuant to Article 433 §3 of the Polish Commercial Companies Code, the provisions of Article 433 §2 of the Polish Commercial Companies Code described above are not applied if the resolution on the increase of the share capital provides that the new shares:

- are to be subscribed in whole by a financial institution (i.e. an underwriter), which shall subsequently offer such new shares to shareholders with a view to enabling them to exercise the pre-emptive right on the terms stipulated in the resolution; or

- are to be subscribed by an underwriter, where the shareholders who have the pre-emptive rights have not subscribed for some or all of the shares offered to them.

Pursuant to §7, 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 owned by each shareholder.

§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, which may be disposed of by the management board, may not exceed half of the profits earned from the end of the previous financial year, according to the audited financial statements, plus reserve capital created from the profit reduced by uncovered losses and the company's own shares.

Directors' Material Interests.

Our Articles of Association do not contain any specific provisions concerning management board members' material interests. Therefore, the general rules provided by the Polish Commercial Companies Code apply.

According to Article 379 of the Commercial Companies Code and paragraph 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 the 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 management services contracts or other contracts. The shareholders may authorize the supervisory board to establish that the remuneration of members of the management board shall also include the right to participate, in a specified manner, in the company's annual profit allocated for distribution among the shareholders.

No Age Disqualification for Directors.

Neither the Articles of Association nor the provisions of the Polish Commercial Companies Code contain any provision concerning age requirements for Directors.

Winding Up.

Under our Articles of Association, in the case of our winding up, the shareholders appoint, upon the supervisory board's request, liquidators among the members of the management board and determine the procedure of winding-up. As to other matters concerning winding-up not regulated by the Articles of Association, articles 459 – 478 of the Polish Commercial Companies Code apply.

According to the general rules for winding–up, our assets may be divided among shareholders after all claims of creditors are paid off or secured. The division of assets may not be performed earlier than within one year from the date of announcement of the commencement of the liquidation and notifying the creditors. The assets are divided among shareholders proportionately to their respective contribution made to the share capital.

Redemption.

Shares may be redeemed upon the shareholder's consent, known as "voluntary redemption", subject to binding provisions of law. Our Articles of Association do not provide for redemption of shares without the consent of the shareholder, known as "forced redemption".

Further Capital Calls.

According to the Polish Commercial Companies Code, the shareholders of a joint stock company are obligated to make full payment for shares. Any payment for shares should be evenly distributed for all shares held.

Change of Control Provisions.

On September 22, 2004, KRRiT permitted us to trade an amount not exceeding 49% of our share capital on the Warsaw Stock Exchange. This limitation is the result of provisions contained in Article 35 of the Broadcasting Law that provides that shareholdings of foreign entities or persons that are not EEA residents may not exceed 49% of the share capital of a broadcasting license holder, such as TVN S.A., or 49% of voting right in the general shareholders meeting.

The decision of KRRiT issued at the time of admission to public trading on the Warsaw Stock Exchange is the most significant obstacle to a change of control. Under the decision, our shareholders having registered shares 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 our. 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 52.98% of the total share capital. In addition, at the time of any increase in the share capital, existing shareholders have pre-emptive rights, and any deprivation of the pre-emptive rights requires a resolution adopted by a vote of 80% of the share capital. In the case of an increase in share capital within the authorized share capital, a resolution of the management board, acting with the supervisory board consent, is required. 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, 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 individual shareholders requires the consent of all shareholders concerned. Any other change to the Articles of Association under the Polish Commercial Companies Code requires a resolution to be adopted by a majority of 75% of the votes at a general shareholders' meeting.

Disclosure of Shareholder Ownership Thresholds.

Chapter 4, Section 1 of the Act on Public Offering governs the obligation of the shareholders to disclose the acquisition of shares. Information about all acquisitions or dispositions of shares must be provided to the Polish Financial Supervision Authority, as well as to us, and also must be publicly announced.

The disclosure obligation covers, in particular, the following transactions:

- an acquisition or disposition of shares that results in a shareholder reaching or exceeding 5%,10%,15%, 20%, 25%, 33%, 50%, 75%, or 90% of the total number of voting shares;

- a 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;

- an acquisition or disposition of shares that results in a shareholder reaching or exceeding 2% of the total number of voting shares, if the shareholder already owns over 10% of voting shares; and

- an acquisition or disposition of the shares that results in a shareholder reaching or exceeding 1% of the total number of voting shares if the shareholder already owns over 33% of voting shares.

When a shareholder holds less than 33% of the total voting shares and acquires shares increasing his voting power by more than 10% of the voting shares within a period shorter than 60 days, such acquisition must be effected by way of a tender offer.

When a shareholder holds 33% or more of the total voting shares and acquires shares increasing his voting power by more than 5% of the voting shares within one year, such acquisition must be effected by way of a tender offer.

A shareholder may acquire shares exceeding a threshold of 33% of our total voting shares only by way of a tender offer to acquire shares which gives the right to tender to at least 66% of total voting shares.

The shareholder may acquire shares exceeding a threshold of 66% of total voting shares only by way of a tender offer to acquire the residual shares.

In addition, the Polish Office for Protection of Competition and Consumers has the right to control the concentration of shareholdings. Under Article 13 of the Act on the Protection of Competition and Consumers, the Office for Protection of Competition and Consumers must be notified about the intent to enter into a transaction of share acquisition resulting in the acquisition of direct and indirect control over company, in the event that the aggregate revenue of both companies participating in the concentration, exceeds in the year preceding concentration the sum of Euro 50,000 in Poland, or the sum of EUR 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% majority of shareholders in accordance with Article 415 of the Commercial Companies Code.

Material Contracts

Acquired programming content

The following are descriptions of two of our most important programming agreements.

Warner Bros. programming agreement

On December 23, 2008, we entered into a free television license and basic subscription television license agreement with Warner Bros. International Television Distribution Inc. (“Warner”), pursuant to which Warner granted to us an exclusive limited license for a period of approximately five years (expiring after the last license period particular to each program type) to exhibit Warner programs, including feature films, movies, miniseries and TV series in standard definition and high definition in Poland. The license fee payable is dependent on the type and length of the relevant programming. Warner has the option to terminate the agreement if we materially breach our obligations under the agreement or under any other agreement with Warner.

Paramount Pictures programming agreement

On December 11, 2008 we entered into television license output agreement with Paramount Pictures Global (“Paramount”) and DW Netherlands BV (“DWN”), pursuant to which Paramount and DWN granted to us a limited license to transmit free/basic and pay licensed programming for a period of approximately five years (expiring after the last license period particular to each program type) to exhibit Paramount programs, including feature films, movies, miniseries and TV series in standard definition and high definition in Poland. Both parties have the option to terminate the agreement, if either party materially breaches its obligations under the agreement.

Copyright agreements

We have copyright agreements with organizations of writers, actors and filmmakers which govern the terms under which we may broadcast programming content produced by third parties.

License agreement with ZAiKS

On August 11, 2006, we entered into a license agreement with ZAiKS, an association of writers and composers in Poland. Pursuant to the terms of the license agreement, we are entitled to broadcast programming content protected by ZAiKS, in consideration for payment of a monthly royalty fee equal to a percentage of the revenue of TVN generated from broadcasting activities (such as advertising airtime sales, sponsorship, audiotele and teleshopping). The agreement may be terminated by either party with three months' notice. ZAiKS has the right to terminate the agreement with immediate effect if we default on our obligations under the agreement.

License agreement with ZASP

On July 24, 2001, we entered into an agreement with ZASP, a union of Polish actors. The agreement regulates the broadcasting of programs involving actors represented by ZASP and the payment of royalties to such actors. The fee due under this agreement is calculated and payable on a monthly basis depending on the type and length of the relevant programs. The agreement may be terminated by either party with three months' notice.

General Agreement with SFP

On August 28, 2009, we entered into an agreement with SFP, an association of Polish filmmakers. The agreement regulates the value and the manner of payment of the fees for broadcasting audiovisual programs. The consideration is set as a lump-sum fee on all revenues of TVN generated from its activities, including that from commercial advertisements, sale of airtime, sponsored programs, audio-text services and all other revenues directly connected with TVN's broadcasting activity. The agreement is for an unspecified term and may be terminated by either party with three months' notice.

Agreements for satellite and cable television transmission

In addition, we have license agreements with satellite and cable operators for the distribution of our television channels through their networks. The agreements with satellite and cable providers typically provide for terms ranging from five to ten years and may be renewed for additional periods with the consent of the parties involved. From time to time, we negotiate or renegotiate the terms of these license agreements and generally seek to renegotiate the terms of our contracts with satellite and cable providers well in advance of their expiration dates.

Satellite transponder agreement with Eutelsat S.A. ("Eutelsat")

We entered into satellite transponder capacity lease agreements, pursuant to which Eutelsat agreed to provide us satellite transponder capacity on its satellites on an exclusive basis in Poland. Allotment agreements entered into by us or ITI Neovision Sp. z o.o. with Eutelsat provide us with allotted capacity on an exclusive full-time basis on designated transponders. These allotment agreements will expire on September 14, 2011, December 31, 2014, April 19, 2018 and August 31, 2018.

License agreement with Cyfrowy Polsat S.A. (previously Telewizja Polsat S.A.)

On February 14, 2003 we entered into an agreement with Cyfrowy Polsat S.A. (previously Telewizja Polsat S.A). The agreement grants a non-exclusive license for the distribution of the TVN and TVN 7 channels in Poland. The agreement is valid until February 29, 2012.

License agreement with Cyfrowy Polsat S.A.

On May 30, 2006 we entered into an agreement with Cyfrowy Polsat S.A. The agreement grants a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo and TVN Style channels in Poland. The agreement is valid until February 29, 2012.

License agreement with Canal+ Cyfrowy sp. z o.o.

On February 10, 2004 we entered into an agreement with Canal+ Cyfrowy sp. z o.o. The agreement grants a non-exclusive license for the distribution of the TVN and TVN 7 channels in Poland. The agreement is valid until May 31, 2010 and provides for automatic extension for a further three years unless terminated within the prescribed notice period.

License agreement with Canal+ Cyfrowy sp. z o.o.

On December 12, 2005 we entered into an agreement with Canal+ Cyfrowy sp. z o.o. The agreement grants a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style and TVN CNBC Biznes channels in Poland. The agreement is valid until December 31, 2010.

License agreement with Aster sp. z o.o.

On January 2, 2007 we entered into an agreement with Aster sp. z o.o. The agreement grants a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style, TVN CNBC Biznes and TVN Warszawa channels in Poland. The agreement is valid until December 31, 2011.

License agreement with Vectra S.A.

On October 30, 2003 we entered into an agreement with Vectra S.A. The agreement grants a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo and TVN Style channels in Poland. The agreement is concluded for an unspecified term and may be terminated by either party with one year's notice. After negotiations, which ended in July 2009, an annex to this agreement is being finalized, which is intended amend the agreement to provide for a fixed term scheduled to expire in July 31, 2014.

License agreement with UPC Polska sp. z o.o.

On June 6, 2007 we entered into an agreement with UPC Polska sp. z o.o. The agreement grants a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style and TVN CNBC Biznes channels in Poland. The agreement is valid until December 31, 2009 and provides for automatic extension for further periods of one year unless terminated within the prescribed notice period.

License agreement with Multimedia Polska S.A.

On February 28, 2006 we entered into an agreement with Multimedia Polska S.A. The agreement grants a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style and TVN CNBC Biznes channels in Poland. The agreement is valid until February 28, 2014.

Other

Signal distribution agreement with TP EmiTel sp. z o.o. (TP EmiTel) terrestrial network

On 20 April 2009 we entered into an agreement with TP EmiTel regarding signal distribution services through a terrestrial network in analogue technology for the purposes of broadcasting the TVN channel. TP EmiTel provides us with broadcasting services through its own television broadcast stations. The agreement was concluded for a specified term until the expiry of our license to broadcast the TVN channel, i.e. until 31 July 2013. Either party may terminate the agreement with six months notice.

Exchange Controls

Foreign exchange transactions are regulated by the Foreign Exchange Law of July 27, 2002, which came into force on October 1, 2002. The Foreign Exchange Law states that, as a rule, foreign exchange transactions are permitted, however some are subject to the restrictions provided therein. While foreign exchange transactions with member countries of the European Union, the EEA and the Organisation for Economic Co-operation and Development (including the United States) are mostly free from foreign exchange restrictions, a more stringent legal regime applies to residents of other countries, i.e. all countries that are not members of the EU, EEA or OECD. Any exemption from the restrictions and obligations set forth in the Foreign Exchange Law requires a general or individual foreign exchange permit. General foreign exchange permits are granted by the minister responsible for public finance. Such general permits may apply to all or a specific category of entities defined by type, as well as all transactions or transactions defined by type. Consequently, certain restrictions provided in the Foreign Exchange Law are excluded by the Ordinance of the Minister of Finance on general foreign exchange permits dated September 4, 2007, effective since October 3, 2007. While the adoption of amendments to the Foreign Exchange Law as a legislative act has to go through the parliamentary process, the adoption of an amendment to the Ordinance of the Minister of Finance rests solely within the powers of the Minister of Finance.

The Foreign Exchange Law provides for the equal treatment of Złoty and foreign currencies listed on a convertible currencies list in the conduct and settlement of foreign exchange transactions with parties located abroad. Accordingly, payments to persons who are non-residents of Poland (as defined therein) may be made and expressed in convertible currencies or in Złoty with no difference in the treatment thereof.

Restrictions contained in the Foreign Exchange Law cover transactions with third countries, i.e. all countries that are not members of the EU, EEA or OECD, such as:

1. The transfer of domestic or foreign money by residents to third countries, in order to undertake or broaden economic activity in those countries, including the purchasing of real estate, with some exceptions, i.e. transfer of money in order to cover the expenses related to supply of services in third countries.

2. Disposals in Poland by non-residents from third countries and by international organisations of which Poland is not a member, either directly or indirectly of:

    - debentures with a maturity period of less than one year, except for debentures purchased in Poland;
    - cash claims, except for those purchased in Poland or purchased from the Polish residents, to the extent where a foreign exchange permit is not required.

3. Purchases by residents either directly or indirectly through other persons of:

    - shares in companies seated in third countries, as well as taking up shares in such companies;
    - participation units in collective investment funds based in third countries;
    - debentures issued by non-residents from third countries;
    - foreign currency disposed of by non-residents from third countries, in exchange for other foreign or domestic currency;
    - cash claims disposed of by non-residents from third countries.

It is important to underline that the restriction on concluding agreements which result or may result in an obligation to pay in foreign currency in Poland was abrogated on January 24, 2009. The above amendment reflects the abolishment of the currency principle, which was stipulated in the Polish Civil Code.

Additionally, the Foreign Exchange Law imposes certain duties. Residents are required to transfer money abroad and to make settlements with non-residents in Poland through authorized banks, if the amount to be transferred or settled exceeds the equivalent of EUR15,000. The obligation to make settlements through authorized banks does not relate to situations when the authorised bank is a party to the settlement.

Residents engaged in foreign exchange transactions with non-residents and entrepreneurs conducting money exchange office activities must furnish the National Bank of Poland with sufficient data on such transactions or activities to prepare the balance of payments and of the states.

Taxation

United States of America

General.

To ensure compliance with U.S. Internal Revenue Service Circular 230, taxpayers are hereby notified that: (i) any discussion of U.S. federal tax issues in this annual report is not intended or written by us to be relied upon, and cannot be relied upon by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the U.S. Internal Revenue Code of 1986, as amended, or the "Code"; (ii) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (iii) taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

The following summary describes the material U.S. federal income tax consequences of the purchase, ownership and disposition of the 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 our payments 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 us 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 us 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 us 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 our 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 us 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 us 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 us or TV Wisła. 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 us 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 Tomasz Poźniak at +48.22.856.66.14.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITIES HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports as required by the Indenture is recorded, processed, summarized and reported within the time periods specified by the Indenture.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Not applicable.

ITEM 16B. CODE OF ETHICS

As we are not required to do so by Polish Law, we did not adopt a code of ethics. However, we adopted a Corporate Governance code which is described in Item 16G.

ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES

We entered into agreements with our auditors, PricewaterhouseCoopers Sp. z o.o., to review interim financial statement and audit annual financial statements on April 20, 2009. These agreements cover the review and audit of financial statements for the period ended June 30, 2009 and the audit of the period ended December 31, 2009.

We also entered into agreements with our auditors, PricewaterhouseCoopers Sp. z o.o., on October 26, 2009 to the provide attestation necessary for preparing the offering memorandum for the issue of the 10.75% Senior Notes.

The following table sets out a summary of accountancy fees and services for the twelve months ended December 31, 2008 and 2009:

(in thousands)	2009	2008
Audit fees [1]	1,750	1,179
Tax fees [2]	184	-
Other fees [3]	1,584	-
Total fees	**3,518**	**1,179**

(1) Audit fees are the fees for review and audit of our interim and annual financial statements. This position includes fees and expenses for services rendered in relation to reviews and audits of financial statements for the periods covered by the fiscal year, notwithstanding when the fees and expenses were billed.

(2) This position includes fees and expenses for services rendered from January 1 through December 31, of the fiscal year, notwithstanding when the fees and expenses were billed.

(3) This position includes fees for attestation necessary for offering memorandum for the issue of the 10.75% Senior Notes

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE COMPANY AND AFFILIATED PURCHASERS

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 allowed us to purchase up to 35 million shares, but not more than 10% of our share capital as calculated on the last day of the Share Buyback Program. The program expired on December 31, 2009, and since commencing the Share Buyback Program, we have purchased a total of 9,157,107 shares at an average price of PLN 10.92 per share (numbers not in thousands) for a total of PLN 100,000 including share buyback cost.

The first tranche of PLN 50,000 of the Share Buyback Program commenced on November 17, 2008. By January 21, 2009, we had purchased a total of 3,903,188 (not in thousands) shares at an average price of PLN 12.81 per share for the total price of PLN 49,999,961 (not in thousands).

The second tranche of PLN 50,000 of the Share Buyback Program commenced on February 5, 2009. By March 18, 2009, we had purchased a total of 5,253,919 (not in thousands) shares at an average price of PLN 9.52 per share for the total price of PLN 49,999,991 (not in thousands).

We spent PLN 62,572 from the Share Buyback Program in 2009. Redemption of the shares purchased in the Share Buyback Program was registered by the court on July 3, 2009.

On July 3, 2009 we decreased the share capital of TVN S.A. from PLN 69,903 to PLN 68,072 by way of a voluntary redemption of 9,157,107 (not in thousands) shares in TVN S.A. giving 9,157,107 (not in thousands) votes at the shareholders meeting for compensation of PLN 99,651.

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

I. Specification of the set of corporate governance rules to which the Issuer is subject, and place where text of such set of rules is available to public

In 2009 the Company adhered to the principles set forth in the document entitled "Best Practices of WSE Listed Companies", available to the public on the following web page http://www.corp-gov.gpw.pl/ .

The Company did not depart from any of the principles set forth in the corporate governance set of principles: the Best Practices of WSE Listed Companies.

II. Description of the principal features of the internal control and risk management systems applied by the Company in respect to the process of preparing financial statements

The Company's management board is responsible for its internal control system and its effectiveness in course of the process applied in the preparation of our financial statements and interim reports which are to be prepared and published in accordance with the provisions of the Decree of the Minister of Finance dated February 19, 2009 on current and periodic information to be published by issuers of securities.

The effectiveness of the Company's internal control system applied in the process of preparing financial statements is based on the general assumption of ensuring adequacy and correctness of financial information included in the financial statements and interim reports. An effective internal control and risk management system for the process of financial reporting has been built according to the following principles:

- Defined scope of financial reporting applied by the Company.
- Defined division of duties and organization of work in the financial reporting process.
- Regular review of Company's results using the applied financial reporting method.
- Regular independent review of published financial statements of the Company by an auditor.
- Principles of authorizing financial reports prior to their publication.
- Involving internal audit function in assessing effectiveness of the control mechanisms used.

Defined scope of financial reporting applied by the Company

The Company carries out annual reviews of its strategy and long-term business plans. Based on conclusions drawn from that review, a detailed budgeting process is performed including all functional areas of the Company, with the participation of the medium and top level management. The budget prepared for the following year and the business plan for the next 5 years are adopted by the management board and approved by the supervisory board.

During the course of the year, the management board analyzes the current financial results and compares them with the budget, using the management reporting system, built based on the accounting policies accepted by the Company (IFRS), and takes into consideration the format and detailed content of financial data presented in interim financial statements of the Company and the Group.

Accounting policies adopted by the Company in respect to statutory reporting are used both during this process and in the course of preparing the interim management reports.

The Company applies coherent accounting principles for the recognition and disclosure of financial data in financial statements, interim financial reports and other reports made available to investors.

Defined division of duties and organization of work in the financial reporting process

The TVN Group Financial Division, headed by the management board Member, TVN Group Chief Financial Officer (CFO) is responsible for preparing the financial statements, interim financial reports and interim management reports of the Company.

Financial statements of the Company are prepared by the medium level managers within the TVN Group Financial Division based on the financial data included in monthly management reports, after their acceptance by the TVN Group CFO and taking into consideration other, supplementary operating data supplied by dedicated employees from other departments. The prepared financial statements are verified by the head of group reporting team and TVN Group CFO, prior to their issue to the independent auditor.

The Company's interim reports are prepared by the group reporting team within the TVN Group Financial Division based on the financial data from monthly management reports, after their acceptance by TVN Group CFO, taking into consideration other, supplementary operating data supplied by dedicated employees from other departments. The prepared interim reports are verified by the senior managers of the TVN Group Financial Division and by TVN Group CFO prior to their issue to the independent auditor.

Regular review of Company's results using the applied financial reporting method

Financial data on which financial statements and interim reports are based, are derived from the monthly financial and operational reports system used by the Company. After general ledger closing each calendar month, the medium and top level management within TVN Group Financial Division, headed by TVN Group CFO jointly analyze financial results of the Company comparing these with the assumptions and divided by each business segment.

Identified mistakes are immediately adjusted in the Company's ledgers and TVN Group reporting system, according to the adopted accounting policy.

The process of preparing financial statements and interim reports begins once the results of the reporting period are accepted by the TVN Group CFO.

Regular independent review of published financial statements of the Company by an auditor

The Company applies the principle of independent review of financial statements prior to publication irrespectively of whether such a requirement is imposed by the applicable laws.

Half-year and annual financial statements and financial reports before their publishing, as well as financial data on which such reports are based, are reviewed (half-year) and audited (annual) by the Company's auditor. Adequacy of financial data and the scope of the necessary disclosures are scrutinized particularly.

Results of half-year reviews or full year audits are presented by the auditor to the TVN Group Financial Division management and the Audit Committee.

Principles of authorizing financial reports prior to their publication

Financial statements and interim reports are submitted to members of the supervisory board after the review or audit is complete.

The Audit Committee holds a meeting prior to acceptance of interim financial statements for publication by the management board and the supervisory board, during which the TVN Group CFO presents key aspects of the quarterly/semiannual/annual financial statements – underlining changes to accounting policies, if any, important estimates and accounting judgments, major disclosures and business transactions.

The Audit Committee reviews interim financial statements taking into consideration information presented by the Company management board and the independent auditor, and thereafter recommends the supervisory board approval of such documents.

Involving internal audit function in assessing effectiveness of the control mechanisms used

The Company operates an internal audit unit, which participates in identifying the risks and assessing control mechanisms for the needs of TVN S.A. and TVN Group companies. The annual internal audit program is created based on a risk assessment process performed with participation of the management board. The audit program is approved by the Audit Committee. Besides planned audits, the internal audit performs follow-up audits to review the implementation of recommendations issued in the course of previous inspections, and ad hoc audits ordered by the management board or the Audit Committee.

Internal audit prepares reports containing recommendations for improvement of the controls.

Results of internal audit activities are first discussed with the management board and next submitted to the Audit Committee. The management board is responsible for timely implementation of any recommendations issued.

III. Restrictions applicable to transfer of rights from securities

Disposing of registered shares of the Company requires prior consent of the management board, as provided for in the procedure set forth in Paragraph 10 of the Company's Articles of Association. Such restrictions are not applicable to sale of registered shares to the parent, subsidiary or any other entity within the Company's capital group. Disposing of registered shares in violation of principles set forth in the Articles of Association is ineffective.

Disposing of Company's shares to any individual or legal person having domicile or seat outside any European Economic Area Member State may take place after obtaining consent from the Chairman of the National Media Council, except for bearer shares admitted into trading on the stock exchange, but only up to 49% of the Company's share capital – as set forth in Decision (Permit) of the Chairman of the National Media Council No. DK-181/2004 dated September 22, 2004. Disposing of Company shares in violation of principles set forth in the preceding sentence is void.

IV. Principles of appointing and recalling members of the management board and authorities of the management board, particularly in reference to the right to decide about the issue or repurchase of shares

Principles of appointing and recalling members of the management board

Members of the management board are appointed and recalled by the supervisory board. Members of the management board are appointed for a joint three-year term of office. Recalling or suspension of a management board member may take place only due to important reasons. Resolution on recalling or suspending a management board member should state the reasons for which such member is being recalled or suspended.

Authorization to adopt decisions on share issue

Pursuant to the Company's Articles of Association, the management board has authorization to issue Company shares within the bounds of increasing share capital of the Company up to the authorized capital level. This authorization is valid for three years, up to the 1st of January 2011. This authorizes the management board to increase the Company's share capital one or more times within the authorized capital threshold by a total amount not to exceed PLN 15,000,000. Issued shares could be paid up also by way of a contribution in kind. Authorization of the management board also includes the right to issue subscription warrants. Resolutions of the management board in the matters of: (i) dates for opening and closing the subscription, (ii) setting the issue price, and (iii) issuing shares in exchange for a contribution in kind, require consent of the supervisory board. The management board is also authorized to exclude existing Shareholders from all or any of their share subscription rights within the bounds of the authorized capital, and also in respect of the issue of subscription warrants, with the consent of the supervisory board being required.

Authorization to adopt decisions on share repurchase

Pursuant to a resolution adopted by the Extraordinary General Meeting of Shareholders of TVN held on October 30, 2008, the management board was authorized to decide in the period ending on December 31, 2009 about repurchasing shares of the Company for the redemption and decrease of share capital, with the authorization extending to not more than 35 million shares for a total price of not higher than PLN 500,000,000 (not in thousands). Resolutions of the management board resulted in the repurchase of 9,157,107 (not in thousands) shares in the Company (bearer shares) for a total price of PLN 99,999,951.78 (not in thousands).

V. Principles governing amendments of the Company's Articles of Association

TVN S.A. performs its activities based on Articles of Association adopted by a resolution of the General Meeting of Shareholders held on July 02, 2004, with subsequent amendments.

Any amendment of the Articles of Association requires a resolution to be adopted by the General Meeting of Shareholders and an appropriate entry into the court register. A resolution of the General Meeting of Shareholders on amending the Articles of Association must be adopted with a 3/4 majority vote.

VI. Description of the proceedings of General Meeting of Shareholders, its principal authorities and Shareholder rights and manner of exercising such rights

The General Meeting of Shareholders

The General Meeting of Shareholders was held once in 2009 – on May 15, and was held as the Ordinary General Meeting of Shareholders of TVN S.A.

The Ordinary General Meeting of Shareholders was held in accordance with provisions of the Code of Commercial Companies, provisions of the Standing By-laws of the General Meeting of Shareholders of TVN S.A. approved in Resolution No. 1 of the Extraordinary General Meeting of Shareholders of TVN S.A. held on December 01, 2004, and in line with the Best Practices of WSE Listed Companies.

The Chairman of the General Meeting of Shareholders assured efficient conduction of the meeting. Members of the management board and of the supervisory board participated in the General Meeting of Shareholders in a number allowing the issue of substantive responses to questions asked during the meeting.

Resolutions of the General Meeting of Shareholders were adopted under conditions allowing minority shareholders to exercise their rights, including the right of objecting to the resolutions adopted. None of the resolutions adopted was questioned either by submitting an objection or initiating litigation. Resolutions adopted by the Ordinary General Meeting of Shareholders were posted to the Company's web site.

The Ordinary General Meeting of Shareholders took place prior to enforcement of the Act dated December 5, 2008 amending the Act on Code of Commercial Companies and Act on Trading in Financial Instruments, which came into force on August 03, 2009. This amendment to the Code of Commercial Companies introduced changes in procedures of the General Meetings of Shareholders. As a result, on August 3, 2009 certain provisions of the Standing By-laws of the General Meeting of Shareholders of TVN S.A. became ineffective, others require modification and adjustment, and those changes will be introduced by the next General Meeting of Shareholders of TVN S.A.

In line with the new requirements for proceedings of General Meetings of Shareholders, the management board of TVN has made available to Shareholders an e-mail address on TVN's corporate web site for contacts with the Company's management board as required in the new principles of organizing General Meeting of Shareholders.

Shareholders exercising the rights attributed to them under the amended provisions of the Code of Commercial Companies may send to the specified e-mail address motions to the management board of TVN S.A. convening a General Meeting of Shareholders, placing specific items in the agenda and drafting resolutions.

Shareholders using electronic means of communication have to identify themselves, and documentation of the rights they refer to is to be verified.

Shareholder rights

Amended regulations of the Code of Commercial Companies introduced new, principles simplifying participation of shareholders in General Meetings of Shareholders and exercising their voting rights.

Shareholders representing in total 5% of the Company's share capital obtained a right to convene the General Meeting of Shareholders and place specific matters in its agenda. Such a request may be placed in writing or by e-mail.

Shareholders possessing 50% of the Company's share capital obtained the right to self-dependently convene General Meetings of Shareholders.

Shareholders representing in total 5% of the Company's share capital obtained a right to submit draft resolutions prior to the date of the General Meeting of Shareholders, and in exercising shareholders' rights to have full access to information, it obligated the management board of the Company to publish such draft documents on the Company's web page.

Shareholders also obtained the right to cast different votes in respect of each of their shares at the General Meeting of Shareholders – a shareholder may vote differently on each of his shares held ("split voting").

VII. Membership and proceedings of managing and supervising bodies of the Company, and committees thereof

A. The management board

Current members of the management board

The Management board currently consists of the following persons:

1) Markus Tellenbach – President of the management board – appointed on September 1, 2009 for the current term of office and next, joint three-year term of office of the Management Board,
2) Piotr Walter – Vice-President of the management board – appointed on September 1, 2009 to function of Vice-President for the current term of office and next, joint three-year term of office of the management board,
3) Łukasz Wejchert – Vice-President of the management board – holding this position in the current term of office and appointed for the next, joint three-year term of office of the management board,
4) Rafał Wyszomierski – member of the management board – appointed on September 1, 2009 for the current term of office of the management board.

Changes in membership of the management board in the 2009 financial year

In the period from January 1 to May 11, 2009 the management board of the Company consisted of ten members, i.e.: Piotr Walter – President, Karen Burgess – Vice-President, Edward Miszczak – Vice-President, Łukasz Wejchert – Vice-President, and other members: Tomasz Berezowski, Olgierd Dobrzyński, Waldemar Ostrowski, Adam Pieczyński, Jarosław Potasz and Piotr Tyborowicz.

On May 11, 2009 six members of the management board, i.e.: Tomasz Berezowski, Olgierd Dobrzyński, Waldemar Ostrowski, Adam Pieczyński, Jarosław Potasz and Piotr Tyborowicz submitted their resignations from holding functions in the management board of TVN S.A.

On May 13, 2009 the supervisory board adopted a resolution in exercise of its statutory authorities, pursuant to which the management board is to consist of four members.

Next, with effect as of August 31, 2009 the following persons submitted their resignations from performing functions of Vice-Presidents and members of the management board of TVN S.A.: Karen Burgess and Edward Miszczak. Piotr Walter submitted resignation from the position of President of the management board of TVN and as from September 1, 2009 was appointed to hold the function of Vice-President of the management board of TVN.

Resignations from the management board during 2009 were associated with the introduction of the new management structure of TVN Group aimed at optimal alignment of the Group's structure with the strategy of further integration and development of its core operating segments. Karen Burgess resigned for personal reasons.

On September 01, 2009 the supervisory board appointed Mr. Markus Tellenbach to be the President of the management board of TVN S.A., and Mr. Rafał Wyszomierski to be a member of the management board of TVN.

Proceedings of the management board in 2009

The Company's management board while adopting its decisions acted within its authorities set forth in the Articles of Association, adhered to provisions of the Code of Commercial Companies, statutory regulations applicable to listed companies and the Best Practices of WSE Listed Companies.

Implementing strategic objectives of the Company approved by the supervisory board as well as current tasks, the management board was guided by the interests of the Company, took into account the interests of shareholders, Company staff and creditors, and acted in compliance with the applicable laws.

In an effort to ensure the transparency and efficiency of the system of management, the management board adhered to the principle of professional actions within the bounds of justified economic risk, taking into consideration the wide spectrum of information, analyses and opinions available.

The management board's scope of activities comprised managing the Company's affairs, managing business of the Company and its assets, as well as representing the Company – either by the President acting self-dependently, or by two members of the management board acting jointly.

The management board jointly resolved on all matters requiring resolutions to be adopted by the supervisory board or the General Meeting of Shareholders, including resolutions on approving interim financial statements and reports from activities of the management board, as well as the annual financial statement and annual report from activities of the management board.

Matters being considered jointly by the management board included decisions of material importance for the business of the Company, involving areas associated with implementing growth strategy adopted by the supervisory board, including decisions on new and continued investments by the Company into the 'n' platform, as well as assuring financing of the Company's business through issue of the 10.75% Senior Notes, and decisions relating to the Company's participation in implementing land based DVB-T digital TV.

Resolutions of the management board were adopted by simple majority votes cast during the meetings with required quorum being in attendance, or in writing, provided that all members of the management board had been informed of the draft resolution. Members of the management board adhered to principles of abstaining from participation in resolving on matters associated with existence of a conflict of interest.

The information policy of the Company was implemented by the management board in adherence to the principle of posting to the Company's web site both Polish and English language versions of information required under the applicable laws and by the Best Practices of WSE Listed Companies.

The management board turned to the supervisory board for approval of any major transaction to be executed with a related entity, as required by the Articles of Association and the Best Practices of WSE Listed Companies.

B. The supervisory board

Current members of the supervisory board

The supervisory board presently consists of eleven members appointed by resolutions of the General Meeting of Shareholders held on May 15, 2009 for a new joint term of office. The current membership is as follows:

1) Wojciech Kostrzewa – Chairman of the supervisory board, Chairman of the Related Party Transactions and Remuneration Committee,
2) Bruno Valsangiacomo – Deputy Chairman of the supervisory board, member of the Audit Committee,
3) Arnold Bahlmann – independent supervisory board member, member of the Related Party Transactions and Remuneration Committee,
4) Michał Broniatowski – independent supervisory board member,
5) Romano Fanconi – supervisory board member,
6) Paweł Gricuk – independent supervisory board member, member of the Audit Committee and Related Party Transactions and Remuneration Committee,
7) Paweł Kosmala – supervisory board member,
8) Wiesław Rozłucki – independent supervisory board member, Chairman of the Audit Committee,
9) Andrzej Rybicki – supervisory board member,
10) Aldona Wejchert – supervisory board member,
11) Gabriel Wujek – supervisory board member.

As a result of resignation by Mr. Markus Tellenbach from his function as a supervisory board member, as of August 31, 2009, Mr. Michał Broniatowski was co-opted to the supervisory board on October 29, 2009, in compliance with provisions of the Company's Articles of Association.

Resignation of Markus Tellenbach from membership in the supervisory board during 2009 was associated with the introduction of the new management structure of TVN Group aimed at optimal alignment of the Group's structure with the strategy of further integration and development of its core operating segments and appointment of Markus Tellenbach as the President of the management board of TVN S.A.

Activities of the supervisory board

In adopting resolutions and acting within the scope of its authorities set forth in the Company's Articles of Association, the supervisory board adhered to the provisions of the Code of Commercial Companies, By-laws of the supervisory board approved by the General Meeting of Shareholders held on August 19, 2004, as subsequently amended, and the Best Practices of WSE Listed Companies

The supervisory board adopted its resolutions by simple majority during the meetings adhering to the quorum requirement, or by written resolution, provided that all members of the supervisory board were informed of the wording of the draft resolution.

Supervisory board members adhered to the principle of abstaining from participating in resolving Company matters in cases when conflicts of interest existed, in line with the principles of Best Practices of WSE Listed Companies.

Meetings of the supervisory board are convened by the Chairman or Deputy Chairman of the supervisory board on their own initiative or on motions of the management board or any member of the supervisory board. Members of the supervisory board may participate in the meeting using remote communication devices, and where permitted by the applicable laws, may cast their votes in writing through another member of the supervisory board. Meetings of the supervisory board are convened as required, but not less frequently than once every quarter-year.

In 2009 five meetings of the supervisory board of TVN S.A. were held.

Management board members participated in supervisory board meetings. The management board provided the supervisory board with exhaustive information on all material issues relating to Company's business.

The supervisory board last year adopted eleven resolutions outside meetings using the written voting procedure in 2009.

Supervisory board members having economic, familial or other ties with Shareholders possessing more than 5% of votes at the General Meeting of Shareholders had notified the management board duly thereof. That information was published on the TVN corporate web site.

Three supervisory board members (four since October 28, 2009) fulfilled the criterion of being independent from the Company and entities in material relationship with the Company, as defined in European Commission Recommendations of February 15, 2005 on role of the non-executive directors being members of the supervisory boards of listed companies.

The supervisory board submitted to the Ordinary General Meeting of Shareholders held on May 15, 2009 a concise assessment of the condition of TVN S.A. in 2008 and a report on its activities and activities of the supervisory board's committees, containing an evaluation of their work in 2008. The General Meeting of Shareholders accepted report of the supervisory board. It also recommended the General Meeting of Shareholders to adopt a resolution on the payment of a dividend.

In 2009 the supervisory board adopted a number of decisions material to the business of the Company, including defining the strategic directions of the Company's growth, extending its consent to the management board to further invest in the digital TV platform broadcasting by purchasing additional shares in the 'n' DTH platform and financing of the Company's business through the issue of the 10.75% Senior Notes. The supervisory board changed the structure of the management board in an effort to make the management of the Company and the TVN Group more efficient.

In performing its authorities to control business of the Company, the supervisory board considered interim financial statements of the Company and the TVN Group, as well as reports of the management board as the business of the Company.

C. Supervisory board Committees

The supervisory board established two committees, i.e. the Audit Committee and the Related Party Transactions and Remuneration Committee, each consisting of three supervisory board members, in that at least two independent supervisory board members.

The Audit Committee

Duties of the Audit Committee have been provided for in the Audit Committee Charter approved by the supervisory board. The Audit Committee supervises the financial reporting process with the purpose of ensuring balance, transparency and integrity of published financial information, verifies efficiency of internal financial control mechanisms and the risk management system, as well as evaluates operation of internal and external audit of the Company and when necessary TVN Group. Moreover, the Audit Committee recommends appointing of the external auditor to the supervisory board and evaluates activities of the external auditor.

The Audit Committee cooperates with the supervisory board, the management board, middle level management and internal and external audit in the course of performing its duties.

The Audit Committee consists of three members, who as of today are: Wiesław Rozłucki (Chairman), Paweł Gricuk and Bruno Valsangiacomo. All members of the Audit Committee have the required qualifications in accounting and finance, with two of them being independent supervisory board members.

The Audit Committee holds regular meetings, at least 4 times per year. The Chief Financial Officer, Internal Audit Director and representatives of the external audit participate in the Committee meetings on invitation. The Committee held 5 meetings in 2009 at the seat of the Company.

TVN Internal Audit submitted to the Audit Committee the results of all audits conducted by the Company in accordance with the annual plan of audits approved by the Audit Committee, reviewing follow-up audits conducted as following recommendations made by previous audits, as well as ad hoc audits. In 2009 the Committee received reports from 7 internal audits.

Results of internal audits performed in the Onet.pl Group are presented to the Onet.pl Group supervisory board and to the Audit Committee. In 2009 the Committee received reports from 4 internal audits performed within the Onet.pl Group.

Results of internal audits performed in ITI Neovision Sp. z o.o. are presented to the ITI Neovision Sp. z o.o. supervisory board and to the Audit Committee. In 2009 the Committee received reports from 3 internal audits performed within the ITI Neovision Sp. z o.o.

The Related Party Transactions and Remuneration Committee

Duties of the Related Party Transactions and Remuneration Committee have been defined clearly in the supervisory board by-laws and include analysis of related party transactions, review of remuneration and other payments of the management board and members of the supervisory board, as well as presentation of recommendations in these matters to the supervisory board.

The Related Party Transactions and Remuneration Committee consists of: Wojciech Kostrzewa (Chairman), Arnold Bahlmann and Paweł Gricuk.

In 2009 the Committee held nine meetings (teleconferences) to analyze remuneration and the terms of management contracts concluded with management board members, annual awards to management board members and transactions with related entities within the ITI Group.

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-88 as follows:

ITEM 19. EXHIBITS

Not applicable.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa
Poland
Telephone +48 (22) 523 4000
Facsimile +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 2009 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the TVN Group as of 31 December 2009, 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.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland
February 17, 2010

PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register maintained by the District Court for the Capital City of Warsaw, under KRS number 0000044655, NIP 526-021-02-28. The share capital is PLN 10,363,900. The seat of the Company is in Warsaw at Al. Armii Ludowej 14.

MANAGEMENT REPRESENTATIONS

These consolidated financial statements of TVN S.A. and its subsidiaries (the “TVN Group”) as of and for the year ended December 31, 2009, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the EU, issued and effective as at the balance sheet date.

The consolidated financial statements of TVN Group as of and for the year ended December 31, 2009 include: consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders’ equity, consolidated cash flow statement and notes to the consolidated financial statements.

In accordance with the requirements of the Decree of the Minister of Finance of February 19, 2009 on current and periodic information to be published 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 17, 2010.

Markus Tellenbach President of the Board	Piotr Walter Vice-President of the Board
Jan Łukasz Wejchert Vice-President of the Board	Rafał Wyszomierski Member of the Board

Warsaw, February 17, 2010

TVN Group

Consolidated Financial Statements
As of and for the year ended December 31, 2009

TVN Group

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TVN Information

1. Principal activity

TVN Group is the leading, integrated Polish media group, active in television broadcasting and production, including operation of a digital satellite pay television, internet and teleshopping. TVN S.A. (the “Company”) and its subsidiaries (“TVN Group”, the “Group”) operate or jointly operate eleven television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN CNBC Biznes, TVN Warszawa, NTL Radomsko and Telezakupy Mango 24. The Group’s channels broadcast news, information and entertainment shows, serials, movies and teleshopping. The Group also operates a Polish direct-to-home digital satellite television ‘n’, which offers technologically advanced pay television services. 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
- Michał Broniatowski (appointed October 28, 2009)
- Romano Fanconi
- Paweł Gricuk
- Paweł Kosmala
- Wiesław Rozłucki
- Andrzej Rybicki
- Markus Tellenbach (resigned August 31, 2009)
- Aldona Wejchert
- Gabriel Wujek

4. Management Board

- Markus Tellenbach, President (appointed September 1, 2009)
- Piotr Walter, Vice-President (appointed September 1, 2009, resigned as President August 31, 2009)
- Jan Łukasz Wejchert, Vice-President
- Rafał Wyszomierski (appointed September 1, 2009)
- Karen Burgess, Vice-President (resigned August 31, 2009)
- Edward Miszczak, Vice-President (resigned August 31, 2009)
- Tomasz Berezowski (resigned May 13, 2009)
- Olgierd Dobrzyński (resigned May 13, 2009)
- Waldemar Ostrowski (resigned May 13, 2009)
- Adam Pieczyński (resigned May 13, 2009)
- Jarosław Potasz (resigned May 13, 2009)
- Piotr Tyborowicz (resigned May 13, 2009)

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 S.A.")
ul. Grzybowska 53/57
00-950 Warszawa

8. Subsidiaries

Television Broadcasting and Production

- TVN Finance Corporation II AB
  Stureplan 4 c 4 tr
  114 35 Stockholm, Sweden
- TVN Finance Corporation plc
  One London Wall
  London EC2Y 5EB, UK
- Mango Media Sp. z o.o.
  ul. Hutnicza 59
  81-061 Gdynia
- El-Trade Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- NTL Radomsko Sp. z o.o.
  ul. 11 Listopada 2
  97-500 Radomsko
- Thema Film Sp. z o.o.
  ul. Powsińska 4
  02-920 Warszawa
- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warszawa

Digital satellite pay television

- ITI Neovision Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa
- Cyfrowy Dom Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa
- Neovision Holding B.V.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- Neovision UK Ltd.
  Carmelite 50 Victoria Embankment
  London EC4Y 0DX, UK

On-line

- Grupa Onet.pl S.A.
  ul. G. Zapolskiej 44
  30-126 Kraków
- Grupa Onet Poland Holding B.V.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- Dream Lab Onet.pl Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków
- 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

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

9. Joint ventures

- MGM Channel Poland Ltd.
  Carmelite, 50 Victoria Embankment
  London EC4Y 0DX, UK
- Polski Operator Telewizyjny Sp. z o.o.
  ul. Huculska 6
  00-730 Warszawa

10. Associate

- Polskie Badania Internetu Sp. z o.o.
  Al. Jerozolimskie 65/79
  00-697 Warszawa

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

	Note	Year ended December 31, 2009	Year ended December 31, 2008
Revenue	**6**	2,123,367	1,897,309
Cost of revenue	**7**	(1,326,241)	(967,153)
Selling expenses	**7**	(276,187)	(151,772)
General and administration expenses	**7**	(176,357)	(148,801)
Other operating (expenses)/ income, net	**7**	(8,461)	2,292
Gain on step acquisition	**30**	122,359	-
Gain on remeasurement of contingent consideration	**4 (iv)**	153,610	-
Operating profit		**612,090**	**631,875**
Investment income, net	**8**	51,175	81,090
Finance expense, net	**8**	(243,340)	(170,973)
Share of loss of associate	**30**	(39,132)	(94,440)
Profit before income tax		**380,793**	**447,552**
Income tax charge	**26**	(34,637)	(83,876)
Profit for the period		**346,156**	**363,676**
Profit/ (loss) attributable to:			
Owners of the parent		420,821	363,676
Non-controlling interests		(74,665)	-
		346,156	**363,676**
Earnings per share for profit attributable to the owners of TVN S.A. (not in thousands)			
- basic	**9**	1.23	1.04
- diluted	**9**	1.23	1.03

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

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

	Note	Year ended December 31, 2009	Year ended December 31, 2008
Profit for the period		**346,156**	**363,676**
Other comprehensive income:			
Available-for-sale assets	**16**	(1,370)	668
Income tax relating to components of other comprehensive income	**26**	260	(127)
Other comprehensive income for the period, net of tax		(1,110)	541
Total comprehensive income for the period		**345,046**	**364,217**
Total comprehensive income attributable to:			
Owners of the parent		419,711	364,217
Non-controlling interests		(74,665)	-
		345,046	**364,217**

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

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

	Note	As at December 31, 2009	As at December 31, 2008
ASSETS			
Non-current assets			
Property, plant and equipment	**10**	798,757	347,400
Goodwill	**11**	1,677,614	952,657
Brand	**12**	788,988	693,688
Other intangible assets	**13**	93,288	56,796
Non-current programming rights	**14**	158,930	154,741
Investments in associates	**30**	1,229	120,076
Loan to associate	**30**	-	179,138
Available-for-sale financial assets	**16**	138,250	7,588
Deferred tax asset	**26**	58,111	34,515
Other non current assets	**19**	5,562	5,181
		3,720,729	**2,551,780**
Current assets			
Current programming rights	**14**	230,681	192,676
Trade receivables	**17**	322,518	305,834
Available-for-sale financial assets	**16**	246,851	315,616
Derivative financial assets	**18**	-	149,865
Prepayments and other assets	**19**	81,059	51,286
Corporate income tax receivable		-	1,250
Cash and cash equivalents	**20**	381,658	184,867
		1,262,767	**1,201,394**
TOTAL ASSETS		**4,983,496**	**3,753,174**
EQUITY			
Shareholders' equity			
Share capital	**21**	68,088	69,903
Share premium		607,054	605,805
Treasury shares	**22**	-	(37,428)
8% obligatory reserve		23,301	23,152
Other reserves		(58,526)	109,048
Accumulated profit		1,004,954	876,474
		1,644,871	**1,646,954**
Non-controlling interest		(359,717)	-
		1,285,154	**1,646,954**
LIABILITIES			
Non-current liabilities			
10.75% Senior Notes due 2017	**23**	1,589,292	-
9.5% Senior Notes due 2013	**23**	-	855,432
PLN Bonds due 2013	**23**	498,837	498,593
Loans from related parties	**23,32**	544,612	-
Loan facility	**23**	-	109,875
Deferred tax liability	**26**	156,506	165,679
Non-current trade payables	**27**	21,415	6,951
Contingent consideration	**4 (iv)**	78,397	-
Financial liability related to acquisition of non-controlling interest	**30**	131,325	-
Other non-current liabilities		2,481	1,342
		3,022,865	**1,637,872**
Current liabilities			
Current trade payables	**27**	286,877	141,905
Corporate income tax payable		13,007	40,559
Accrued interest on borrowings	**23**	22,010	7,658
Overdraft facility	**23**	-	48,733
Other liabilities and accruals	**24**	353,583	229,493
		675,477	**468,348**
Total liabilities		**3,698,342**	**2,106,220**
TOTAL EQUITY AND LIABILITIES		**4,983,496**	**3,753,174**

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

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

	Number of shares (not in thousands)	Share capital	Share premium	Treasury shares	8% obligatory reserve	Other reserves (*)	Accumulated profit	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2008	**347,272,975**	**69,455**	**566,327**	**-**	**22,901**	**86,833**	**684,245**	**1,429,761**	**-**	**1,429,761**
Total comprehensive income for the period	-	-	-	-	-	541	363,676	364,217	-	364,217
Issue of shares	2,242,439	448	39,623	-	-	(18,396)	-	21,675	-	21,675
Share issue cost	-	-	(145)	-	-	-	-	(145)	-	(145)
Purchase of treasury shares (3)	-	-	-	(37,428)	-	-	-	(37,428)	-	(37,428)
Dividend declared and paid	-	-	-	-	-	-	(171,180)	(171,180)	-	(171,180)
Dividend cost	-	-	-	-	-	-	(16)	(16)	-	(16)
Share option plan charge for the period (1)	-	-	-	-	-	40,070	-	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**	**-**	**1,646,954**

(*) 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**

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

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

	Number of shares (not in thousands)	Share capital	Share premium	Treasury shares	8% obligatory reserve	Other reserves (*)	Accumulated profit	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2009	**349,515,414**	**69,903**	**605,805**	**(37,428)**	**23,152**	**109,048**	**876,474**	**1,646,954**	**-**	**1,646,954**
Total comprehensive income for the period	-	-	-	-	-	(1,110)	420,821	419,711	(74,665)	345,046
Issue of shares [2]	82,221	17	1,370	-	-	(636)	-	751	-	751
Share issue cost	-	-	(121)	-	-	-	-	(121)	-	(121)
Purchase of treasury shares [3]	-	-	-	(62,572)	-	-	-	(62,572)	-	(62,572)
Redemption of treasury shares [3]	(9,157,107)	(1,832)	-	100,000	-	-	(98,168)	-	-	-
Dividend declared and paid [4]	-	-	-	-	-	-	(194,005)	(194,005)	-	(194,005)
Dividend cost	-	-	-	-	-	-	(19)	(19)	-	(19)
Share option plan charge for the period [1]	-	-	-	-	-	21,743	-	21,743	-	21,743
Acquisition of subsidiary (see Note 30)	-	-	-	-	-	-	-	-	(288,602)	(288,602)
Fair value adjustments on loans from related parties [6]	-	-	-	-	-	3,696	-	3,696	3,550	7,246
Financial liability related to acquisition of minority interest [5]	-	-	-	-	-	(131,616)	-	(131,616)	-	(131,616)
Revaluation of loans from related parties [5]	-	-	-	-	-	(54,642)	-	(54,642)	-	(54,642)
Revaluation of contingent consideration [5]	-	-	-	-	-	(5,009)	-	(5,009)	-	(5,009)
Appropriation of 2008 profit - transfer to 8% obligatory reserve	-	-	-	-	149	-	(149)	-	-	-
Balance at December 31, 2009	**340,440,528**	**68,088**	**607,054**	**-**	**23,301**	**(58,526)**	**1,004,954**	**1,644,871**	**(359,717)**	**1,285,154**

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

(*) Other reserves

	Employee share option plan reserve	Fair value reserve	Other reserves related to acquisition of non-controlling interest	Total
Balance at January 1, 2009	**108,507**	**541**	**-**	**109,048**
Issue of shares	(636)	-	-	(636)
Charge/ (credit) for the period	21,743	(1,370)	-	20,373
Deferred tax on charge for the period	-	260	-	260
Fair value adjustments on loans from related parties (6)	-	-	3,696	3,696
Financial liability related to acquisition of non-controlling interest (5)	-	-	(131,616)	(131,616)
Revaluation of loans from related parties (5)	-	-	(67,459)	(67,459)
Deferred tax on revaluation of loans from related parties (5)	-	-	12,817	12,817
Revaluation of contingent consideration (5)	-	-	(5,009)	(5,009)
Balance at December 31, 2009	**129,614**	**(569)**	**(187,571)**	**(58,526)**

(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, 2009 82,221 (not in thousands) of C1, C2 and E3 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes.

(3) During the year ended December 31, 2009, 6,200,937 (not in thousands) shares were purchased by the Company for redemption. The redemption of 9,157,107 (not in thousands) treasury shares was registered by the Court on July 3, 2009 (see Note 22).

(4) The dividend declared and paid in 2009 amounted to 0.57 per share (not in thousands).

(5) On December 10, 2009 the Group concluded a share purchase agreement with ITI Media Group, under which the Group will acquire remaining 49% of the shares in Neovision Holding (see Note 4 (ix) and 30). Following the conclusion of the share purchase agreement the Group recognized a financial liability to acquire non-controlling interest and revalued loans from related parties and contingent consideration reflecting the accelerated settlement dates. The execution of the share purchase agreement is subject to a consent of ITI Media Group lenders.

(6) The excees of nominal value of loans from related parties extended during the year ended December 31, 2009 over their fair value was recognized in equity and non-controlling interest proportionally to the Group's interest in Neovision Holding shares.

Included in accumulated profit as of December 31, 2009 is an amount of 1,003,098 being the accumulated profit of TVN S.A. on a stand-alone basis which is distributable. The 10.75% Senior Notes (see Note 23) impose certain restrictions on payment of dividends.

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

	Note	Year ended December 31, 2009	Year ended December 31, 2008
Operating activities			
Cash generated from operations	**25**	599,434	725,951
Tax paid		(119,667)	(110,597)
Net cash generated by operating activities		**479,767**	**615,354**
Investing activities			
Acquisition of subsidiary, net of cash acquired	**30**	(97,683)	-
Cost of acquisition of subsidiary	**30**	(13,335)	-
Acquisition of associate		-	(323,817)
Loans granted to associate	**30**	(75,344)	(28,180)
Payments to acquire property, plant and equipment		(297,977)	(135,761)
Proceeds from sale of property, plant and equipment		674	622
Payments to acquire intangible assets		(31,497)	(21,107)
Purchase of available for sale financial assets	**16**	(411,891)	(349,729)
Sale of available-for-sale financial assets	**16**	347,270	39,773
Payments to acquire options		-	(6,987)
Settlement of foreign exchange options		9,864	-
Interest received		7,649	11,798
Net cash used in investing activities		**(562,270)**	**(813,388)**
Financing activities			
Issue of shares, net of issue cost		630	21,530
Dividend paid, including costs		(194,025)	(171,196)
Share buyback, including related expenses	**22**	(62,572)	(37,428)
Proceeds from related party borrowings		61,823	-
Issue of 10.75% Senior Notes due 2017	**23**	1,635,209	-
Cost of issue of 10.75% Senior Notes due 2017	**23**	(55,549)	-
Repurchase of 9.5% Senior Notes due 2013	**23**	(907,399)	(70,728)
Issue of PLN Bonds due 2013		-	498,458
Early settlement of options	**8,18**	101,014	5,362
Payments to acquire options		-	(27,105)
Loan facility	**23**	(110,000)	110,000
Overdraft facility	**23**	(48,733)	48,608
Interest paid		(147,361)	(105,988)
Net cash generated by financing activities		**273,037**	**271,513**
Increase in cash and cash equivalents		**190,534**	**73,479**
Cash and cash equivalents at the start of the period		184,867	110,372
Effects of exchange rate changes		6,257	1,016
Cash and cash equivalents at the end of the period		**381,658**	**184,867**

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 17, 2010.

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 became the direct owner of shares of Neovision Holding B.V. ("Neovision Holding") and, through its ownership interest in Neovision Holding, the indirect owner of shares of ITI Neovision Sp. z o.o. ("ITI Neovision") representing 25% plus one share of each of those companies. The Group at the same time also acquired interests in certain shareholder loans made by ITI Media Group N.V. ("ITI Media Group") and other ITI Holdings subsidiaries to ITI Neovision ("Shareholder Loans") representing 25% of the principal of those Shareholder Loans plus 25% of all interest on those Shareholder Loans from May 1, 2008. ITI Neovision and its subsidiaries distribute pay-TV and video-on-demand content in Poland via digital satellite broadcasting, cable operators and IPTV and ADSL operators. Neovision Holding's only activity is to hold the shares of ITI Neovision.

On March 11, 2009, the Group and ITI Media Group entered into a preliminary agreement where the parties agreed that the Group would increase its direct ownership interest in Neovision Holding and its indirect ownership interest in ITI Neovision to, in aggregate, 51% of each company's shares. Up to March 11, 2009 the Group had classified its investment in Neovision Holding as an investment in an associate and recognized only the respective share of net results of the associate. From March 11, 2009 the Group has fully consolidated the operations of Neovision Holding Group (see Note 30).

As a result of the acquisition, the financial results of the Group for year ended December 31, 2009 are not directly comparable to the results for the year ended December 31, 2008.

On May 22, 2009 ITI Neovision purchased from Union des Associations Europeennes de Football ("UEFA") headquartered in Switzerland, license rights to broadcast in Poland Champions League matches during the 2009/2010, 2010/2011 and 2011/2012 seasons.

On November 19, 2009 the Group via its subsidiary, TVN Finance Corporation II AB, issued Senior Notes bonds ("10.75% Senior Notes due 2017") with a total nominal value of EUR 405 million (see Note 23).

On December 10, 2009 the Group concluded a share purchase agreement with ITI Media Group, under which the Group will acquire 49% of the shares in Neovision Holding. After completion of the agreement the Group will directly hold 100% of the shares in Neovision Holding (see Note 30).

On December 19, 2009 from the proceeds from 10.75% Senior Notes due 2017 the Group repaid and redeemed all 9.5% Senior Notes due 2013 (see Note 23).

The majority of the Group's operations and assets are based in Poland. Assets and revenues from outside Poland constitute less than 10% of the total assets of all segments. Therefore, no geographic information has been included.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements are prepared on a going concern basis and in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date. The accounting policies used in the preparation of the consolidated financial statements as of and for the year ended December 31, 2009 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2008 except for new accounting policies for transactions, operations and events in the Group resulting from the acquisition of Neovision Holding and standards and interpretations which became effective January 1, 2009 or were early adopted by the Group.

In 2009 the Group adopted:

(i) IFRS 8 – Operating Segments

The standard specifies how an entity should report information about its operating segments and requires reporting selected information in interim financial reports. It also sets out requirements for disclosures about products and services, geographical areas and major customers.

As a result of application of IFRS 8 the Group presents EBITDA as a measure of segment profitability. The Group also introduced also a new segment – 'All other', which includes mainly teleshopping services and content and technical services.

(ii) Amendments to IAS 23 – Borrowing Costs

The standard 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 historical cost.

The amended standard is applied by the Group from January 1, 2009. As the Group's borrowings are usually raised for general purposes, the borrowing costs for capitalization are determined through the application of a capitalization rate to costs incurred in getting ready qualifying assets during the reporting period. The capitalization rate is determined as the relationship of the applicable borrowing costs to the weighted average balance of borrowings outstanding during the period. Currently, the only qualifying assets identified by the Group in relation to which borrowing costs are capitalized are office investments in the special economic zone in Krakow.

(iii) Amendments to IAS 1 – Presentation of financial statements

The amendments introduce a statement of comprehensive income which replaces the income statement and also includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. The Group has chosen to present two statements: a consolidated income statement and a consolidated statement of comprehensive income. The revised IAS 1 also introduced a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the Group restates comparatives due to reclassifications, changes in accounting policies or corrections of errors. The revised IAS 1 affects the presentation of the Group's consolidated financial statements but has no impact on the recognition or measurement of specific transactions and balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Revision to IFRS 3 Business Combinations and amendment to IAS 27 Consolidated and Separate Financial Statements - applicable on or after July 1, 2009

Changes incorporate the revised guidance on acquisitions and business combinations. The Group decided to early adopt the revised standard as of January 1, 2009.

(v) Amendment to IFRS 2, Share-based Payments

The amendment 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. This amendment did not impact the Group's consolidated financial statements.

(vi) Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation

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. These amendments did not impact the Group's consolidated financial statements.

(vii) IFRIC 11- Group and Treasury Share Transactions

The interpretation 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 consolidated financial statements.

(viii) IFRIC 13 – Customer Loyalty Programmes

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 did not affect the Group's consolidated financial statements. The Group allocates some of the consideration receivable from sales to the credits awarded and defers the recognition of revenue.

(ix) IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The interpretation clarifies the issue when the refunds or reductions in future contributions should be regarded as available, particularly when a minimum funding requirement exists. The interpretation did not affect the Group's consolidated financial statements.

(x) IFRIC 15 – Agreements for the Construction of Real Estate

The interpretation 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. This interpretation was early adopted and did not impact the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xi) IFRS Improvements 2008

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 are effective from annual periods starting on January 1, 2009. The Group adopted the changes in accordance with the transition provisions, the changes did not have significant impact on Group's consolidated financial statements.

(xii) IFRIC 12 – Service Concession Arrangements

The interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. This interpretation was early adopted and did not impact the Group's consolidated financial statements.

(xiii) IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

The interpretation 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. This interpretation was early adopted and did not impact the Group's consolidated financial statements.

(xiv) 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 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. These amendments did not impact the Group's consolidated financial statements.

(xv) Amendments to IFRIC 9 and IAS 39 Embedded Derivatives

The amendments clarify the accounting treatment for embedded derivatives when reclassifying financial instruments. The amendments did not affect the Group's consolidated financial statements.

(xvi) Amendment to IFRS 7 Improving Disclosures about financial instruments

The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but has no impact on the recognition or measurement of specific transactions and balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xvii) IFRIC 18 – Transfers of Assets from Customers

The interpretation 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. This interpretation did not impact the Group's consolidated financial statements.

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

The Group's consolidated financial statements for the year ended December 31, 2008 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.

2.2. Standards early adopted

Revision to IFRS 3 "Business combinations" was early adopted by the Group on January 1, 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. In particular, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as liabilities and subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. In step acquisition transactions accounted for under IFRS 3 (Revised) any previously held equity interest in an acquiree or subsidiary is remeasured at fair value and the resulting gain or loss is recognized in the income statement.

Following the Group's policy to account for business combinations with entities under common control using the acquisition method, the standard was applied to the acquisition of the controlling interest in Neovision Holding on March 11, 2009 (see Note 30). Contingent consideration has been recognized at its fair value at March 11, 2009. Acquisition related costs have been recognized in the income statement, which previously would have been included in the consideration for the business combination. The Group has chosen to recognize the non-controlling interest at the proportionate share (49%) of the net assets of Neovision Holding. See Note 30 for further details of the business combination which was entered into in the period ended December 31, 2009.

As the Group has early adopted IFRS 3 (Revised), it is required to early adopt IAS 27 (Revised), "Consolidated and separate financial statements" at the same time. IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will not result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. There has been no impact of the revised IAS 27 on the reported period as there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. Gains or losses on such transactions are recorded in equity. The contracts containing obligation to acquire Group's own equity instruments give rise to a financial liability and are accounted at the present value of a redemption amount. Such financial liability is subsequently measured at amortized cost. The accretion of the discount on this liability is recognized in the income statement. As at the date of recognizing the liability for the purchase of the remaining interest from non-controlling interest the Group continues to recognize non-controlling interest in the balance sheet, until the transfer of risks and rewards related to the acquired shares in the subsidiary is completed. In particular, if the finalization of the acquisition of non-controlling interest is contingent upon occurrence of uncertain future event beyond control of the Group, it is the Group's policy to derecognize the non-controlling interest only when this future event has occurred.

Acquisition of non-controlling interest in Neovision Holding is discussed in Note 30.

IFRS 3 (Revised) and IAS 27 (Revised) apply prospectively.

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 Group applies the acquisition method of accounting to account for business combinations, including business combinations with entities under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

All inter company transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated. Unrealized deficits on transactions between Group companies are eliminated to the extent they are not indicative of an impairment.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of shares from non-controlling interests, the difference between any consideration and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.6. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.7. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange applicable at the balance sheet date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from 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.

2.8. 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
TV, broadcasting and other technical equipment	2-10 years
Vehicles	3-5 years
Studio vehicles	7 years
Decoders	4-5 years
Satellite dishes	up to 5 years
Leasehold improvements	up to 10 years
Furniture and fixtures	4-5 years

Decoders provided to subscribers in order to allow them to receive the television signal broadcast by the Group remain the Group's property and are recognized as non-current assets. Before their activation, decoders are regarded as non-commissioned fixed assets and are not depreciated. Depreciation begins after the activation of services by the subscriber and lasts for the expected economic useful life of a decoder. Depreciation is not discontinued for periods in which a decoder is not used, e.g. due to small repairs or being delivered to another subscriber.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at least at each financial year end. No material adjustments to remaining useful lives and residual values were required as a result of the review as at December 31, 2009.

2.9. Goodwill

Goodwill represents the excess of the sum of consideration transferred and payable, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired 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 an indefinite useful life are tested annually for impairment or whenever there is an indicator for impairment. The following useful lives are applied by the Group:

	Term
Onet.pl	indefinite
Mango Media	indefinite
'n'	10 years

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 following economic useful lives are applied by the Group:

	Term
Recognized on acquisition of Onet.pl	4 years
Recognized on acquisition of 'n'	7 years

2. SUMMARY OF SIGNIFICANT 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The program rights purchased by the Group are amortized as follows:

Program Categories		**Number of runs**	**Percentage of amortization per run**		
			1st	**2nd**	**3rd**
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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalised production costs are stated at the lower of cost or recoverable amount on a program by program basis. Capitalised production costs are amortized based on the ratio of net revenues for the period to total estimated revenues, and the amortization pattern is determined individually for each program. The majority of programs are amortized as set out below:

	Percentage of amortization per run
Programs 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

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 brands are allocated to groups of cash-generating units as identified by the Group.

Non – financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14. Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets are acquired. Management of the Group determines the classification of its financial assets at initial recognition and re-evaluates the designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of selling in the short-term or if so designated by management are classified as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Receivables are classified as trade receivables in the balance sheet (see Note 2.17).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current available-for-sale investments unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets as current available-for-sale investments.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity. During the period the Group did not hold any financial assets in this category.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method. Realised and unrealized gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category, including interest and dividend income, are included in the income statement in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and 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”.

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 2.17.

2.15. Derivative financial instruments and hedging activities

Derivative financial instruments are carried in the balance sheet at fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge), or (2) a hedge of a 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 and firm commitment to acquire certain fixed assets. The gain or loss relating to the effective and ineffective portion of derivatives is recognized in the income statement within finance expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2.16. Inventory

Inventory is stated at the lower of cost and net realisable value. In general, cost is determined on a first-in-first-out basis and includes transport and handling costs. In the case of manufactured products, costs include all direct expenditure and production overheads based on the normal level of activity to bring the inventory to its present location and condition. Net realisable value is the estimated selling price less estimated costs of completion and sale. Where necessary, provision is made for obsolete, slow moving and defective inventory.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17. Trade receivables

Trade receivables are carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of settlement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or failure in payments (more than 60 days overdue) are considered as indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, discounted at the effective interest rate.

The future cash flows related to subscription fees from digital platform customers are estimated by the Group based on available historical data on late payment of receivables. Provision for impaired receivables from digital platform customers is calculated based on uncollected subscription fees related to historical billing cycles (with the exception of the two most recent billings). 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.

2.18. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits with banks and highly liquid non-equity investments with a maturity of less than three months from the date of acquisition. Bank overdrafts are shown in current liabilities on the balance sheet.

2.19. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares that otherwise would have been avoided are shown in equity as a deduction (net of any related income tax benefit) from the proceeds. Equity transaction costs include legal and financial services and printing costs.

Shares issued on the exercise of share options granted to the participants of TVN incentive schemes are recognized in share capital at the date when cash consideration is received by the Group.

2.20. Share premium

Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

Share premium includes the difference between the fair value of share options exercised established at the grant date, recognized through their vesting period in other reserves, and the nominal value of shares issued.

2. SUMMARY OF SIGNIFICANT 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 the liability for at least 12 months after the balance sheet date.

2.24. Deferred income tax

Deferred income tax is provided in full using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related income tax asset is realized or liability settled.

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.

2.25. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. 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 - television and on-line

Revenue primarily results from the sale of television and on-line advertising and is recognized in the period in which the advertising is broadcast. Other revenues primarily result from cable and satellite television subscription fees, internet users' fees and call television and are recognized generally upon the performance of service.

(ii) Sales of services – digital platform

Revenue primarily results from subscription and activation fees paid by digital platform customers.

Revenue from subscription and activation fees is recognized on a straight-line basis over the contract term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discounts granted are deducted from revenue and are recognized on a straight-line basis over the contract term.

Revenue from sale of subscriptions in the pre-paid system is recognized starting from the moment the service is activated by the end customer, over the period when the service is rendered.

Revenue from penalty fees assessed against subscribers, for example those related to early contract termination or failure to return decoders after contract termination, are recognized in the period when the penalties are assessed, but only to the extent the Group expects the penalty fees to be paid.

(iii) 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.

2.29. 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 become receivable. Government grants reduce the related expense if the expense would not have been incurred if the grant had not been available.

2.30. Barter transactions

Revenue from barter transactions (advertising time provided in exchange for goods and services) is 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.

2.31. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between a reduction of the outstanding capital liability and interest in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment held under finance leasing contracts are depreciated over the shorter of the lease term or the useful life of the asset.

2.33. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Incremental costs directly attributable to dividend distributions that otherwise would have been avoided are accounted for as a deduction from equity. They comprise mainly financial services.

2.34. Comparative financial information

Where necessary, comparative figures or figures presented in previously issued financial statements have been 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.

2.35. 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, 2010. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) IFRS Improvements 2009

On April 16, 2009 the International Accounting Standards Board issued "IFRS Improvements", which amend 12 standards. The amendments include changes in scope, presentation, recognition and valuation and include terminology and editorial changes. The majority of the amendments are effective for annual periods starting on January 1, 2010, but some changes are effective for annual periods beginning on or after July 1, 2009. The Group is currently assessing the impact of the changes on the Group's consolidated financial statements.

(ii) Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions

The amendments were published on June 18, 2009. They clarify the accounting treatment for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. The amendments are effective for annual periods starting on or after January 1, 2010. The amendments will not affect the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Amendments to IFRS 1 Additional Exemptions for First-time Adopters

The amendments were published on July 23, 2009. The amendments are effective for annual periods starting on or after January 1, 2010. The amendments will not affect the Group's consolidated financial statements.

(iv) Amendment to IAS 32 Classification of Rights Issues

The amendment was published on October 8, 2009. The amendment clarifies the classification of instruments that give the holders the right to acquire an entity's own equity instruments at a fixed price (rights issues) when that price is stated in a currency other than the entity's functional currency. The amendment is effective for annual periods beginning on or after 1 February 2010. The amendment will not affect the Group's consolidated financial statements.

(v) Revised IAS 24 Related Party Disclosures

The revised standard was published on November 4, 2009. The revised standard simplifies the definition of a related party, clarifies its intended meaning, eliminates inconsistencies from the definition and provides a partial exemption from the disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011. The Group is currently assessing the impact of the changes on the Group's consolidated financial statements.

(vi) IFRS 9 Financial Instruments

The standard was published on November 12, 2009 and it replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard specifies how an entity should classify and measure financial assets, including some hybrid contracts. It requires all financial assets to be:

- classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset,
- initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs,
- subsequently measured at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The standard is effective for annual periods beginning on or after January 1, 2013. The Group is currently assessing the impact of the standard on the Group's consolidated financial statements.

(vii) Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendment was published on November 26, 2009. It removes an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendment applies in limited circumstances:

- when an entity is subject to minimum funding requirements, and
- makes an early payment of contributions to cover those requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment is effective for annual periods beginning on or after January 1, 2011. The Group is currently assessing the impact of the amendment on the Group's consolidated financial statements.

(viii) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation was published on November 26, 2009. It addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address accounting by the creditor. The interpretation is effective for annual periods beginning on or after July 1, 2010. The Group is currently assessing the impact of the interpretation on the Group's consolidated 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, 2008:

- *Amendments to IAS 39: Financial Instruments: Recognition and Measurement: Eligible Hedged Items – applicable for annual periods beginning on or after July 1, 2009*
- *IFRIC 17 – Distributions of Non-cash Assets to Owners – applicable for annual periods beginning on or after July 1, 2009*

At the date of preparation of these financial statements the following standards, amendments to standards and IFRIC interpretations were not adopted by the EU:

- *IFRS Improvements 2009*
- *Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions*
- *Amendments to IFRS 1 Additional Exemptions for First-time Adopters*
- *Revised IAS 24 Related Party Disclosures*
- *IFRS 9 Financial Instruments*
- *Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*

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 Group 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 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 Board Member responsible for the Group's financial reporting and heads of the teams within the Group's financial department. The risk committee meets monthly and based on an analysis of financial risks recommends financial risk management strategy, which is approved by the Management Board. The Supervisory Board approves risk exposure limits and is consulted prior to the execution of hedging transactions. The financial planning and analyzing team measures and identifies financial risk exposure based on information reported by operating units generating exposure. The liquidity management team performs analysis of the Group's risk factors, forecasts the Group's cash flows and market and macroeconomic conditions and proposes cost-effective hedging strategies. The accounting and reporting team monitors the accounting implications of hedging strategies and verifies settlement of the transactions.

(i) Market risk

Market risk related to the Senior Notes

The price of Senior Notes depends on the Group's creditworthiness and on the relative strength of the bond market as a whole. Until early repayment of 9.5% Senior Notes due 2013 on December 19, 2009 the Group recognized as an asset the value of early redemption options embedded in the 9.5% Senior Notes due 2013 (see Note 23) and this valuation largely depended on the market price of the 9.5% Senior Notes. The Group was therefore exposed to decreases in the market price of the 9.5% Senior Notes due 2013.

9.5% Senior Notes due 2013 were listed on the Luxembourg Stock Exchange and the fair value of embedded options recognized by the Group at the reporting date reflected the Senior Notes market price on the last value date available from Reuters prior to the reporting date. The impact of 9.5% Senior Notes due 2013 market price change on the Group's assets and income statement is discussed in Note 4(i).

On November 19, 2009 the Group issued 10.75% Senior Notes due 2017, which are listed on the Luxembourg Stock Exchange. The Group does not recognize early repayment options embedded in the 10.75% Senior Notes due 2017 as it assessed the fair value of early repayment options at a level close to nil (see Note 23). 10.75% Senior Notes due 2017 are carried at amortized cost. The Group is therefore not exposed to changes in market price of 10.75% Senior Notes due 2017.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Group's revenue is primarily denominated in Polish Zloty. Foreign exchange risk arises mainly from the Group's liabilities in respect of the Senior Notes, loans from related parties, contingent consideration, the financial liability related to acquisition of a non-controlling interest, available-for-sale financial assets and cash and cash equivalents all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Liabilities related to the purchase of decoders are denominated in PLN but are linked to USD through a price setting mechanism based on USD. 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 balances as of December 31, 2009 of a reasonably possible EUR appreciation of 5% against the zloty (15% with respect to balances as of December 31, 2008), with all other variables held constant and without taking into account derivative financial instruments entered into for hedging purposes on EUR denominated items in the balance sheet is presented below:

	Year ended December 31, 2009	**Year ended December 31, 2008**
Assumed EUR appreciation against PLN:	5%	15%
Liabilities:		
10.75% Senior Notes due 2017 including accrued interest	(68,210)	-
9.5% Senior Notes due 2013 including accrued interest	-	(109,465)
Loans from related parties	(22,107)	-
Contingent consideration	(3,175)	-
Financial liability related to acquisition of non-controlling interest	(5,319)	-
Trade payables	(963)	(841)
Other	(428)	(107)
Assets:		
Trade receivables	113	214
Available-for-sale financial assets	15,289	-
Loans to associate	-	23,135
Cash and cash equivalents	5,684	157

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated net profit (post-tax) impact on balances as of December 31, 2009 of a reasonably possible USD appreciation of 5% against the zloty (15% with respect to balances as of December 31, 2008), 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 items in the balance sheet is:

	Year ended December 31, 2009	Year ended December 31, 2008
Assumed USD appreciation against PLN:	5%	15%
Liabilities		
Trade payables	(3,893)	(5,424)
Assets:		
Cash and cash equivalents	667	3,670
Trade receivables	932	1,337

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 10.75% Senior Notes due 2017, PLN Bonds (see Note 23), loans from related parties, contingent consideration and available-for-sale financial assets.

As 10.75% Senior Notes due 2017 are at a fixed interest rate, the Group is exposed to fair value interest rate risk in this respect. Since 10.75% Senior Notes due 2017 are carried at amortised cost, the changes in fair values of these instruments do not have direct impact on valuation of the 10.75% Senior Notes due 2017 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, 2009, if WIBOR interest rates had been 50 b.p. higher/lower with all other variables held constant, post-tax profit for the period would have been 94 lower/higher.

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

The carrying value of contingent consideration reflects its present value at the reporting date and is estimated based on assumed cost of debt (see Note 4(iv)). As the cost of debt used to determine net present value is linked to 12-month EURIBOR interest rate the Group is exposed to interest rate risk. At December 31, 2009 if EURIBOR interest rates had been 50 b.p. higher/lower with all other variables held constant, post-tax profit for the period would have been 79 higher/lower due to a change in estimation of the contingent payment.

As of December 31, 2009 the Group had EUR denominated available-for-sale financial assets at carrying value of 377,513 which are exposed to fair value interest rate risk. The carrying value of each instrument is based on a price provided by Reuters. If EURIBOR interest rate had been 50 b.p. higher/lower, as at December 31, 2009, fair value reserve in equity would have been 1,254 lower/higher. Details of available-for-sale financial assets held by the Group are disclosed in Note 16.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 available-for-sale financial assets with financial institutions that the Group believes are credit worthy based on current credit ratings (see Note 16 and 20). The Group does not consider its current concentration of credit risk as significant.

The Group defines credit exposure as total outstanding receivables (including overdue balances) and monitors the exposure regularly on an individual basis by paying counterparty.

Television broadcasting, production and on-line advertising customers

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 majority of the Group's sales are made through advertising agencies (58% of the total trade receivables as of December 31, 2009) 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 18% and the single largest advertiser accounted for 3% of sales for the year ended December 31, 2009. 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.

Digital satellite pay television customers

The primary source of credit risk related to digital platform operations is the sale of services to subscribers to the pay TV service, who comprise a large group of individuals and companies with a relatively low individual value in their purchases from the Group. Credit risk is therefore dispersed and is additionally limited by the Group's policy of monitoring the collection of receivables and deactivating the service to customers who do not pay their subscription fees. The Group monitors the statistics related to late or non-payment of subscription fees and creates bad debt provisions based on the available statistics.

The Group performs ongoing credit evaluations of the financial condition of its distributors and in many cases requires certain collateral in the form of deposits, bills of exchange or bank guarantees. Collateral is provided in order to secure the Group's receivables arising from activation fees collected by distributors from subscribers on behalf of the Group, receivables from the sale of decoders and prepaid decoding cards to distributors, as well from the value of decoders and other devices provided to distributors for further distribution to the Group's subscribers.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables (net)	**December 31, 2009**	**December 31, 2008**
Receivables from advertising agencies	58%	70%
Receivables from individual customers	35%	22%
Receivables from related parties	7%	8%
	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, 2009**	**December 31, 2008***
Agency A	10%	5%
Agency B	6%	8%
Agency C	6%	7%
Agency D	6%	4%
Agency E	6%	7%
Sub-total	**34%**	**31%**
Total other counterparties	66%	69%
	100%	**100%**

* 2008 figures represent comparative data for each Agency

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

Trade receivables (net)	**December 31, 2009**	**December 31, 2008***
Agency Group F	18%	14%
Agency Group G	15%	14%
Agency Group H	9%	16%
Agency Group I	8%	14%
Agency Group J	3%	2%
Sub-total	**53%**	**60%**
Total other counterparties	47%	40%
	100%	**100%**

* 2008 figures represent comparative data for each Agency Group.

Management does not expect any significant losses with respect to amounts included in the trade receivables from non-performance by the Group's customers as at December 31, 2009.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk

The Group maintains sufficient cash to meet its obligations as they become due. Management monitors regularly expected cash flows. The Group expects that its principal future cash needs will be capital expenditures relating to dividends, acquisitions, capital investment in digital satellite pay television set top decoders and television and broadcasting facilities and equipment, debt service on 10.75% Senior Notes due 2017 and PLN Bonds and the launch of new thematic channels and internet services. The Group believes that its cash balances and cash generated from operations will be sufficient to fund these needs. However, if the operating cash flows of the Group are negatively affected by 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, 2009 the Group had cash and cash equivalents and easily marketable available-for-sale financial assets totaling 759,171 at its disposal (total balance of cash and cash equivalents, liquid available-for-sale financial assets and unutilized credit facility of 531,957 at December 31, 2008).

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

	Within 1 year	Between 1-2 years	Above 2 years
At December 31, 2009			
10.75% Senior Notes due 2017	176,873	178,861	2,736,986
PLN Bonds due 2013	35,200	35,200	552,848
Loans from related parties *	-	-	830,910
Trade payables	286,877	21,415	-
Contingent consideration *	-	79,830	-
Financial liability related to acquisition of non-controlling interest *	-	-	134,914
Other liabilities and accruals	200,155	837	153
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	-

* Derecognition assumed in 2010 with completion of acquisition of non-controlling interest (see Note 30). On completion items will be replaced by a long term financial liability with maturity beyond 2 years. The table above presents the contractual undiscounted balances including interest due at earliest possible date of repayment (providing that the completion of acquisition of non-controlling interest is not finalized).

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 23) payable at the reporting date including accrued interest and guarantees issued on the Group's behalf less cash and cash equivalents and easily marketable available for sale financial instruments. EBITDA is calculated for the last twelve months. The Group defines 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. 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. EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself the Group's presentation and calculation of EBITDA may not be comparable to that of other companies.

	December 31, 2009	**December 31, 2008**
Net debt	2,084,745	1,072,778
EBITDA	794,770	711,378
Net debt/ EBITDA ratio	2.6	1.5

The Group's strategy is to maintain its net debt/EBITDA ratio at a level around 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 reporting date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of available for sale financial assets is determined using industry multiples and the most recent available financial information about the investment. The fair value of options and forwards is determined based on 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.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Following fair value measurements were used with respect to financial instruments as at December 31, 2009:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
EUR Bonds	133,970	-	-	133,970
EUR Treasury bills	243,543	-	-	243,543
Polskie Media S.A.	-	-	7,588	7,588
	377,513	**-**	**7,588**	**385,101**
Liabilities				
Contingent consideration	-	-	78,397	78,397
	-	**-**	**78,397**	**78,397**

The carrying values of EUR Bonds and EUR Treasury bills are based on prices provided by Reuters.

3.4. 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.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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) Fair valuation of the embedded prepayment options

9.5% Senior Notes due 2013

The Group calculated at each reporting date the fair value of the prepayment options embedded in the 9.5% Senior Notes due 2013 using the Brace-Gątarek-Musiela model. Significant inputs into the valuation model were 9.5% Senior Notes due 2013 market price, benchmark bond yields and interest rate cap volatilities. The inputs were based on information provided by Reuters on the valuation date. 9.5% Senior Notes due 2013 market price was quoted by Reuters based on the last value date.

On December 19, 2009 the Group repaid in full the obligations from the 9.5% Senior Notes due 2013.

10.75% Senior Notes due 2017

Following the issue of the 10.75% Senior Notes due 2017 the Group reviewed all early repayment options included in the host contract:

a) option to redeem all or part of the Senior Notes on or after November 15, 2013;

b) optional tax redemption;

c) option to redeem all or part of the Senior Notes if change of control over the Company occurs;

d) option to redeem up to 35% of the Senior Notes with net cash proceeds from public equity offerings;

e) option to redeem the Senior Notes in whole at any time prior to November 15, 2013.

The Group assessed that early repayment options summarized under points a) – c) are closely related to the economic characteristics of the host contract and consequently were not separated.

The Group separated the embedded derivatives with respect to early repayment options summarized under points d) – e) but did not recognize them as at December 31, 2009 as the Group estimated that the instruments would have a neglible value due to the remote probability of occurrence of events allowing to realize the options.

Details of repayment options included in the 10.75% Senior Notes due 2017 are disclosed in Note 23.

(ii) Fair valuation of "n" brand as of March 11, 2009

Following the takeover of control over Neovision Holding on March 11, 2009 (see Note 30) the Group identified in the purchase price allocation and valued the "n" brand at 103,630.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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. 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 following assumptions were used in the valuation as of March 11, 2009: a royalty rate of 2%, the revenue projections were based on management’s business plan which covered the period 2009-2018 and the discount rate used in the valuation was 13.61%. The Group assumed the useful life of the “n” brand to be 10 years.

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 100 million. A royalty rate of 3% would give a fair value of 155 million. A discount rate of 12% would give a fair value of 113 million.

(iii) Fair valuation of customer related intangible asset as of March 11, 2009

Following the takeover of control over Neovision Holding on March 11, 2009 (see note 30) the Group identified in the purchase price allocation and valued a customer related intangible asset of 23,666.

The Group fair valued the customer related intangible asset by discounting estimated future net cash flows generated by the “n” customers existing at the date of acquisition (March 11, 2009). The valuation was based on management’s business plan underlying fair valuation of the purchase consideration and assumed a discount rate of 14% and a useful life of this customer related asset of 7 years.

Fair value is sensitive to changes of the key assumptions of the management’s business plan and other parameters of the valuation model. An increase of average revenue per subscriber by 1% gives a fair value of 33 million. A decrease of churn ratio by 1 p.p. gives a fair value of 28 million. A discount rate of 12% would give a fair value of 28 million.

(iv) Estimated present value of contingent consideration

Following the transaction agreement with ITI Media Group N.V. (see Note 30) the Group recognized as at March 11, 2009 a contingent supplemental payment at fair value of 236,448. The contractual amount of the supplemental payment is between EUR 0 and EUR 60,000 and is payable at the beginning of 2011 if and to the extent that ITI Neovision achieves specified operational targets during 2010 such as EBITDA, number of subscribers, average revenue per subscriber and subscription revenue. In the fair valuation of the contingent consideration at the acquisition date the Group assumed a discount rate of 7.93% and a 100% probability of paying the maximum amount. The Group recognized a gain on step acquisition of 122,359 and goodwill of 724,957 (see Note 30), which are impacted by the inclusion in the purchase consideration of the fair value of the contingent element.

The fair value of the consideration payable, goodwill recognized on the investment and the gain on step acquisition are sensitive to changes in the assumptions used in the valuation. Had the probability of achieving all payment conditions been assessed at 75%, the Group would have recognized a gain on step acquisition of 65,521 and goodwill of 609,007.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

On November 30, 2009 the Group remeasured the fair value of the contingent supplemental payment following the update of the business plan for ITI Neovision prepared by the new management reflecting new strategic approach and current economic surroundings. As a result, the fair value of contingent supplemental payment amounted to 73,578 as at November 30, 2009. Accordingly, the Group recognized a gain on remeasurement of contingent consideration in the amount of 153,610, which is disclosed separately in the Group's consolidated income statement.

(v) Estimated fair value of loans from related parties

Following the business combination with Neovision Holding (see Note 30), as part of the purchase price allocation the Group estimated as at March 11, 2009 fair value of loans from related parties recorded by Neovision Holding. The fair value of 908,901 was estimated assuming a discount rate of 9.5%, approximating the Group's cost of external financing as at March 11, 2009 (by reference to the interest rate of 9.5% Senior Notes due 2013), and repayment of loans in full at their expected repayment dates. The Group believes that the assumed discount rate approximates the cost of external financing that ITI Neovision would be able to rise on the market.

The fair value of loans from related parties, goodwill recognized on investment, gain on step acquisition and loss on loan to associate recognized on consolidation are sensitive to changes in the assumptions used in the valuation. Had the discount rate been estimated at 10.0%, the Group would have fair valued loans from related parties at 884,879 and recorded a goodwill of 727,286, gain on step acquisition of 128,365 and loss on loan to associate on consolidation of 46,490.

(vi) 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.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(vii) 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 an indefinite useful life and allocates the 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. 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, 2009 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 and involved the use of estimates related to cash flow projections based on financial business plans approved by management covering the period until 2014. Cost to sell was assumed at 1% of the present value of the cash-generating unit. The key assumptions included in the business plans and cash-flow projections were:

Annual growth rate of the Polish advertising market in 2010-2014	from 2% in 2010 to 7% in 2014
Increase in the on-line advertising market as a percentage of the total Polish advertising market in 2010-2014	from 13% to 22%
Share of Onet in the on-line advertising market in 2010-2014	stable
Growth of free cash flows in 2015-2022	from 20% declining to 6%
Terminal growth	4%
Discount rate	11.7%

The Group believes that the key assumptions made in testing for impairment of the on-line cash generating unit as at December 31, 2009 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. However, if any of the key assumptions used for testing impairment were to change unfavorably, the Group might have recognized an impairment. The Group would recognize an impairment if the key assumptions made in testing for impairment were to change by at least as follows:

	Unfavorable change by*
Annual growth rate of the Polish advertising market in 2010-2014	140 b.p.
Increase in the on-line advertising market as a percentage of the total Polish advertising market in 2010-2014	163 b.p.
Share of Onet in the on-line advertising market in 2010-2014	96 b.p.
Discount rate	157 b.p.

If the revised estimated terminal growth rate was 0%, there would still be no impairment against goodwill.

* with all other variables held constant

As at December 31, 2009 fair value less cost to sell of the on-line cash-generating unit exceeded the carrying amount by 428 million.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Following key assumptions were included in the impairment test of on-line cash generating unit as of March 31, 2009 (the latest impairment test disclosed in the consolidated financial statements as at March 31, 2009, reperformed as a result of the amendments to the business plan as compared to December 31, 2008):

Annual growth rate of the Polish advertising market in 2009-2013	from -10% in 2009 to 12% in 2013
Increase in the on-line advertising market as a percentage of the total Polish advertising market in 2009-2013	from 15% to 27.8%
Share of Onet in the on-line advertising market in 2009-2013	stable
Growth of free cash flows in 2014-2022	from 20% declining to 6%
Terminal growth	4%
Discount rate	12.4%

(viii) Estimated impairment of digital satellite pay television cash-generating unit

The Group tests annually whether the digital satellite pay television cash-generating unit, including goodwill, has suffered any impairment. 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 with potential write-offs against the carrying value of brand, customer related asset and other assets allocated to the digital satellite pay television cash-generating unit.

In the annual impairment test performed by the Group as at December 31, 2009 the calculation of fair value less cost to sell was based on discounted free cash flows and involved the use of estimates related to cash flow projections based on financial business plans approved by management covering the period until 2014. Cost to sell was assumed at 1% of the present value of the cash-generating unit. The key assumptions included in the business plans and cash-flow projections were:

Compound annual growth rate of the Polish pay TV DTH market in 2010-2014	9%
Share of ‘n’ in the Polish pay TV DTH market in 2014	19%
Terminal growth	2%
Discount rate	13.88%

The Group believes that the key assumptions made in testing for impairment of the digital satellite pay television cash generating unit as at December 31, 2009 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. However, if any of the key assumptions used for testing impairment were to change unfavorably, the Group might have recognized an impairment. 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 increased by 325 b.p. compared with management’s estimates the Group would recognize an impairment against goodwill. If compound annual growth rate of the Polish pay TV DTH market in 2010-2014 was 7% the Group would recognize an impairment against goodwill. If share of ‘n’ in the Polish pay TV DTH market in 2010-2014 was 326 b.p. lower the Group would recognize an impairment against goodwill.

As at December 31, 2009 fair value less cost to sell of the digital satellite pay television cash-generating unit exceeded the carrying amount by 341 million.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ix) Acquisition of non-controlling interest in digital satellite pay television

On December 10, 2009 the Group concluded a share purchase agreement with ITI Media Group, under which the Group will acquire remaining 49% of the shares in Neovision Holding. The share purchase agreement is pending completion due to consent required from the lenders of ITI Media Group for the issuance of additional notes as consideration for the acquisition. Therefore, in accordance with the Group's accounting policy described in Note 2.2, the Group did not derecognize non-controlling interest as of December 31, 2009.

The Group recorded a financial liability representing firm commitment to acquire non-controlling interest. The value of the financial liability was estimated as a difference between present value of the consideration for the acquisition of the remaining 49% of shares and remaining debt interest of Neovision Holding and fair value of loans from related parties and fair value of contingent consideration as at December 10, 2009 assuming settlement dates of the financial liabilities are March 31, 2010 and a discount rate of 11% approximating the Group's cost of external financing as at December 10, 2009.

Details of the transactions and corresponding accounting are disclosed in Note 30.

5. SEGMENT REPORTING

The Group's principal activities are television broadcasting and production, digital satellite pay television and on-line.

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

The chief operating decision-maker has been identified as the steering committee, which is composed of the Board Member responsible for the Group's financial reporting and heads of the teams within the Group's financial department. The committee reviews regularly the Group's internal reporting. Management has determined the operating segments based on these reports. The committee considers the business from product and service perspective. The committee assesses the performance of TV channels aggregated into single television broadcasting and production segment, digital satellite pay television and on-line operations. All other include mainly teleshopping services and content and technical services.

The steering committee assesses the performance of the operating segments based on revenue and earnings before interest, tax, depreciation and amortization (EBITDA), for Group's definition of EBITDA please refer to Note 3.2. Other information provided to the steering committee is measured in a manner consistent with that in the financial statements.

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

The television broadcasting and production segment is mainly involved in the production, purchase and broadcasting of news, information and entertainment shows, series and movies and comprises television channels operated in Poland. The television broadcasting and production segment generates revenue mainly from advertising spot sales, sponsoring and cable and direct-to-home operators. The digital satellite pay television segment is mainly engaged in direct-to-home distribution of technologically advanced pay television services and generates revenue mainly from program subscription. The on-line segment primarily comprises Onet.pl, Poland's leading portal, revenue is generated mainly form internet advertising spot sales and user generated transactions.

Sales between segments are carried out at arm's length. The revenue from external customers reported to the steering committee is measured in a manner consistent with that in the income statement.

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

5. SEGMENT REPORTING (CONTINUED)

Reconciliation of EBITDA to total profit before income tax:

	Year ended December 31, 2009	Year ended December 31, 2008
EBITDA	**794,770**	**711,378**
Depreciation of property, plant and equipment	(140,962)	(60,117)
Amortization of intangible assets	(41,272)	(21,271)
Impairment of fixed assets and intangible assets	(446)	1,885
Segment result	**612,090**	**631,875**
Investment income, net (see Note 8)	51,175	81,090
Financial expenses, net (see Note 8)	(243,340)	(170,973)
Share of loss of associate (see Note 30)	(39,132)	(94,440)
Profit before income tax	**380,793**	**447,552**

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

5. SEGMENT REPORTING (CONTINUED)

	Television broadcasting and production	On-line	All Other	Other reconciling items	Total
Year ended December 31, 2008					
Revenue from external customers	1,620,359	196,200	80,750	-	1,897,309
Inter-segment revenue	10,755	9,967	12,768	(33,490)	-
Total revenue	**1,631,114**	**206,167**	**93,518**	**(33,490)**	**1,897,309**
EBITDA	**676,672**	**55,952**	**17,711**	**(38,957)**	**711,378**
Segment result	**620,041**	**35,298**	**13,608**	**(37,072)**	**631,875**
Impairment of fixed assets	-	-	-	(1,885)	(1,885)
Additions to non-current assets (other than financial instruments and deferred tax assets)	121,045	61,625	963	-	183,633
Depreciation of property, plant and equipment	46,587	10,132	3,398	-	60,117
Amortization of intangible assets	10,044	10,522	705	-	21,271
Significant non-cash expenses	25,597	7,906	897	5,670	40,070
Share option plan	25,597	7,906	897	5,670	40,070
As at December 31, 2008					
Segment assets including:	1,213,768	1,659,423	82,084	797,899	3,753,174
Investment in associates	-	98	-	119,978	120,076

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

5. SEGMENT REPORTING (CONTINUED)

Year ended December 31, 2009	**Television broadcasting and production**	**Digital satellite pay television**	**On-line**	**All other**	**Other reconciling items**		**Total**
Revenue from external customers	1,483,821	361,239	186,784	81,652	-		2,113,496
Inter-segment revenue	38,876	1,259	21,294	39,375	(90,933)		9,871
Total revenue	**1,522,697**	**362,498**	**208,078**	**121,027**	**(90,933)**		**2,123,367**
EBITDA	**630,626**	**(126,558)**	**50,194**	**23,658**	**216,850**	*	**794,770**
Segment result	**567,922**	**(212,545)**	**20,777**	**19,086**	**216,850**		**612,090**
Additions to non-current assets (other than financial instruments and deferred tax assets)	29,357	194,679	78,254	248	-		302,538
Depreciation of property, plant and equipment	52,837	70,545	14,028	3,552	-		140,962
Amortization of intangible assets	9,867	15,442	14,943	1,020	-		41,272
Impairment of fixed assets	-	-	446	-	-		446
Significant non-cash income	-	-	-	-	275,969		275,969
Gain on step acquisition	-	-	-	-	122,359		122,359
Gain on remeasurement of contingent consideration	-	-	-	-	153,610		153,610
Significant non-cash expenses	15,277	-	1,569	678	4,219		21,743
Share option plan	15,277	-	1,569	678	4,219		21,743
As at December 31, 2009							
Segment assets including:	**1,380,954**	**1,436,241**	**1,717,681**	**91,777**	**356,843**	**	**4,983,496**
Investment in associates	-	1,039	190	-	-		1,229

* Other reconciling items on EBITDA level include: gain on step acquisition (122,359), gain on remeasurement of contingent consideration (153,610), headquarter and other costs (59,119).

** Other reconciling items on assets level include: deferred tax assets (58,111), available-for-sale financial assets (385,101) and other assets and consolidation adjustments (86,369).

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

6. REVENUE

	Year ended December 31, 2009	Year ended December 31, 2008
Revenue from advertising spot sales	1,307,498	1,475,252
Subscription fees	530,962	150,396
Revenue from sponsoring	119,915	136,576
Revenue from sales of goods and services	58,383	41,678
Other revenue	106,609	93,407
	2,123,367	**1,897,309**

Subscription fees include subscriptions receivable by TVN from DTH and cable operators, subscriptions receivable by 'n' platform from consumers and internet transaction based fees. Other revenue includes mainly sales of licenses. Included in revenues for the year ended December 31, 2009 are revenues from related parties in the amount of 23,134 (year ended December 31, 2008: 49,446) (see Note 32).

7. OPERATING EXPENSES

	Year ended December 31, 2009	Year ended December 31, 2008
Amortization of locally produced content	473,124	506,655
Amortization of acquired programming rights and co-production	167,479	122,860
Fees for broadcasting television channels and content	180,867	-
Staff expenses	195,477	168,614
Share options granted to board members and employees	21,743	40,070
Depreciation, amortization and impairment charges	182,680	79,503
Marketing and research	107,487	70,138
Royalties	79,730	67,174
Broadcasting expenses	97,294	51,635
Cost of services and goods sold	35,744	30,899
Rental	45,762	27,439
Impaired accounts receivable	7,340	2,261
Other	192,519	98,186
	1,787,246	**1,265,434**

Included in the above operating expenses are operating lease expenses for the year ended December 31, 2009 of 152,159 (year ended December 31, 2008: 103,242).

Amortization of locally produced content for the year ended December 31, 2009 has been reduced by grants received in the total amount of 1,605 (year ended December 31, 2008: 1,365).

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

7. OPERATING EXPENSES (CONTINUED)

Included in depreciation, amortization and impairment charges is an impairment of intangible assets in the amount of 446 (year ended December 31, 2009: reversal of impairment in the amount 1,885).

Included in the above operating expenses is an aggregate amount of research and development expenditure of 1,238 recognized as an expense in the year ended December 31, 2009 (year ended December 31, 2008: 1,333).

Included in other operating expenses are transaction costs of 16,608 related to the investment in the 'n' DTH platform (see Note 30).

8. INVESTMENT INCOME AND FINANCE EXPENSE

Investment income, net	**Year ended December 31, 2009**	**Year ended December 31, 2008**
Foreign exchange gains, net	69,549	33,404
Fair value gains/ (losses) on financial instruments:		
- loss on currency forward contracts	(514)	-
- foreign exchange options – settlement of instrument (see Note 18)	*27,853*	*5,913*
- foreign exchange options not designated as hedging instruments (see Note 18)	*(23,746)*	*16,759*
	4,107	22,672
Interest income from available for sale financial assets (see Note 16)	5,491	4,992
Accrued interest income on loan to associate (see Note 30)	4,181	5,767
Fair value and other losses recognized on loans due to consolidation of associate (See Note 30)	(38,189)	-
Other interest income	6,550	14,255
	51,175	**81,090**

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

8. INVESTMENT INCOME AND FINANCE EXPENSE (CONTINUED)

Finance expense, net	**Year ended December 31, 2009**	**Year ended December 31, 2008**
Foreign exchange losses on 10.75% Senior Notes	6,955	-
Foreign exchange losses on 9.5% Senior Notes	1,580	130,605
Foreign exchange gains on loans from related parties	(57,096)	-
Foreign exchange gains on contingent consideration	(24,962)	-
Foreign exchange gains on financial liability related to acquisition of non-controlling interest	(1,128)	-
Fair value losses/ (gains) on financial instruments:		
- embedded option (see Note 23)	-	20,447
- foreign exchange options – fair value hedges (see Note 18)	*126,121*	*(123,066)*
- foreign exchange options –settlement of instrument (see Note 18)	*(101,014)*	*(5,362)*
- foreign exchange options – portion not designated as hedging instrument (see Note 18)	-	*27,870*
	25,107	(100,558)
Interest expense on 10.75% Senior Notes (see Note 23)	20,381	-
Interest expense on 9.5% Senior Notes (see Note 23)	97,438	85,816
Interest expense on PLN Bonds due 2013 (see Note 23)	41,543	24,776
Interest expenses on loans from related parties (see Note 23)	32,091	-
Interest expense on loan facility and overdraft (see Note 23)	6,877	2,176
Guarantee fees to related party (see Note 32(vii))	4,459	2,426
Bank and other charges	10,812	2,561
Unwinding of interest on contingent consideration (see Note 30)	15,514	-
Unwinding of interest on financial liability related to acquisition of non-controlling interest (see Note 30)	837	-
Premium on early repayment of 9.5% Senior Notes	27,855	-
Pre-issuance costs written off *	35,077	2,724
	243,340	**170,973**

* The 2009 cost includes the amount of the unamortized debt issuance costs of 9.5% Senior Notes written off on early repayment (see Note 23).

9. BASIC AND DILUTED EARNINGS PER SHARE (NOT IN THOUSANDS)

Basic

Basic earnings per share are calculated by dividing the net profit attributable to the owners 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, 2009	Year ended December 31, 2008
Profit attributable to the owners of TVN S.A. (in thousands)	420,821	363,676
Weighted average number of ordinary shares in issue	341,262,586	348,585,264
Basic earnings per share	**1.23**	**1.04**

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, 2009	Year ended December 31, 2008
Profit attributable to the owners of TVN S.A. (in thousands)	420,821	363,676
Weighted average number of ordinary shares in issue	341,262,586	348,585,264
Adjustment for share options	1,283,603	4,480,914
Weighted average number of potential ordinary shares for diluted earnings per share	342,546,189	353,066,178
Diluted earnings per share	**1.23**	**1.03**

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	**December 31, 2009**	**December 31, 2008**
Freehold land	35,286	34,784
Buildings	26,906	163
Leasehold improvements	37,701	37,806
Television, broadcasting and other technical equipment	192,196	183,792
Set top decoders and satellite dishes	362,414	-
Vehicles	28,164	29,724
Furniture and fixtures	11,979	8,544
Assets under construction	104,111	52,587
	798,757	**347,400**

(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**

(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	Set top decoders and satellite dishes	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value									
January 1, 2009	34,784	194	87,258	415,192	-	48,936	22,007	52,587	660,958
Additions	502	89	5,908	45,117	-	3,305	5,369	206,314	266,604
Transfers	-	26,961	-	5,679	134,883	-	-	(167,523)	-
Acquired in a business combination (see Note 30)	-	-	1,256	15,132	295,591	3,195	2,316	12,894	330,384
Disposals	-	(4)	(155)	(8,469)	(3,539)	(1,041)	(228)	(161)	(13,597)
December 31, 2009	**35,286**	**27,240**	**94,267**	**472,651**	**426,935**	**54,395**	**29,464**	**104,111**	**1,244,349**
Accumulated depreciation and impairment	-								
January 1, 2009	-	31	49,452	231,400	-	19,212	13,463	-	313,558
Charge for the period	-	303	7,584	56,707	64,824	7,485	4,059	-	140,962
Disposals	-	-	(470)	(7,652)	(303)	(466)	(37)	-	(8,928)
December 31, 2009	**-**	**334**	**56,566**	**280,455**	**64,521**	**26,231**	**17,485**	**-**	**445,592**
Net book value at January 1, 2009	**34,784**	**163**	**37,806**	**183,792**	**-**	**29,724**	**8,544**	**52,587**	**347,400**
Net book value at December 31, 2009	**35,286**	**26,906**	**37,701**	**192,196**	**362,414**	**28,164**	**11,979**	**104,111**	**798,757**

Depreciation expense of 126,997 has been charged in cost of revenue (year ended December 31, 2008: 48,799), 4,261 in selling expenses (year ended December 31, 2008: 1,642) and 9,704 in general and administration expenses (year ended December 31, 2008: 9,676).

Impairment reversal in the amount of 1,885 has been credited to other operating income/ (expense), net for the year ended December 31, 2008.

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

11. GOODWILL

January 1, 2008	952,657
December 31, 2008	**952,657**
January 1, 2009	952,657
Business combination with Neovision Holding (see Note 30)	724,957
December 31, 2009	**1,677,614**

The carrying amount of goodwill is allocated to cash generating units identified by the Group:

On-line	802,205
Digital satellite pay television (see Note 30)	724,957
Thematic television channels	131,704
Television production unit	12,423
Teleshopping unit	6,325
	1,677,614

12. BRAND

January 1, 2008	693,688
December 31, 2008	**693,688**
January 1, 2009	693,688
Business combination with Neovision Holding (see Note 30)	103,630
Amortization of “n” brand	(8,330)
December 31, 2009	**788,988**

The carrying amount of brands as of December 31, 2009 is allocated to the following brands identified by the Group:

Onet.pl (on-line cash generating unit)	643,428
‘n’ (digital satellite pay television cash generating unit)	95,300
Mango (teleshopping cash generating unit)	50,260
	788,988

13. OTHER INTANGIBLE ASSETS

	December 31, 2009	**December 31, 2008**
Broadcasting licenses	7,361	7,644
Customer related intangibles	23,039	5,855
Internally generated software	8,439	6,984
Software and other	54,449	36,313
	93,288	**56,796**

(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, 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**

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
Gross value					
January 1, 2009	12,882	14,792	12,996	83,764	124,434
Additions	1,338	-	6,521	28,075	35,934
Acquired in a business combination (see Note 30)	-	23,666	-	13,655	37,321
Disposals	-	-	(257)	(5,099)	(5,356)
December 31, 2009	**14,220**	**38,458**	**19,260**	**120,395**	**192,333**
Accumulated amortization and impairment					
January 1, 2009	5,238	8,937	6,012	47,451	67,638
Charge for the period	1,621	6,482	4,375	20,464	32,942
Disposals	-	-	(12)	(1,969)	(1,981)
Impairment	-	-	446	-	446
December 31, 2009	**6,859**	**15,419**	**10,821**	**65,946**	**99,045**
Net book value at January 1, 2009	**7,644**	**5,855**	**6,984**	**36,313**	**56,796**
Net book value at December 31, 2009	**7,361**	**23,039**	**8,439**	**54,449**	**93,288**

Amortization of 16,993 has been charged in cost of revenue (year ended December 31, 2008: 12,434), 16,567 in selling expenses (year ended December 31, 2008: 5,075) and 7,712 in general and administration expenses (year ended December 31, 2008: 3,762).

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

14. PROGRAMMING RIGHTS

	December 31, 2009	December 31, 2008
Acquired programming rights:		
- television broadcasting and production	*194,132*	*172,707*
- digital satellite pay television	*24,942*	*-*
	219,074	172,707
News archive	12,000	12,453
Co-productions	10,680	14,306
Productions	147,857	147,951
	389,611	**347,417**
Less current portion of programming rights	(230,681)	(192,676)
Non-current portion of programming rights	**158,930**	**154,741**

Changes in acquired programming rights

	Year ended December 31, 2009	Year ended December 31, 2008
Net book value as at January 1	172,707	187,263
Additions	208,669	106,218
Amortization	(162,302)	(120,774)
Net book value as at December 31	**219,074**	**172,707**

15. FINANCIAL INSTRUMENTS BY CATEGORY

December 31, 2009	Loans and receivables	Financial assets available-for-sale	Total
Assets as per balance sheet			
Available-for-sale financial assets	-	385,101	385,101
Trade and other receivables	322,518	-	322,518
Cash and cash equivalents	381,658	-	381,658
	704,176	**385,101**	**1,089,277**

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

15. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

December 31, 2009	**Liabilities at fair value through profit and loss**	**Other financial liabilities**	**Total**
Liabilities as per balance sheet			
10.75% Senior Notes due 2017	-	1,589,292	1,589,292
PLN Bonds due 2013	-	498,837	498,837
Loans from related parties	-	544,612	544,612
Accrued interest on borrowings	-	22,010	22,010
Non-current trade payables	-	21,415	21,415
Current trade payables	-	286,877	286,877
Contingent consideration	78,397	-	78,397
Financial liability related to acquisition of non-controlling interest	-	131,325	131,325
Other liabilities and accruals*	-	200,155	200,155
	78,397	**3,294,523**	**3,372,920**

* This amount excludes the following items which are not financial liabilities: VAT and other taxes payable, employee benefits, deferred income.

December 31, 2008	**Loans and receivables**	**Derivatives used for hedging**	**Financial assets at fair value through profit or loss**	**Financial assets 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 the following items which are not financial liabilities: VAT and other taxes payable, employee benefits, deferred income.

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

16. AVAILABLE FOR SALE FINANCIAL ASSETS

	Year ended December 31, 2009	Year ended December 31, 2008
Beginning of the period	323,204	7,588
Additions	411,891	349,729
Sales	(347,270)	(39,773)
Fair value change through equity	(1,370)	668
Interest credited to profit or loss (see Note 8)	5,491	4,992
Foreign exchange differences	(6,845)	-
End of the period	**385,101**	**323,204**
Less: non-current portion	(138,250)	(7,588)
Current portion	**246,851**	**315,616**

Available for sale financial assets include:

	December 31, 2009	December 31, 2008
Securities quoted on active markets:		
- EUR bonds	133,970	-
- EUR treasury bills	243,543	-
- PLN treasury bills	-	315,616
Securities not quoted on active markets:		
- Polskie Media S.A.	7,588	7,588
	385,101	**323,204**

On December 31, 2009 the Group held the following securities quoted on active markets:

	Credit rating*	Effective interest rate	Nominal interest rate	Maturity dates	Nominal value EUR	Purchase value EUR **	Purchase value PLN **
German EUR bonds	AAA	0.76%	3.50%	April 8, 2011	30,850	32,696	136,873
German EUR Treasury bills	AAA	0.57%	-	October 27, 2010	31,900	31,746	132,715
German EUR Treasury bills	AAA	0.26%	-	April 28, 2010	27,600	27,575	115,278
					90,350	**92,017**	**384,866**

* Credit rating provided by Fitch's

** Including acquired accrued interest

The Group defines maximum exposure to credit risk with respect to securities quoted on active markets 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, 2009 based on financial information available from the annual financial statements of Polskie Media for the year ended December 31, 2008 and industry sales multiples. The Group assessed that there is no impairment of the carrying value as of December 31, 2009. 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.

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

17. TRADE RECEIVABLES

	December 31, 2009	December 31, 2008
Trade receivables	302,029	290,487
Less: provision for impairment of receivables	(17,076)	(9,993)
Trade receivables – net	284,953	280,494
Accrued revenue - discounts to 'n' customers	14,011	-
Receivables from related parties (Note 32 (iii))	23,554	25,340
	322,518	**305,834**

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, 2009	December 31, 2008
PLN	296,296	292,549
USD	23,019	11,008
EUR	2,791	1,763
GBP	269	503
CAD	87	-
AUD	56	11
	322,518	**305,834**

Provision for impairment of receivables was created individually for non-related trade receivables that were in general overdue more than 60 days or in relation to individual customers who are in unexpectedly difficult financial situations.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended December 31, 2009	Year ended September 31, 2008
Beginning of the period	9,993	8,238
Provision for receivables impaired, net change	8,683	2,293
Receivables written off as uncollectible	(1,600)	(538)
End of the period	**17,076**	**9,993**

The creation and release of provisions for impaired receivables have been included in selling expenses in the income statement.

As of December 31, 2009, trade receivables of 132,046 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, 2009	December 31, 2008
Up to 30 days	106,152	114,989
31-60 days	7,518	14,915
Over 60 days	18,376	12,417
	132,046	**142,321**

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

17. TRADE RECEIVABLES (CONTINUED)

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, 2009 was 322,518 (December 31, 2008: 305,834).

18. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2009	December 31, 2008
Derivative financial assets		
Foreign exchange options EUR	-	126,120
Foreign exchange options USD	-	23,745
	-	**149,865**

In 2008 the Group entered into EUR put and call currency options to limit the impact on the Group's net results of PLN/EUR exchange rate movements in relation to the 9.5% Senior Notes due 2013 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. The fraction of the options corresponding to 215/ 225 was designated as hedging item.

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 gain of 9,384. The Group did not have any open EUR options as of December 31, 2009.

In 2008 the Group entered into USD put and call currency 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 Group has not designated the options for hedge accounting. A currency option with the notional value of USD 13,081 matured on March 23, 2009 resulting in a gain of 11,550 being recognized by the Group. A currency option with the notional value of USD 12,354 matured on June 22, 2009 resulting in a gain of 9,864 being recognized by the Group. A currency option with the notional value of USD 7,149 matured on September 22, 2009 resulting in a gain of 2,655 being recognized by the Group. A currency option with the notional value of USD 7,896 matured on December 22, 2009 resulting in a gain of 3,784 being recognized by the Group. The Group did not have any open USD options as of December 31, 2009.

The change in fair value of the options including gains/ losses on settlement was recognized in the income statement (see Note 8).

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

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group entered into USD foreign exchange forwards in order to limit the impact of exchange rate movements on the fair value of Group's firm commitments to purchase set top decoders. The hedging strategy based on USD foreign exchange forwards had in total a notional value of USD 34,005, maturity dates between September 24, 2009 and December 23, 2009 and PLN/USD foreign exchange forward rates between 2.91 and 2.93. The Group has designated the foreign exchange forwards for hedge accounting, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement. The changes in the fair value of the foreign exchange forwards are also recognized in the income statement. A foreign exchange forward with the notional value of USD 3,192 matured on September 24, 2009 resulting in a loss of 240 being recognized by the Group in the income statement as the foreign exchange forward was not effective. A foreign exchange forward with the notional value of USD 9,890 matured on October 26, 2009 resulting in a loss of 1,372. The loss in the amount of 881, as the ineffective portion of the hedge, was recognized in the income statement and a loss in the amount of 491 was included in the initial amount recognized for the purchase of set top decoders. A foreign exchange forward with the notional value of USD 13,299 matured on November 25, 2009 resulting in a loss of 2,452. The loss in the amount of 713, as the ineffective portion of the hedge, was recognized in the income statement and a loss in the amount of 1,739 was included in the initial amount recognized for the purchase of set top decoders. A foreign exchange forward with the notional value of USD 7,624 matured on December 23, 2009 resulting in a gain of 12. The gain in the amount of 1,320, as the ineffective portion of the hedge, was recognized in the income statement and a loss in the amount of 1,308 was included in the initial amount recognized for the purchase of set top decoders (see Note 8, 10).

Foreign exchange options and foreign exchange forwards were contracted with banks rated as follows (by Moody's):

	December 31, 2009	December 31, 2008
Derivative financial assets		
Bank rated Aa1	-	23,745
Banks rated A2	-	126,120
	-	**149,865**

The Group defines maximum exposure to credit risk with respect to derivative financial assets as the carrying amount of those assets at the reporting date. The maximum exposure as at December 31, 2009 amounted to nil (December 31, 2008: 149,865).

19. PREPAYMENTS AND OTHER ASSETS

	December 31, 2009	December 31, 2008
Inventory, net of impairment provision	21,135	11,758
Prepayments for programming	12,794	17,580
VAT and other non-CIT taxes receivables	13,081	3,133
Technical support	5,518	3,576
Employee settlements	4,750	3,543
Other	29,343	16,877
	86,621	**56,467**
Less: current portion of other assets	**(81,059)**	**(51,286)**
Non-current portion of other assets	**5,562**	**5,181**

20. CASH AND CASH EQUIVALENTS

	December 31, 2009	December 31, 2008
Cash at bank and in hand	381,658	131,316
Short-term treasury bills	-	53,551
	381,658	**184,867**

Cash at bank (credit rating – Standard and Poor's)**:**

	December 31, 2009	December 31, 2008
Bank rated A-	308,812	46,896
Bank rated AAA	52,668	84,420
Banks rated BBB	20,178	-
	381,658	**131,316**

21. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 428,003,023 with a par value of 0.20 per share. The total number of ordinary shares in issue as at December 31, 2009 was 340,440,528 with a par value of 0.20 per share. All issued shares are fully paid and include shares issued on exercise of share options granted under incentive schemes (C and E series of shares) as soon as cash consideration is received. The shareholders structure as at December 31, 2009:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Strateurop International B.V. (1)	180,355,430	52.98%	180,355,430	52.98%
N-Vision B.V. (1)	10,762,147	3.16%	10,762,147	3.16%
Cadizin Trading&Investment (1)	8,131,477	2.39%	8,131,477	2.39%
ITI Impressario(1)	1,400	0.00%	1,400	0.00%
Other shareholders	141,190,074	41.47%	141,190,074	41.47%
Total	**340,440,528**	**100.00%**	**340,440,528**	**100.00%**

(1) Entities controlled by ITI Group.

Included in the total number of shares in issue as at December 31, 2009 held by other shareholders are 4,071 shares of C2 and E3 series not registered by the Court.

During the year ended December 31, 2009 82,221 shares of C1, C2 and E3 series were issued under the stock option plan for an amount of 751 (in thousands).

22. 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 allowed 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 expired on December 31, 2009.

22. SHARE BUYBACK AND REDEMPTION (CONTINUED)

The first tranche of the share buyback program commenced on November 17, 2008 and ended on January 21, 2009. The second tranche of the share buyback program commenced on February 5, 2009 and ended on March 24, 2009.

Since the beginning of the share buyback program, the Group has purchased in total 9,157,107 (not in thousands) shares for a total amount of 100,000 (6,200,937 (not in thousands) shares for a total amount of 62,572 in the year ended December 31, 2009).

On May 15, 2009 Annual General Shareholders' Meeting adopted resolutions on redemption of 9,157,107 (not in thousands) treasury shares and decrease of share capital. On July 3, 2009 these resolutions were registered by the Court.

23. BORROWINGS

	December 31, 2009	December 31, 2008
10.75% Senior Notes due 2017	1,589,292	-
Interest accrued on 10.75% Senior Notes due 2017	20,371	-
9.5% Senior Notes due 2013	-	855,432
Interest accrued on 9.5% Senior Notes due 2013	-	3,551
PLN Bonds	498,837	498,593
Interest accrued on PLN Bonds	1,639	2,156
Loan facility	-	109,875
Interest accrued on loan facility	-	1,951
Loans from related parties (see Note 30,32 (iv)) *	544,612	-
Overdraft facility	-	48,733
	2,654,751	**1,520,291**
Less: current portion of borrowings	(22,010)	(56,391)
Non-current portion of borrowings	**2,632,741**	**1,463,900**

* Including accrued interest

10.75% Senior Notes due 2017

On November 19, 2009 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued EUR 405,000 Senior Notes with an annual interest rate of 10.75% ("10.75% Senior Notes due 2017"). 10.75% Senior Notes due 2017 were issued at a purchase price of 98.696% for a total consideration of EUR 399,719, pay interest semi-annually (on May 15 and November 15) beginning May 15, 2010 and mature on November 15, 2017. The 10.75% Senior Notes due 2017 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 10.75% Senior Notes due 2017 are fully and unconditionally guaranteed by the Company and its subsidiaries Grupa Onet.pl S.A., Grupa Onet Holding B.V., ITI Neovision Sp. z o.o. and Neovision Holding B.V. The total transaction costs of the issue amounted to 53,126 and mainly related to dealers commission, legal services, auditor fees and printing. The 10.75% Senior Notes due 2017 are carried at amortized cost using an effective interest rate of 11.97%.

The fair value of the 10.75% Senior Notes due 2017, excluding accrued interest, as at December 31, 2009 was estimated to be PLN 1,693,022 or EUR 412,108. Fair value of 10.75% Senior Notes due 2017 reflects their market price quoted by Reuters based on the last value date on December 31, 2009. The Notes are quoted on the Luxembourg Stock Exchange.

23. BORROWINGS (CONTINUED)

The following early repayment options are included in 10.75% Senior Notes due 2017:

- the Group may redeem all or part of the Senior Notes on or after November 15, 2013 at a redemption price ranging from 105.375% to 100.000%
- the 10.75% Senior Notes due 2017 may be redeemed, at the option of the Group, in whole but not in part, at any time, at a price equal to 100% of the aggregate principal amount plus accrued and unpaid interest, if any, up to the redemption date as a result of certain defined changes in tax laws or official interpretations regarding such laws
- if change of control over the Company occurs, each registered holder of 10.75% Senior Notes due 2017 will have the right to require the Group to repurchase all or any part of such holder's Notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase.

The Group assessed that the above early repayment options are closely related to the economic characteristics of the host contract (10.75% Senior Notes due 2017) as the options' exercise prices are close on each exercise date to the amortized cost of the 10.75% Senior Notes due 2017. Consequently, the Group did not separate the embedded derivatives related to the above early repayment options.

In addition, prior to November 15, 2012, the Group may on any one or more occasions redeem up to 35% of the original principal amount of 10.75% Senior Notes due 2017 with the net cash proceeds of one or more public equity offerings at a redemption price of 110.75% of the principal amount plus accrued and unpaid interest, if any, up to the redemption date.

The Group separated an embedded derivative with respect to this repayment option, but did not recognize the instrument as at December 31, 2009 as it was assessed to have a negligible value due to the insignificant probability of realization.

In addition, at any time prior to November 15, 2013, the Group has also an option to redeem the 10.75% Senior Notes due 2017 in whole, but not in part, at a price equal to 100% of the principal amount plus the applicable premium as of, and accrued but unpaid interest, if any, up to the redemption date. Applicable premium means the greater of 1% of the principal, and the excess of (i) the present value of the redemption price of the Notes on November 15, 2013 plus interest due through November 15, 2013 computed using the Bund Rate plus 50 bps (Bund rate is yield to maturity on obligations of the Federal Republic of Germany with a constant maturity where the maturity approximates the period from the redemption date to November 15, 2013 - but not shorter than a period of one year) and (ii) the outstanding principal of the 10.75% Senior Notes due 2017 on the redemption date.

The Group separated an embedded derivative with respect to this repayment option, but did not recognize the instrument as at December 31, 2009 as it was assessed to have a negligible value due to remote probability of occurrence of such repayment.

23. BORROWINGS (CONTINUED)

9.5% Senior Notes due 2013

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% ("9.5% Senior Notes due 2013"). The 9.5% Senior Notes due 2013 were quoted on the Luxembourg Stock Exchange. Interest was paid semi-annually starting June 15, 2004 and the maturity date was December 15, 2013. The 9.5% Senior Notes due 2013 were senior unsecured obligations and were 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 9.5% Senior Notes due 2013 were fully and unconditionally guaranteed by the Company, ITI Neovision Sp. z o.o. and Grupa Onet.pl S.A. 9.5% Senior Notes due 2013 were carried at amortized cost using an effective interest rate of 10.88%.

On February 8, 2008 the Group repurchased the 9.5% Senior Notes due 2013 with a nominal value of EUR 10,000 for an amount of EUR 10,200 (PLN 36,587) and on October 24, 2008 the Group repurchased additional 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 9.5% Senior Notes due 2013 liability.

On December 19, 2009 the Group repaid and redeemed all existing obligations of the 9.5% Senior Notes due 2013. The total amount paid to the holders of 9.5% Senior Notes due 2013, including premium on early redemption (at 103.167% of the principal amount) and the accrued interest between December 15 and December 19, 2009 was EUR 222 million. The premium paid on early redemption and unamortized debt issuance costs written off were recognized in the income statement in the year ended December 31, 2009 (see Note 8).

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 1,686 and mainly related to dealers commission and legal services. The PLN Bonds are carried at amortized cost using an effective interest rate of 7.25%.

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, including accrued interest, as at December 31, 2009 was estimated to be 490,876 (December 31, 2008: 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.

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

23. BORROWINGS (CONTINUED)

Loan facility

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.

On November 19, 2009 the Group repaid the loan facility with proceeds from the issue of the 10.75% Senior Notes due 2017. As of December 31, 2009 the facility had been used only for the bank guarantees issued at 45,097 (total amount of facility used as of December 31, 2008: 168,526). 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., Mango Media Sp. z o.o. and ITI Neovision Sp. z o.o., subsidiaries of TVN S.A.

24. OTHER LIABILITIES AND ACCRUALS

	December 31, 2009	December 31, 2008
Employee benefits	33,120	45,175
VAT and other taxes payable	74,063	29,639
Deferred income	46,245	21,647
Accrued production costs	23,484	14,908
Sales and marketing related costs	24,560	2,050
Satellites	4,846	6,236
Other liabilities and accrued costs	147,265	109,838
	353,583	**229,493**

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

25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	**Year ended December 31, 2009**	**Year ended December 31, 2008**
Net profit		346,156	363,676
Tax charge		34,637	83,876
Share options granted to board members and employees	**7**	21,743	40,070
Depreciation, amortization and impairment charges	**7**	182,680	79,503
Amortization of acquired programming rights and co-production	**7**	167,479	122,860
Impaired accounts receivable	**7**	7,340	2,261
Loss on sale of property, plant and equipment		332	107
Investment income and finance expense, net	**8**	192,165	89,883
Share of loss of associate		39,132	94,440
Gain on step acquisition	**30**	(122,359)	-
Gain on remeasurement of contingent consideration	**4 (iv)**	(153,610)	-
Transaction costs related to acquisition of subsidiary, expensed	**7,30**	16,608	-
Loss on sale of joint venture	**31**	1,924	-
Guarantee fee	**8**	(3,488)	(2,426)
Payments to acquire programming rights		(154,146)	(139,771)
Change in local production balance		94	(43,438)
Changes in working capital excluding digital platform:			
Trade receivables		36,369	(8,505)
Prepayments and other assets		7,434	(11,590)
Trade payables		(55,963)	16,164
Other short term liabilities and accruals		18,627	38,841
		6,467	34,910
Changes in working capital - digital platform		16,280	-
Total changes in working capital		22,747	34,910
Cash generated from operations		**599,434**	**725,951**

Non-cash transactions

Gain on step acquisition	**30**	122,359	-
Gain on remeasurement of contingent consideration	**4 (iv)**	153,610	-
Barter revenue/ (costs), net		7,136	(1,564)
Share options granted to board members and employees	**7**	(21,743)	(40,070)

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

26. TAXATION

	Year ended December 31, 2009	Year ended December 31, 2008
Current tax charge	(94,641)	(106,780)
Deferred tax benefit	60,004	22,904
	(34,637)	**(83,876)**
Reconciliation of accounting profit to tax charge		
Profit before income tax	**380,793**	**447,552**
Income tax charge at the enacted statutory rate of 19%	(72,351)	(85,035)
Tax impact of employee share option plan costs not deductible for tax purposes (see Note 7)	(4,131)	(7,613)
Impact of tax deduction claimed and deferred in relation to operations in special economic zone	30,899	14,574
Reversal of deferred tax assets recognized on investment in associate due to obtaining the control	(25,475)	-
Impact of non-taxable gain recognized on step acquisition	23,248	-
Impact of non-taxable gain recognized on valuation of contingent consideration, net	30,981	-
Impact of non-taxable amortization of fair value adjustments on intercompany loans	(1,058)	-
Losses carry forward on which deferred tax asset was not recognised	(26,798)	-
Impact of non-taxable loss on elimination of loans granted to associate recognized on consolidation	(6,708)	-
Impact of reversal of deferred tax liability due to settlement of intercompany loan	22,836	-
Net tax impact of other expenses and losses not deductible for tax purposes and revenue not taxable	(6,080)	(5,802)
Tax for the period	**(34,637)**	**(83,876)**

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.

At the balance sheet date and at the date when these financial statements were prepared the Group was subject to an audit by the tax authorities. At the date when these financial statements were prepared the outcome of this tax audit is unknown.

The Group operates partially in a 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, 2009 the remaining committed investment amounted to 96,748 (December 31, 2008: 167,080). In the year ended December 31, 2009 the Group claimed tax reductions in the amount of 6,539 with respect to its costs incurred in the special economic zone (December 31, 2008: 10,775). The balance of 36,297 with respect to this tax credit is deferred for future tax reduction.

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

26. TAXATION (CONTINUED)

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, 2009.

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

The deferred tax assets and liabilities are expected to be recovered:

	December 31, 2009	December 31, 2008
Deferred tax liabilities, net		
- Deferred tax liability, net to be realized after more than 12 months	(145,645)	(143,178)
- Deferred tax asset, net to be recovered within 12 months	47,250	12,014
	(98,395)	**(131,164)**

Movements in deferred tax asset	**Year ended December 31, 2009**	**Year ended December 31, 2008**
Balance at beginning of period	34,515	12,637
Debit for the period *	23,596	21,878
Balance at end of period	**58,111**	**34,515**

Movements in deferred tax liability	**Year ended December 31, 2009**	**Year ended December 31, 2008**
Balance at beginning of period	(165,679)	(166,578)
Acquisition of subsidiary **	(40,312)	-
Deferred tax (debited)/ credited to equity, net	13,077	(127)
Debit for the period	36,408	1,026
Balance at end of period	**(156,506)**	**(165,679)**

* includes reversal of deferred tax asset of 25,475 recognized on investment in associate due to obtaining the control

** represents the deferred tax liability established on ‘n’ brand, customer related intangible asset and fair value adjustments

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

26. 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, customer related assets acquired and fair value adjustments	Tax credit	Tax losses carry forward	Total
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)**
Deferred tax asset/(liability) at January 1, 2009	(2,397)	38,661	(8,180)	(30,785)	(23,967)	17,943	(2,638)	1,071	(132,808)	11,936	-	(131,164)
(Charged)/ credited to net profit	1,433	(5,498)	6,700	28,381	23,967	(17,943)	(5,303)	-	3,907	24,360	-	**60,004**
Acquisition of subsidiary	-	-	-	-	-	-	-	-	(40,312)	-	-	(40,312)
(Charged)/ credited to equity	-	-	-	-	-	-	-	260	12,817	-	-	**13,077**
Deferred tax asset/(liability) at December 31, 2009	**(964)**	**33,163**	**(1,480)**	**(2,404)**	**-**	**-**	**(7,941)**	**1,331**	**(156,396)**	**36,296**	**-**	**(98,395)**

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

27. TRADE PAYABLES

	December 31, 2009	December 31, 2008
Acquired programming rights payables	96,136	65,375
Property, plant, equipment and intangible assets payables	112,714	33,885
Other trade payables	78,526	44,510
Related party payables (see Note 32(iii))	20,916	5,086
	308,292	**148,856**
Less: current portion of trade payables	**(286,877)**	**(141,905)**
Non-current portion of acquired programming rights payables	**21,415**	**6,951**

28. CONTINGENCIES

The Group has a remaining contingent asset in respect of a VAT claim of 3,594 and interest due from the tax authorities of 13,700. 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 recognized a receivable for this penalty of 1,078 plus interest in its 2008 financial statements and received the amount in January 2009. On October 9, 2008 the Group appealed to the Supreme Administrative Court with respect to the base VAT claim. On March 25, 2009 the tax authorities appealed to the Supreme Administrative Court against the Group's base VAT claim.

29. 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, 2009. These commitments are scheduled to be paid as follows:

Due in 2010	250,457
Due in 2011	297,034
Due in 2012	281,254
Due in 2013	190,273
Due in 2014	34,763
Due in 2015 and thereafter	4,169
	1,057,950

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

29. COMMITMENTS (CONTINUED)

(ii) Total future minimum payments relating to operating lease agreements signed as at December 31, 2009:

	Related parties	Non-related parties	Total
Due in 2010	27,626	22,203	49,829
Due in 2011	27,005	16,297	43,302
Due in 2012	27,006	14,293	41,299
Due in 2013	27,006	9,990	36,996
Due in 2014	24,302	5,295	29,597
Due in 2015 and thereafter	38,524	8,320	46,844
	171,469	**76,398**	**247,867**

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, 2009.

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

In addition to the lease agreements disclosed above, the Group has agreements with third parties for the 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 2010	73,970
Due in 2011	76,059
Due in 2012	45,999
Due in 2013	31,214
Due in 2014	31,214
Due in 2015 and thereafter	57,241
	315,697

Additionally, the Group leases transmission sites and related services for an annual amount of 8,773.

(iii) Barter commitments

The Group has an outstanding commitment of service to broadcast advertising of 2,984 to settle sundry amounts payable recorded as of December 31, 2009 (3,466 at December 31, 2008). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at December 31, 2009, the Group assumed contractual commitments of 65,604 to acquire property, plant and equipment and intangible assets (1,304 at December 31, 2008).

Additionally the Group has undertaken to invest 215,782 in the special economic zone in Kraków by December 31, 2017. As at December 31, 2009 the remaining commitment amounted to 96,748.

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

30. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N"

Acquisition of associate

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' digital satellite television 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 shareholder's loans granted to ITI Neovision with a nominal value of EUR 35.3 million.

Before March 11, 2009 the Group had significant influence on, but not control over ITI Neovision operations. Accordingly, the investment was classified as an investment in an associate and accounted for using the equity method with the recognition of a 25% share of the associate's net results. In the consolidated financial statements the total investment was split between investment in an associate and loans receivable from an associate.

Investment in associate	**Year ended December 31, 2009**	**Year ended December 31, 2008**
Beginning of the period	120,076	83
Investment in Neovision Holding	-	211,819
Other direct costs	-	2,614
Share of loss of Neovision Holding *	(39,588)	(94,455)
Direct costs written down	(2,614)	-
Business combination elimination **	(77,789)	-
Acquisition of associate	902	-
Share of gain of other associates	242	15
End of the period	**1,229**	**120,076**

* Including amortization of 'n' brand

Loans receivable from associate	**Year ended December 31, 2009**	**Year ended December 31, 2008**
Beginning of the period	179,138	-
Acquisition of loans in Neovision Holding	-	107,809
Other direct costs	-	1,575
Interest accrued	4,181	5,767
Loans extended during the period	75,344	28,180
Foreign exchange gains	20,363	35,807
Business combination elimination **	(279,026)	-
End of the period	**-**	**179,138**

** Elimination results from the acquisition of a subsidiary

30. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

Acquisition of control on March 11, 2009

On March 11, 2009, the Group and ITI Media Group entered into a preliminary agreement where the parties agreed that the Group would increase its direct ownership interest in Neovision Holding and its indirect ownership interest in ITI Neovision to, in aggregate, 51% of company's shares and a corresponding pro-rata interest in the shareholder's loans granted to Neovision Holding Group for a price of EUR 46.2 million. The Group agreed to immediately provide ITI Neovision with funding of EUR 25.1 million in the form of a shareholder loan simultaneously receiving a contractual right to exercise voting rights in Neovision Holding equivalent to an additional 26% minus one share, thereby increasing voting control to 51%. As a result, the Group obtained control over Neovision Holding Group on March 11, 2009.

The transaction agreement provides that the Group will pay ITI Media Group a supplemental payment if and to the extent that ITI Neovision's subscriber revenues for the 2010 calendar year exceed PLN 555,618,071 (not in thousands). The amount of the supplemental payment will be computed as EUR 0.3214 (not in thousands) for each PLN 1.00 (not in thousands) in excess of the foregoing threshold amount. ITI Media Group's right to receive this supplemental payment is contingent upon ITI Neovision achieving certain specified conditions during the 2010 calendar year as regards EBITDA, numbers of subscribers and average revenue per subscriber. The amount of the supplemental payment is subject to a EUR 60.0 million limit. The limit amount will be reduced if and to the extent that, prior to the end of 2010 calendar year, ITI Media Group sells all or a part of its remaining ownership interest in Neovision Holding or ITI Neovision to a third party where the purchase price paid by the third party reflects ITI Neovision having an equity value which is less than the amount specified in the transaction agreement (which amount reflects the Group's investment in, and the resulting equity value of, ITI Neovision). The Group has the option to pay up to one-half of the contingent consideration in the form of its shares valued at the weighted average trading price over the last 30 trading days prior to the payment, with the balance being paid in cash.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between EUR 0 and EUR 60,000. The fair value of the contingent consideration arrangement of 236,448 was estimated based on a discount rate of 7.93% and assumed the full probability of maximum payment (see Note 4(iv)).

The investment of the Group in 'n' DTH platform, which offers technologically advanced pay television services in Poland, has strengthen the competitive position of the Group on the attractive Polish DTH and cable market which is likely to consolidate in the future and will provide the Group with revenue diversification.

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

30. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

The following table summarizes the consideration for the acquisition of the subsidiary:

Amounts transferred (equivalent of EUR 46.2 million)*	216,316
Contingent consideration (fair value of EUR 60.0 million)	236,448
Total Consideration per transaction of March 11, 2009, including:	**452,764**
Consideration paid for loans (fair value of loans granted)	236,314
Consideration paid for equity instrument	216,450
Total Consideration per transaction of March 11, 2009	**452,764**
Consideration paid for equity instruments	216,450
Fair value of the previously held equity instruments	208,124
Total Consideration for 51% stake in equity of Neovision Holding	**424,574**

***** includes amounts transferred to ITI Media Group (as repayment of loans) in the amount of 130,551 and amounts transferred to Neovision Holding Group as new loans granted

Note to the investing activities in the consolidated cash flow statement:

Loans repaid by the Group to ITI Media Group and granted to Neovision Holding Group on acquisition date	(212,112)
Less: cash acquired in the subsidiary as at March 11, 2009	114,429
Acquisition of subsidiary, net of cash acquired	**(97,683)**

The Group has accounted for the acquisition of Neovision Holding using the purchase accounting method under early adopted IFRS 3 (revised) (please see accounting policies in Notes 2.2 and 2.3). The goodwill of 724,957 arising from the acquisition is attributable to the future operating cash-flows from the digital platform.

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

30. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

None of the goodwill recognized is expected to be deductible for income tax purposes. The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the date on which effective control was transferred to the Group (March 11, 2009), as well as the non-controlling interest's share in the net identifiable liabilities of Neovision Holding Group:

	Fair value
Brand (see Note 12)	103,630
Customer related intangible asset (see Note 13)	23,666
Other intangible assets (see Note 13)	13,655
Property, plant and equipment (see Note 10)	330,384
Programming inventory	-
Corporate income tax receivable	1,276
Trade and other receivables	48,025
Inventory	5,613
Prepayments and other assets	64,445
Cash and cash equivalents	114,429
Trade and other liabilities	(260,955)
Deferred tax liability on brand customer related intangible asset and fair value adjustments (see Note 26)	(40,312)
Loans from related parties	(908,901)
Provisions and accruals	(83,940)
Total identifiable net liabilities	**(588,985)**
Less: Non-controlling interest	288,602
Total net liabilities attributable to the Group	**(300,383)**
Goodwill (see Note 11)	**724,957**
Consideration relating to equity investment	**424,574**

Included in trade and other receivables is the balance of trade receivables at fair value of 43,618 with a gross contractual amount of 48,620 and estimated expected uncollectible amount of 5,002.

In the purchase price allocation process the Group identified and valued marketing related intangible assets such as the "n" brand in the amount of 103,630. The fair value of the brand was estimated using the relief from royalty method and is discussed in detail in Note 4 (ii).

In the purchase price allocation process the Group identified and valued customer related intangible asset in the amount of 23,666. The Group fair valued the customer related asset by discounting estimated future net cash flows generated by the "n" subscribers existing as at March 11, 2009. The valuation is discussed in detail in Note 4 (iii).

In the purchase price allocation process the Group valued set top decoders using a depreciated replacement cost approach (see Note 10). The fair value adjustment recognized during the year ended December 31, 2009 amounts to 33,078.

In the purchase price allocation process the Group derecognized programming inventory in the amount of 46,160 and corresponding programming rights payables in the amount of 46,160 as a consequence of application of the Group's accounting policy on programming rights.

30. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

In the period ended December 31, 2009 the Group finalized the valuation of the acquired assets and liabilities recognized previously on provisional basis. This resulted in change of the value of the following items: brand (increase by 15,430), customer related intangible asset (increase by 23,666), property plant and equipment (increase by 32,388), programming inventory (decrease by 46,160), trade and other liabilities (decrease by 48,385), deferred tax liability (increase by 23,554), other assets and liabilities, net (decrease by 6,411) – changes since March 31, 2009 when the provisional values were first time reported.

The subsidiary will not be able to pay dividends to the Group until its cumulative losses are covered.

The Group recognized a gain on step acquisition of 122,359 as a result of measuring at fair value its 25% equity investment in Neovision Holding held before the business combination. The fair value of the equity investment held before the business combination was measured at 208,124. The gain on step acquisition is disclosed separately in the Group's consolidated income statement for the year ended December 31, 2009.

The Group recognized on consolidation with Neovision Holding Group a fair value loss of 38,189 resulting from elimination of loans granted by the Group to Neovision Holding and ITI Neovision. The loss represents a difference between the fair value of loans acquired by the Group and their respective carrying value in the accounts of the Group. The loss is recognized in investment expense (see Note 8).

The direct costs relating to the acquisition amounted to 16,608 and included mainly legal, valuation and professional consulting fees and were expensed in the income statement in general and administration expenses.

The preliminary agreement to acquire control was completed on March 31, 2009.

Acquisition of non-controlling interest

On December 10, 2009 the Group concluded the share purchase agreement with ITI Media Group, under which the Group will acquire remaining 49% of the shares in Neovision Holding. It is expected that the share purchase agreement is completed by March 31, 2010. After completion of the agreement the Group will directly hold 100% of the shares in Neovision Holding. Simultaneously with the acquisition of the shares, the Group will acquire shareholder loans granted to Neovision Holding and ITI Neovision by ITI Media Group and other entities from the ITI Group.

The total consideration payable for the non-controlling interest is EUR 188 million. Payment of the transaction price will be made by way of the issue of notes in favour of ITI Media Group in an amount equal to the above price. The notes will be issued by TVN Finance Corporation II AB, a Group subsidiary, on the same terms and conditions as the 10.75% Senior Notes due 2017 issued on November 19, 2009 (see Note 23). Upon closing of the transaction notes of an aggregate nominal value of EUR 148 million will be issued in favour of ITI Media Group directly, whereas notes of an aggregate nominal value of EUR 40 million will be held in an escrow account by the escrow agent on behalf of ITI Media Group from which they will be released to ITI Media Group after the conditions stipulated in the share purchase agreement are satisfied, that is when ITI Neovision achieves a break-even EBITDA for two consecutive quarters.

As a result of the acquisition of the non-controlling interest the Company will be, through Neovision Holding, the sole shareholder of ITI Neovision and the sole creditor of the digital satellite pay television 'n' under shareholder loans.

30. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

The obligation to pay the contingent consideration arising pursuant to the agreement entered into on March 31, 2009 will be annulled.

The completion of the share purchase agreement is conditional upon the fulfillment of a number of conditions, in particular, on obtaining the consent of the banks lending to ITI Group. If the conditions are not fulfilled by March 31, 2010, the share purchase agreement shall expire and therefore the non-controlling interest as at December 31, 2009 was not derecognized.

As a result of the share purchase agreement the Group as at December 10, 2009 recognized its commitment to acquire the non-controlling interest in Neovision Holding as a financial liability at a fair value of EUR 31,763 (PLN 131,616). The amount of financial liability as at December 10, 2009 was established by deducting the fair values of shareholder loans granted to Neovision Holding by ITI Group and fair value of contingent consideration from the present value of total consideration payable for the non-controlling interest. The corresponding entry for this financial liability is equity, as this financial liability is a commitment to acquire own equity instrument.

As a result of entering the share purchase agreement, the Group revised expected repayment dates of shareholders loans and adjusted the carrying value of the shareholders loans accordingly. The incremental increase of the carrying amount of shareholders loans arising from the change of the expected date of repayment of these loans is in substance an element of the transaction concerning non-controlling interest and therefore the loss of 54,642 (net of deferred tax) was recognized in equity.

As a result of entering the share purchase agreement, the Group revised also expected payment date related to the contingent consideration and adjusted the carrying amount of the contingent consideration accordingly. The incremental loss resulting from the revised expected date of settlement of the contingent consideration in the amount of 5,009 is in substance an element of the transaction concerning non-controlling interest and therefore the loss in the amount of 5,009 was recognized in equity.

In the period between March 11, 2009 and December 31, 2009 the Group recognized post-acquisition revenue of 358,848 and a net loss of 124,692 in respect to ITI Neovision Group.

If the acquisition had occurred on January 1, 2009 the Group, would have recognized consolidated revenue of 2,196,980 and a consolidated net profit of 228,865 for the year ended December 31, 2009.

31. GROUP COMPANIES

These consolidated financial statements as at December 31, 2009 comprise the parent company and the following subsidiaries (the Group), joint ventures and associates:

	Country of incorporation	December 31, 2009 Ownership %	December 31, 2008 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	100
Thema Film Sp. z o.o.	Poland	96	96
TVN Finance Corporation plc	UK	100	100
TVN Finance Corporation II AB	Sweden	100	-
Grupa Onet Poland Holding B.V.	The Netherlands	100	100
Media Entertainment Ventures Int Ltd	Malta	100	100
Neovision Holding B.V.*	The Netherlands	51	25
ITI Neovision Sp. z o.o.*	Poland	51	-
Cyfrowy Dom Sp. z o.o.*	Poland	51	-
Neovision UK Ltd*	UK	51	-
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
Discovery TVN Ltd	UK	-	50
MGM Chanel Poland Ltd (joint venture)*	UK	23	11
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 (UK).

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

On May 29, 2009 the Group sold to Discovery Communications Europe Limited its share in the share capital of Discovery TVN Limited for the consideration of GBP 1 (not in thousands). The Group recognized loss on this transaction in the amount of 2,451.

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

32. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2009	Year ended December 31, 2008
ITI Group	10,301	6,622
ITI Neovision *	8,065	42,799
MGM Channel Poland	4,746	-
Poland Media Properties	22	25
	23,134	**49,446**

* ITI Neovision was an associate of the Group from June 25, 2008 to March 10, 2009. From March 11, 2009 ITI Neovision is consolidated with TVN Group (see Note 30).

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 recognized revenue of 9,131 for the year ended December 31, 2009 (year ended December 31, 2008: 16,756) from advertising services rendered for ITI Neovision through advertising agencies.

(ii) Operating expenses:

	Year ended December 31, 2009	Year ended December 31, 2008
ITI Group	28,532	26,549
MGM Channel Poland	9,334	-
Poland Media Properties	4,104	535
ITI Neovision *	1,493	5,275
	43,463	**32,359**

* ITI Neovision was an associate of the Group from June 25, 2008 to March 10, 2009. From March 11, 2009 ITI Neovision is consolidated with TVN Group (see Note 30).

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, 2009	December 31, 2008
Receivables:		
MGM Channel Poland	17,406	-
ITI Group	6,148	4,532
ITI Neovision	-	20,808
	23,554	**25,340**

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

32. RELATED PARTY TRANSACTIONS (CONTINUED)

	December 31, 2009	December 31, 2008
Payables:		
MGM Channel Poland	18,095	-
ITI Group	2,750	4,978
Poland Media Properties	71	63
ITI Neovision	-	45
	20,916	**5,086**

(iv) Non-current loans from related parties

	December 31, 2009	December 31, 2008
Loans from Strateurop *	323,589	-
Loans from N-Vision *	221,000	-
ITI Media Group *	23	-
	544,612	**-**

* Including accrued interest.

Loans from related parties were initially recognized at fair value as of March 11, 2009 and are subsequently measured at amortized cost. The excess of nominal value of loans from related parties extended during the year ended December 31, 2009 over their fair value was recognized in equity and non-controlling interest proportionally to the Group's interest in Neovision Holding shares. On December 10, 2009 the Group revised expected repayment dates of shareholders loans and adjusted the carrying value of the shareholders loans accordingly (see Note 30).

The loan from Strateurop is for a principal amount of EUR 64,657, bears interest of 9.50% per annum and is due for repayment on December 31, 2015 (contractual repayment date).

The loans from N-Vision are for a total principal amount of EUR 47,149, bear interest of 9.50% per annum and are due for repayment on December 31, 2015 and December 31, 2018 (contractual repayment dates).

(v) Other non current assets

Other non current assets include a rental deposit paid to ITI Group by TVN and Grupa Onet.pl in the amount of 2,418.

(vi) Lease commitments with related parties

See Note 29 for further details.

(vii) Other

ITI Holdings has provided guarantees in the amount of US$ 11,000 (until May 27, 2009 US$ 25,000) to Warner Bros. International Television Distribution, US$ 4,000 (until June 24, 2009 US$ 8,000) to DreamWorks, EUR 4,750 to UEFA (expired June 30, 2009), US$ 3,812 to MGM, US$ 3,024 to Universal (expired October 1, 2008) in respect of programming rights purchased and broadcast by the Group and EUR 1,900 to Eutelsat (expired September 14, 2009) and 1,229 to IBM (expired September 25, 2009) in respect of rental of satellite capacity and other services. During the year ended December 31, 2009, the Group recorded finance costs relating to ITI Holdings guarantees of 4,459 (during the year ended December 31, 2008: 2,426).

32. RELATED PARTY TRANSACTIONS (CONTINUED)

On March 31, 2009 the Group completed the acquisition of additional 26% of the share capital of Neovision Holding from ITI Media Group and on December 10, 2009 the Group concluded a share purchase agreement with ITI Media Group, under which the Group will acquire the remaining 49% of the shares in the Neovision Holding (see Note 30).

The Group's banks issued bank guarantees in the total amount of 101,155 on the Company's behalf relating to the liabilities of ITI Neovision.

The Group has provided guarantee in the amount of 1,395 to IBM in respect of services provided to ITI Neovision.

Non current liabilities include an amount of 78,397 being the fair value of contingent consideration related to the acquisition of Neovision Holding Group and current liabilities include an amount of 131,325 being the financial liability related to the acquisition of non-controlling interest (see Note 30).

(viii) Management Board compensation

Short-term employee benefits

Management Board cash compensation for the year ended December 31, 2009 amounted to 16,687 (year ended December 31, 2008: 10,485).

	Year ended December 31, 2009		**Year ended December 31, 2008**	
	Base salary	*Bonuses**	*Base salary*	*Bonuses***
Markus Tellenbach	1,450	-	-	-
Piotr Walter	1,947	2,320	1,245	800
Jan Łukasz Wejchert	1,356	502	846	492
Rafał Wyszomierski	222	-	-	-
Karen Burgess	2,103	1,080	1,120	540
Edward Miszczak	564	780	843	390
Tomasz Berezowski	221	350	527	175
Olgierd Dobrzyński	246	284	605	142
Waldemar Ostrowski	189	350	518	175
Adam Pieczyński	236	500	638	191
Jarosław Potasz	194	350	540	175
Piotr Tyborowicz	194	1,249	523	-
	8,922	**7,765**	**7,405**	**3,080**

*Bonuses paid for 2008

**Bonuses paid for 2007

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.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

	Total number of share options granted (not in thousands)	Cumulative fair value recognized up to December 31, 2009*	Cumulative fair value recognized up to December 31, 2008*
Markus Tellenbach	-	-	-
Piotr Walter	622,600	7,588	7,387
Jan Łukasz Wejchert	577,065	6,942	6,784
Rafał Wyszomierski	206,200	2,725	-
Karen Burgess	526,290	6,436	6,275
Edward Miszczak	526,290	6,436	6,275
Tomasz Berezowski	336,030	4,109	4,007
Olgierd Dobrzyński	314,115	4,197	3,484
Waldemar Ostrowski	336,030	4,109	4,007
Adam Pieczyński	314,115	4,197	3,484
Jarosław Potasz	336,030	4,109	4,007
Piotr Tyborowicz	336,030	4,109	4,007

*Calculated as the 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, 2009 amounted to 1,287 (year ended December 31, 2008: 1,126).

	Year ended December 31, 2009	Year ended December 31, 2008 *
Wojciech Kostrzewa	192	192
Bruno Valsangiacomo	156	156
Arnold Bahlmann	243	108
Michał Broniatowski	12	-
Romano Fanconi	72	72
Paweł Gricuk	144	144
Paweł Kosmala	72	47
Sandra Nowak	-	21
Wiesław Rozłucki	132	132
Andrzej Rybicki	72	72
Marcus Tellenbach	48	47
Aldona Wejchert	72	72
Gabriel Wujek	72	63
	1,287	**1,126**

* 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, 2009		Year ended December 31, 2008	
	Average exercise price	Outstanding options	Average exercise price	Outstanding options
At 1 January	PLN 10.79	**12,644,716**	PLN 10.62	**14,887,155**
Exercised	PLN 9.13	(82,221)	PLN 9.67	(2,242,439)
At 31 December	PLN 10.80	**12,562,495**	PLN 10.79	**12,644,716**

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	341,150	PLN 8.66	Vested
C2	1,632,250	PLN 9.58	Vested
C3	3,479,210	PLN 10.58	Vested
	5,452,610		

Series	Number of options	Exercise price	Service vesting period
E1	217,730	PLN 8.66	Vested
E2	282,135	PLN 9.58	Vested
E3	1,335,285	PLN 10.58	Vested
E4	2,441,065	PLN 11.68	Vested
E4	2,833,670	PLN 11.68	until January 1, 2010
	7,109,885		

On May 15, 2009 the shareholders' meeting approved an extension of the TVN Incentive Schemes exercise period to December 31, 2014.

Between January 1, 2010 and the date when these financial statements were prepared no options were exercised.

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

34. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to U.S. Dollar	PLN Exchange Rate to Euro
December 31, 2009	2.8503	4.1082
December 31, 2008	2.9618	4.1724

The movement in the consumer price index for the year ended December 31, 2009 amounted to 3.5% (year ended December 31, 2008: 3.3%).

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa
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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 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

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.

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. <u>Goodwill</u>

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. <u>Brands</u>

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. <u>Other intangible assets</u>

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. 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 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**

(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

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

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.