TVN S.A.

INTERIM REPORT
FOR THE THREE AND NINE MONTHS

ENDED SEPTEMBER 30, 2010

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Definitions

We have prepared this interim 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 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" 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; "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, excluding TVN Group; "DTH Poland Holding" refers to DTH Poland Holding Coöperatief U.A., formerly Neovision Holding B.V.,; "Neovision Holding" refers to Neovision Holding B.V., which subsequently merged with DTH Poland Holding Coöperatief, a company registered in Amsterdam, the Netherlands and currently the sole shareholder of ITI Neovision; "TNK" refers to a pre-paid digital television service in standard definition, "Telewizja na kartę", owned and operated by ITI Neovision, launched in October 2008; "TNK HD" refers to a pre-paid digital television service in high definition launched on May 17, 2010 by ITI Neovision; "Onet VOD" refers to new video-on-demand Internet service launched on February 14, 2010, by Onet.pl; "9.5% Senior Notes" refer to the 9.5% Senior Notes 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 that TVN Finance Corporation II AB issued on November 19, 2009, March 10, 2010 and April 30, 2010; "TVN Finance" refers to our subsidiary, TVN Finance Corporation plc in members' voluntary liquidation; "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; "Promissory Notes" refers to promissory notes in the aggregate principal amount of EUR 40,000 we issued on March 10, 2010. On April 30, 2010, these Promissory Notes were exchanged for like principal amount of 10.75% Senior Notes and cancelled; "PLN Bonds" refers to a PLN 500,000 bond issued by TVN S.A. on June 23, 2008; "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 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 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 September 30, 2010, the 'n' DTH platform had almost 739,000 (not in thousands) active subscribers. Since October 2008, the 'n' DTH platform operates TNK and on May 17, 2010 launched TNK HD, a pre-paid digital television service in high definition. TNK had almost 279,000 (not in thousands) active customers (including TNK HD) as of September 30, 2010.

- **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. On February 14, 2010 we launched Onet VOD, new video-on-demand Internet service.

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

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

All references to Euro or €, U.S. Dollar or $ and Złoty or PLN are in thousands, except share and per share data, or unless otherwise stated.

PART I

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

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

Executive Summary

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 nine months ended September 30, 2010 are not fully comparable to the financial results for the corresponding period of 2009. Our results for the three and nine months ended September 30, 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 September 30, 2009. ITI Neovision was consolidated in our results from March 11, 2009. 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 nine months ended September 30, 2010 are not fully comparable to the financial results for the corresponding period of 2009. Our results for the nine months ended September 30, 2009 include financial results of Discovery Historia channel for the periods till 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. Following the closing of the transaction on March 10, 2010 contemplated by the share purchase agreement, we now directly hold 100% of the shares of DTH Poland Holding, formerly Neovision Holding.

Three Months Ended September 30, 2010

The principal events of the three months ended September 30, 2010 were as follows:

- We estimate that the television advertising market in Poland in the three months ended September 30, 2010 increased by 9.9% compared to the corresponding period of 2009.

- Our share in the net television advertising market, according to our estimates, increased to 33.5%, from 32.6% in the corresponding period of 2009.

- Our TVN channel increased its audience share in all-day basic commercial target group to 14.9%, from 14.5%, in prime time basic commercial target group and in our key target group increasing to 18.4% from 17.7% and to 22.8% from 22.5% shares, respectively. TVN increased its audience share also in peak time key target group to 18.4% from 17.7% according to AGB.

- Our TVN 24 increased its audience share in all categories. All-day nationwide audience share increased to 4.2%, from 3.1%, all-day basic commercial target group audience share increased to 3.1%, from 2.4%, all-day key target group audience share increased to 7.4%, from 5.4%, *prime time* basic commercial target group audience share increased to 2.0%, from 1.4%, *prime time* key target group audience share increased to 5.6%, from 3.9%, *peak time* basic commercial target group audience share increased to 2.1%, from 1.4%, and *peak time* key target group audience share increased to 5.5%, from 3.8% in the corresponding period of 2009 according to AGB.

- Our Internet portal Onet.pl had 12.9 million real users and 2.7 billion page views in July 2010. Average monthly time spent on Onet.pl portal in July 2010 was 66.8 million hours, according to Megapanel PBI/Gemius.

- Our 'n' DTH platform increased its post-paid net subscriber number by over 9,000 (not in thousands) during the three months ended September 30, 2010. As of September 30, 2010, the 'n' DTH platform had almost 739,000 (not in thousands) active subscribers. In the three months ended September 30, 2010, the 'n' DTH platform recorded monthly average revenue per subscriber ("ARPU") of PLN 60.3 (not in thousands), compared to PLN 57.6 (not in thousands) in the corresponding period of 2009.

- TNK active pre-paid net customer base contracted by over 10,000 (not in thousands) during the three months ended September 30, 2010. As of September 30, 2010, TNK had over 268,000 active customers and a customer base of over 624,000 (not in thousands). As of September 30, 2010, TNK HD had over 10,000 active customers. The 'n' DTH platform including TNK and TNK HD, had reached a total active clients number of 1,017,000 (not in thousands) as of September 30, 2010, compared to 730,000 (not in thousands) as of September 30, 2009.

- Our revenue increased by 24.7% to PLN 533,768, from PLN 427,875 in the corresponding period of 2009.

- Our TV segment increased its revenue by PLN 40,894, or 14.9%, to PLN 314,704, from PLN 273,810 in the corresponding period of 2009.

- Our 'n' DTH platform increased its revenue by PLN 57,003, or 55,8%, to PLN 159,213, from PLN 102,210 in the corresponding period of 2009.

- Our Online segment increased its revenue by PLN 11,647, or 26.4%, to PLN 55,843, from PLN 44,196 in the corresponding period of 2009.

- Our operating profit increased to PLN 43,601, compared to a loss of PLN 3,667 in the corresponding period of 2009.

- Our EBITDA increased by 106.3% to PLN 100,757, from PLN 48,851 in the corresponding period of 2009. Our EBITDA margin was 18.9%, as compared to 11.4% in the corresponding period of 2009.

- EBITDA of 'n' platform amounted to PLN 7,230, arriving in positive territory for the second consecutive quarter.

- We recorded a profit for the period of PLN 61,031 compared to a profit for the period of PLN 49,852 in the corresponding period of 2009.

- Consequently, we recorded a profit attributable to the owners of TVN S.A., of PLN 61,020, compared to a profit attributable to the owners of TVN S.A. of PLN 58,238 in the corresponding period of 2009.

- Our Net debt to EBITDA ratio as of September 30, 2010 was 3.2. We held in total PLN 636,457 of cash at bank, cash in hand, bank deposits with maturity over three months and easily marketable available-for-sale financial assets as of September 30, 2010.

Nine Months Ended September 30, 2010

The principal events of the nine months ended September 30, 2010 were as follows:

- We estimate that the television advertising market in Poland in the nine months ended September 30, 2010 increased by 6.8% compared to the corresponding period of 2009.
- Our share in the net television advertising market, according to our estimates, increased to 34.2%, from 33.7% in the corresponding period of 2009.

- Our TVN 24 increased its audience share in all categories. All-day nationwide audience share increased to 3.6%, from 2.8%, all-day basic commercial target group audience share increased to 2.8%, from 2.0%, all-day key target group audience share increased to 6.4%, from 5.0%, *prime time* basic commercial target group audience share increased to 1.7%, from 1.3%, *prime time* key target group audience share increased to 4.8%, from 3.9%, *peak time* basic commercial target group audience share increased to 1.7%, from 1.3%, and *peak time* key target group audience share increased to 4.7%, from 3.8% in the corresponding period of 2009 according to AGB.

- Our Internet portal Onet.pl had 12.9 million real users and 2.7 billion page views in July 2010. Average monthly time spent on Onet.pl portal in July 2010 was 66.8 million hours, according to Megapanel PBI/Gemius.

- Our 'n' DTH platform increased its post-paid net subscriber number by almost 47,000 (not in thousands) during the nine months ended September 30, 2010. As of September 30, 2010, the 'n' DTH platform had almost 739,000 (not in thousands) active subscribers.

- TNK increased its active pre-paid net customer base net by over 6,000 (not in thousands) during the nine months ended September 30, 2010. As of September 30, 2010, TNK had over 268,000 active customers and a customer base of over 624,000 (not in thousands). As of September 30, 2010, TNK HD had over 10,000 active customers. The 'n' DTH platform including TNK and TNK HD, had reached a total active clients number of 1,017,000 (not in thousands) as of September 30, 2010, compared to 730,000 (not in thousands) as of September 30, 2009.

- Our revenue increased by 20.6% to PLN 1,740,360 from PLN 1,443,006 in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision, our revenue increased by 7.6% to PLN 1,326,942, from PLN 1,233,404.

- Our TV segment increased its revenue by PLN 61,075, or 5.8%, to PLN 1,106,970, from PLN 1,045,895 in the corresponding period of 2009.

- Our 'n' DTH platform increased its revenue by PLN 214,877, or 92.0%, to PLN 448,393, from PLN 233,516 in the corresponding period of 2009.

- Our Online segment increased its revenue by PLN 27,207, or 19.2%, to PLN 168,830, from PLN 141,623 in the corresponding period of 2009.

- Our operating profit decreased by 20.2% to PLN 246,809. Excluding the effects of consolidation of ITI Neovision, our operating profit increased by 8.7% to PLN 372,161 and our operating margin was 28.0%, compared to 27.8% in the corresponding period of 2009.

- Our EBITDA decreased by 3.5% to PLN 425,433, from PLN 440,807 in the corresponding period of 2009. Our EBITDA margin was 24.4%, as compared to 30.5% in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision, our EBITDA increased by 7.1% to PLN 443,493, from PLN 414,131, and our EBITDA margin was 33.4%, compared to 33.6% in the corresponding period of 2009.

- We recorded a profit for the period of PLN 30,060, compared to a profit for the period of PLN 141,279 in the corresponding period of 2009.

- Consequently, we recorded a profit attributable to the owners of TVN S.A., of PLN 26,953, compared to a profit attributable to the owners of TVN S.A. of PLN 178,160 in the corresponding period of 2009.

- Our Net debt to EBITDA ratio as of September 30, 2010 was 3.2. We held in total PLN 636,457 of cash at bank, cash in hand, bank deposits with maturity over three months and easily marketable available-for-sale financial assets as of September 30, 2010.

- On February 14, 2010 Onet.pl launched Onet VOD (video on demand service). The new service offers popular Polish and American series, TV shows and feature films, free first episodes of TVN's latest releases as well as music, free content for kids and other content. In September 2010 Onet VOD had 3.9 million unique users and 31.7 million page views, according to Gemius Traffick.

- On March 10, 2010 we completed the acquisition of the remaining 49% of the shares in Neovision Holding, which subsequently merged, on April 30, 2010, with DTH Poland Holding. As a result we are the sole shareholder, through DTH Poland Holding, of ITI Neovision and the sole creditor of the digital satellite pay television 'n' under shareholder loans.

- On March 10, 2010, in order to complete the acquisition of the remaining shares in Neovision Holding, we issued additional 10.75% Senior Notes with a total nominal value of EUR 148,000 and two Promissory Notes in the aggregate principal amount of EUR 40,000. On April 30, 2010, these Promissory Notes were exchanged for a like principal amount of 10.75% Senior Notes, following which the Promissory Notes were cancelled.

- On April 12, 2010, our supervisory board appointed John Driscoll as the TVN Group Chief Financial Officer and TVN S.A. management board member for three-year term to commence on May 14, 2010, after Rafał Wyszomierski notified the supervisory board of his decision not to stand for the next term of the office.

- On May 17, 2010, ITI Neovision launched TNK HD, a pre-paid digital television service in high definition.

Summary Historical Financial Data

The following table sets out our unaudited consolidated financial information for the three and nine months ended September 30, 2010 and 2009. You should read the information in conjunction with the interim condensed consolidated financial statements and Operating and Financial Review presented in this interim report.

For your convenience, Złoty amounts as of September 30, 2010 and December 31, 2009 have been converted into Euro at a rate of PLN 3.9870 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on September 30, 2010). Złoty amounts for the three months ended September 30, 2010 and 2009 have been converted into Euro at a rate of PLN 3.9996 per €1.00 (arithmetic average of the effective NBP exchange rates on July 31, 2010, August 31, 2010 and September 30, 2010). Złoty amounts for the nine months ended September 30, 2010 and 2009 have been converted into Euro at a rate of PLN 4.0027 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2010, February 28, 2010, March 31, 2010, April 30, 2010, May 31, 2010, June 30, 2010, July 31, 2010, August 31, 2010 and September 30, 2010). 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 September 30,				Nine months ended September 30,			
	2009 PLN	2009 €	2010 PLN	2010 €	2009 PLN	2009 €	2010 PLN	2010 €
Income Statement data								
Revenue	427,875	106,979	533,768	133,455	1,443,006	360,508	1,740,360	434,797
Operating (loss)/profit	(3,667)	(917)	43,601	10,901	309,319	77,278	246,809	61,661
Profit before income tax	48,536	12,135	75,337	18,836	176,578	44,115	77,902	19,462
Profit attributable to the owners of TVN S.A.								
Cash Flow Data								
Net cash generated by operating activities	13,716	3,429	45,579	11,396	222,609	55,615	324,063	80,961
Net cash (used in) / generated by investing activities	(94,934)	(23,736)	9,842	2,461	(108,283)	(27,052)	(165,360)	(41,312)
Net cash generated by/ (used in) financing activities	35,577	8,895	(9,991)	(2,498)	(213,491)	(53,337)	(229,582)	(57,357)
(Decrease)/ Increase in cash and cash equivalents	(45,641)	(11,411)	45,430	11,359	(99,165)	(24,775)	(70,879)	(17,708)
Weighted average number of ordinary shares in issue (not in thousands)	340,364,963	340,364,963	341,495,659	341,495,659	341,541,891	341,541,891	341,016,368	341,016,368
Weighted average number of potential ordinary shares in issue (not in thousands)	342,330,874	342,330,874	345,820,241	345,820,241	342,312,228	342,312,228	345,253,330	345,253,330
Earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.17	0.04	0.18	0.05	0.52	0.13	0.08	0.02
Diluted earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.17	0.04	0.18	0.05	0.52	0.13	0.08	0.02
Dividend paid or declared per share (not in thousands)	-	-	-	-	0.57	0.14	0.31	0.08
Other data								
EBITDA*	48,851	12,214	100,757	25,192	440,807	110,127	425,433	106,287
EBITDA margin	11.4%	11.4%	18.9%	18.9%	30,5%	30.5%	24.4%	24.4%
Operating margin	-	-	8.2%	8.2%	21.4%	21.4%	14.2%	14.2%

Balance Sheet data	**As at December 31, 2009 PLN**	**As at December 31, 2009 €**	**As at September 30, 2010 PLN**	**As at September 30, 2010 €**	**As at December 31, 2009 PLN**	**As at December 31, 2009 €**	**As at September 30, 2010 PLN**	**As at September 30, 2010 €**
Total assets	4,983,496	1,249,936	4,879,021	1,223,732	4,983,496	1,249,936	4,879,021	1,223,732
Current assets	1,262,767	316,721	1,357,523	340,487	1,262,767	316,721	1,357,523	340,487
Non-current liabilities	3,022,865	758,180	2,951,473	740,274	3,022,865	758,180	2,951,473	740,274
Current liabilities	675,477	169,420	710,086	178,100	675,477	169,420	710,086	178,100
Shareholders equity**	1,644,871	412,559	1,217,462	305,358	1,644,871	412,559	1,217,462	305,358
Share capital	68,088	17,078	68,364	17,147	68,088	17,078	68,364	17,147
Non-controlling interest	(359,717)	(90,222)	-	-	(359,717)	(90,222)	-	-

*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 results of associates. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversal on property, plant and equipment and intangible assets, included in the table below. 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.
** Shareholders equity attributable to the owners of TVN S.A.

The following table provides a reconciliation of our operating profit/ (loss) to EBITDA for the three months ended September 30, 2010 and 2009.

	Three months ended September 30, 2009	Three months ended September 30, 2010
EBITDA	48,851	100,757
Depreciation of property, plant and equipment	(41,066)	(47,860)
Amortization of intangible assets	(11,452)	(9,296)
Operating (loss)/ profit	**(3,667)**	**43,601**

The following table provides reconciliation of our operating profit to EBITDA for the nine months ended September 30, 2010 and 2009.

	Nine months ended September 30, 2009	Nine months ended September 30, 2010
EBITDA	440,807	425,433
Depreciation of property, plant and equipment	(103,787)	(141,426)
Amortization of intangible assets	(27,701)	(37,198)
Operating profit	**309,319**	**246,809**

Financial Reporting and Accounting

Commencing January 1, 2005, public companies in Poland are required to prepare consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). As of September 30, 2010, there were no differences between IFRS as adopted by the European Union and IFRS as promulgated by the International Accounting Standards Board as applied to the TVN Group's consolidated financial statements.

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

Our interests in TVN Finance, TVN Finance II, Grupa Onet, Grupa Onet Poland Holding BV, Dream Lab Onet.pl Sp. z o.o., SunWeb Sp. z o.o., Media Entertainment Ventures International Limited, NTL Radomsko, Tivien Sp. z o.o., El-Trade Sp. z o.o., Mango Media and Thema Film Sp. z o.o., and, since March 11, 2009, ITI Neovision, Cyfrowy Dom Sp. z o.o., Neovision UK Ltd. and DTH Poland Holding are fully consolidated in accordance with IFRS. Our interest in Polski Operator Telewizyjny Sp. z o.o. are consolidated based on the proportionate consolidation method. Our interest in MGM Channel Poland Ltd., Polskie Badania Internetu Sp. z o.o. and, for the period between January 1 and March 11, 2009, Neovision Holding were consolidated using the equity consolidation method.

Our fiscal year ends on December 31.

Revenue

Television broadcasting and production

This segment primarily derives revenue from commercial advertising. During the three and nine months ended September 30, 2010, we derived 42.0% and 48.0%, respectively, of our total revenue from commercial television advertising, compared to 46.3% and 53.7% in the corresponding periods of 2009.

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

	Three months ended September 30,			**Nine months ended September 30,**		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
Our Rate-card pricing	68%	53%	53%	79%	56%	57%
Our Cost per GRP pricing	32%	47%	47%	21%	44%	43%

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 nine months ended September 30, 2010, we tended to sell over 99.6% and 98.5%, respectively, of peak time advertising spots on our TVN channel and over 76.5% and 71.5%, 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.

Carriage fees from satellite and cable operators

We also generate revenue from the sale of licenses granting digital satellite platform and cable operators the right to distribute our channels' programming content to subscribers to their respective services. During the three and nine months ended September 30, 2010, 8.4% and 7.7%, respectively, of our total revenue came from such fees compared with 9.6% and 9.5%, respectively, in the corresponding periods of 2009. 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 the three and nine months ended September 30, 2010, we derived 8.7% and 8.1%, respectively, of our total revenue from online advertising, compared with 8.5% and 8.1%, respectively, in the corresponding periods of 2009.

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, video-on-demand 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 post-paid subscription fees and pre-paid recharges. During the three and nine months ended September 30, 2010, we derived 25.6% and 23.6%, respectively, of our total revenue from 'n' DTH platform subscription fees and recharges compared with 17.8% and 14.0%, respectively, in the corresponding periods of 2009.

Post-paid subscription fees and pre-paid recharges from subscribers and customers to digital satellite platform services

Revenue from subscription fees are monthly fees paid by subscribers 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 services with pre-paid recharge 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. Revenue from activation fees is recognized on a straight-line basis over the contract term. Occasionally the 'n' DTH platform runs promotions during which it offers to its subscribers reduced activation fee in order to increase penetration of its services.

Other business activity

Revenue in other business activity, not allocated into business segments, primarily includes the sale of goods/teleshopping which accounted for approximately 2.4% and 2.6%, respectively, of our revenue in the three and nine months ended September 30, 2010, compared with 3.3% and 2.7%, respectively, in the corresponding periods of 2009. 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. Other revenue also includes revenue from cinema distribution of films we produce.

Our expenses

The majority of our operating expenses, 45.7% and 46.4% in the three and nine months ended September 30, 2010 and 45.8% and 45.9%, respectively, in the corresponding periods of 2009, 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. These costs accounted for 25.0% and 26.2% of our operating expenses in the three and nine months ended September 30, 2010, compared with 26.5% and 30.8% in the corresponding periods of 2009. Amortization expense includes amortization of production costs for television programming specifically produced by or for us, either under licenses from third parties or under our own licenses and amortization of rights to television programming content produced by third parties and licensed to us. During the three and nine months ended September 30, 2010, we commissioned and produced locally through third parties 68.0% and 72.5%, respectively, of programming content on our TVN channel, compared with 75.6% and 76.2%, respectively, in the corresponding periods of 2009. During the three and nine months ended September 30,

2010, we acquired 32.0% and 27.5%, respectively, of our programming content from third parties, compared with 24.4% and 23.8% respectively, in the corresponding periods of 2009. Amortization is based on the estimated number of showings and the type of programming content.

Other costs

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

Online

Operating costs of our Online segment consist mainly of Internet content production and acquisition costs, lease of transmission network, staff expenses 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 of 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 19.1% and 18.9% of our operating expenses in the three and nine months ended September 30, 2010.

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 carriage 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 VoD 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. Sales commissions are expensed as incurred.

Other expenses

Other segment expenses include payments for decoding cards, payments for 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, rental of 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.

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 or negative rate in times of recession. We cannot predict the likelihood that these trends will continue. In particular, we cannot predict what effect the global economic crisis may have on the growth rate of the Polish economy or on us. Apart from seasonality as discussed below, since future levels of advertising spending are not predictable with any certainty more than one month in advance, we cannot predict with certainty our future levels of advertising sales. The Polish economy is expected to experience 3.0% GDP growth in 2010 according to a forecast by World Bank in "Global Economic Prospects, Summer 2010" report. We estimate that net television advertising expenditure in Poland will increase by low to medium single digit rate over the same period given the fact that TV viewing is a primary leisure activity in Poland and the fact that the prices of GRP for the major television channels grew so far in 2010.

Although the Polish advertising market is dominated by spending on television advertising, which accounts for about 53% of total advertising expenditure (according to Starlink, H1-2010), the fastest growing segment of the market has been online advertising which gained market share mainly 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 20.8% and 21.1%, respectively, of Poland's nationwide all-day audience in the three and nine months ended September 30, 2010, and our TVN channel achieved 22.3% and 23.6%, respectively, of our key target audience during *peak time* in the three and nine months ended September 30, 2010. 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 high definition ("HD"). Digital satellite television services are sold in co-operation with retail networks and tied agency networks, through call centres 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 behaviour 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 proportionally 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 appeal 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 as of September 30, 2010 of a euro and U.S. dollar appreciation of 5% against the Złoty, with all other variables held constant and without taking into account derivative financial instruments entered into for hedging purposes, is an additional PLN 89,491 loss.

In July 2010 the we entered into USD and EUR foreign exchange forwards in order to limit the impact of exchange rate movements on fees for broadcasting television channels and content. The hedging strategy based on USD foreign exchange forwards had in total a notional value of USD 7,000, maturity dates between August 18, 2010 and September 30, 2010 and PLN/USD foreign exchange forward rates between 3.06 and 3.07, the hedging strategy based on EUR foreign exchange forwards had in total a notional value of EUR 5,850, maturity dates between August 18, 2010 and September 30, 2010 and PLN/EUR foreign exchange forward rates between 4.01 and 4.03.

In September 2010 the we entered into USD foreign exchange forwards in order to limit the impact of exchange rate movements on fees for broadcasting television channels and content. The hedging strategy based on USD foreign exchange forwards has in total a notional value of USD 7,540, maturity dates between October 4, 2010 and December 31, 2010 and PLN/USD foreign exchange forward rate of 3.00.

In September 2010 the we also entered into USD foreign exchange forwards in order to limit the impact of exchange rate movements on programming rights payables. The hedging strategy based on USD foreign exchange forwards has in total a notional value of USD 23,900, maturity dates between October 22, 2010 and December 23, 2010 and PLN/USD foreign exchange forward rate of 3.00.

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 nine months ended September 30, 2010 are not fully comparable to the financial results for the corresponding period of 2009. ITI Neovision was consolidated in our results from March 11, 2009. 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 nine months ended September 30, 2010 are not fully comparable to the financial results for the corresponding period of 2009. Our results for the

three and nine months ended September 30, 2009 include financial results of Discovery Historia channel for the periods till 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. Following the closing of the transaction on March 10, 2010 contemplated by the share purchase agreement, we now directly hold 100% of the shares of DTH Poland Holding, formerly 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.

Financial Condition and Results of Operations

Financial Condition

Our property, plant and equipment decreased by PLN 48,872 or 6.1% to PLN 749,885 as of September 30, 2010, from PLN 798,757 as of December 31, 2009. The decrease is mainly due to depreciation charges being higher than gross value increases in the nine months ended September 30, 2010.

Our goodwill amounted to PLN 1,677,614 as of September 30, 2010, and the change compared to our goodwill as of December 31, 2009 was nil. Our brand decreased to PLN 781,216 as of September 30, 2010, from PLN 788,988 as of December 31, 2009. This decrease results from the amortization of the 'n' DTH platform brand.

Our other intangible assets increased by PLN 10,130, or 10.9%, to PLN 103,418 as of September 30, 2010, from PLN 93,288 as of December 31, 2009. The increase is mainly due to the recognition of software related to the implementation of the CRM system in ITI Neovision.

Our current and non-current programming rights inventory increased by PLN 30,077, or 7.7%, to PLN 419,688 as of September 30, 2010, from PLN 389,611 as of December 31, 2009. The increase is mainly due to an increase in our free to air television acquired programming rights inventory, following a new deal with Universal and further capitalizations of acquired programming related to our deal with Warner and Paramount.

Our non-current available-for-sale financial assets decreased by PLN 130,662 or 94.5% to PLN 7,588 as of September 30, 2010, from PLN 138,250, as of December 31, 2009. This decrease results from the sale of German government bonds of a nominal value of EUR 30,850.

Our current available for sale financial assets decreased by PLN 119,704 or 48.5% to PLN 127,147 as of September 30, 2010, from PLN 246,851 as of December 31, 2009. The balance as of September 30, 2010 and as of December 31, 2009 represented our investment in German government treasury bills. The decrease resulted partly from the sale of German government treasury bills with a nominal value of EUR 27,600. As of September 30, 2010 we held German government treasury bills of a total nominal value of EUR 31,900.

Our prepayments and other assets increased by PLN 34,297, or 42.3%, to PLN 115,356 as of September 30, 2010, from PLN 81,059 as of December 31, 2009. This increase results partially from the increase of inventory of Mango Media by PLN 9,730.

Our bank deposits with maturity over three month increased to PLN 196,141 as of September 30, 2010, compared to nil as of December 31, 2009. This primarily reflected investment of our additional liquidity raised through the issue of 10.75% Senior Notes previously invested in German government bonds and treasury bills, and comprised bank deposits denominated in EUR and PLN.

Our share capital increased by PLN 276, to PLN 68,364 as of September 30, 2010, from PLN 68,088 as of December 31, 2009. Our share premium increased by PLN 26,100, to PLN 633,154 as of September 30, 2010, from PLN 607,054 as of December 31, 2009. These increases result from shares issued under our stock option plan.

Our other reserves decreased by PLN 374,930, to a negative amount of PLN 433,456 as of September 30, 2010, from a negative amount of PLN 58,526 as of December 31, 2009. This decrease is primarily due to the completion of the acquisition of non-controlling interest in Neovision Holding in March 2010.

Non-controlling interest amounts to nil, compared to a negative amount of PLN 359,717 as of December 31, 2009. This increase follows the completion of the acquisition of the non-controlling interest in Neovision Holding.

Our 10.75% Senior Notes, excluding accrued interest, amounted to PLN 2,276,781 as of September 30, 2010, compared to PLN 1,589,292 as of December 31, 2009. The increase results mainly from issuing additional EUR 148,000 of 10.75% Senior Notes as a part of the transaction in which we acquired the non-controlling interest in our subsidiary, Neovision Holding from the ITI Media Group and EUR 40,000 issued as Promissory Notes at the transaction date and exchanged for a like principal amount of additional 10.75% Senior Notes on April 30, 2010.

Our loans from related parties decreased to nil as of September 30, 2010 from PLN 544,612 as of December 31, 2009. This decrease results from a transaction in which we purchased the non-controlling interest in our subsidiary, Neovision Holding. Following the transaction, these loans were derecognized from our balance sheet.

Contingent consideration amounted to nil as of September 30, 2010, compared to PLN 78,397 as of December 31, 2009. The contingent consideration was derecognized following the transaction under which we purchased non-controlling interest in Neovision Holding.

Our current trade payables decreased by PLN 44,915 to PLN 241,962 as of September 30, 2010, from PLN 286,877 as of December 31, 2009. The decrease results mainly from decrease of trade payables in digital satellite pay television segment partially compensated by a increase of current trade payables in TV segment .

Our accrued interest on borrowings increased by PLN 83,287 to PLN 105,297 as of September 30, 2010, from PLN 22,010 as of December 31, 2009. This increase results mainly from the fact that accrued interest on borrowings as of September 30, 2010 included accrued interest between May 15, 2010 and September 30, 2010 i.e. for four and a half months where as December 31, 2009 it included accrued interest for only a month and a half.

Our other liabilities and accruals decreased by PLN 1,211, or 0.3%, to PLN 352,372 as of September 30, 2010, from PLN 353,583 as of December 31, 2009. The decrease was mainly due to an decrease in VAT and other taxes payable and other accrued costs, and partly compensated by an increase of employee benefits.

Results of Operations

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

Revenue. Our revenue increased by PLN 105,893, or 24.7%, to PLN 533,768 in the three months ended September 30, 2010, from PLN 427,875 in the corresponding period of 2009. This increase resulted partly from an increase in subscription revenue of PLN 55,090, partly from an increase in advertising revenue of PLN 37,294 and partly from an increase in sponsoring of PLN 9,011.

Subscription revenue increased by PLN 55,090, or 39.2%, to PLN 195,449. The increase was mainly due to increase in number of subscribers and ARPU in our digital satellite pay television.

Our advertising revenue increased by PLN 37,294, or 16.0%, to PLN 269,829 during the three months ended September 30, 2010, from PLN 232,535 in the corresponding period of 2009. This increase results mainly from an increase in the advertising revenue coming from the TVN channel, but also from an increase from advertising revenue coming from Onet.pl and in our thematic channels, particularly from TVN 24.

Cost of revenue. Cost of revenue increased by PLN 44,292, or 13.7%, to PLN 367,390 in the three months ended September 30, 2010, from PLN 323,098 in the corresponding period of 2009.

This increase is mainly due to an increase in fees for broadcasting television channels and content by PLN 24,936.

As a percentage of revenue, our cost of revenue decreased in the three months ended September 30, 2010, to 68.8%, compared to 75.5% in the corresponding period of 2009.

Selling expenses. Our selling expenses increased by PLN 10,813, or 15,7%, to PLN 79,554 for the three months ended September 30, 2010, from PLN 68,741 in the corresponding period of 2009. This increase results from higher staff expense, which increased by PLN 4,786 or 26.2%, to PLN 23,006, and higher other selling expenses, which increased by PLN 3,007, or 28,8%, to PLN 13,466.

As a percentage of revenue, our selling expenses decreased to 14.9% in the three months ended September 30, 2010, from 16.1% in the corresponding period of 2009.

General and administration expenses. Our general and administration expenses increased by PLN 1,675, or 4.1%, to PLN 42,237 for the three months ended September 30, 2010, compared with PLN 40,562 in the corresponding period of 2009.

As a percentage of revenue, our general and administration expenses decreased to 7.9% in the three months ended September 30, 2010, from 9.5% in the corresponding period of 2009.

Operating profit. Operating profit increased by PLN 47,268 to PLN 43,601 in the three months ended September 30, 2010, from an operating loss PLN 3,667 in the corresponding period of 2009. The increase is primarily due to the higher revenue, partly offset by higher cost of revenue and selling expenses.

Our operating margin in the three months ended September 30, 2010 was 8.2%, whereas in the corresponding period of 2009 we had operating loss.

Investment income, net. We recorded investment income, net of PLN 14,556 for the three months ended September 30, 2010, compared to investment income, net of PLN 9,580 in the corresponding period of 2009.

The increase was partly due to higher interest income by PLN 3,992 and partly due to fair value losses on foreign exchange options of PLN 5,025 we recognized in 2009. These increases we partly offset by foreign exchange gains lower by PLN 4,344 than in the corresponding period of 2009.

Finance income, net. We recorded finance income, net of PLN 17,093 for the three months ended September 30, 2010, compared to finance income, net of PLN 42,495 in the corresponding period of 2009.

Our interest expense increased by PLN 24,965 to PLN 74,266 in the three months ended September 30, 2010, from PLN 49,301 in the corresponding period of 2009. This increase was primarily due to interest expense of PLN 65,696 on our 10.75% Senior Notes as compared with interest expense of PLN 24,190 on our 9.5% Senior Notes in the corresponding period.

Share of profit/loss of an associate. Our share of profits of associates amounted to PLN 87 in the three months ended September 30, 2010, compared with a share of profit of associates of PLN 128 in the corresponding period of 2009.

Profit before income tax. Our profit before income tax was PLN 75,337 for the three months ended September 30, 2010, compared to a profit before income tax of PLN 48,536, in the corresponding period of 2009. This increase was primarily due our operating profit increase.

Income tax charge. For the three months ended September 30, 2010, we recorded a total income tax charge of PLN 14,306, compared to an income tax credit of PLN 1,316 in the corresponding period of 2009. The increase was primarily due to lower impact of tax deduction claimed and deferred in relation to operations in special economic zone.

Profit for the period. Our profit for the period amounted to PLN 61,031 in the three months ended September 30, 2010, compared to a profit of PLN 49,852 in the corresponding period of 2009. The increase was primarily due to an increase of our profit before income tax.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 61,020 for the three months ended September 30, 2010, compared to a profit of PLN 58,238 in the corresponding period of 2009.

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 September 30, 2010 and 2009:

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items**		Total	
	Three months ended September 30, 2010	**Three months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**
Revenue from external customers	305,606	266,356	158,594	101,021	49,362	41,665	20,206	18,833	-	-	533,768	427,875
Inter-segment revenue	9,098	7,454	619	1,189	6,481	2,531	9,931	6,632	(26,129)	(17,806)	-	-
Total revenue	**314,704**	**273,810**	**159,213**	**102,210**	**55,843**	**44,196**	**30,137**	**25,465**	**(26,129)**	**(17,806)**	**533,768**	**427,875**
Segment result	78,059	62,809	(26,842)	(61,829)	6,118	779	3,473	3,152	(17,207)	(8,578)	43,601	(3,667)
Segment result excluding stock option plan expense	78,059	65,065	(26,842)	(61,829)	6,118	812	3,473	3,347	(17,207)	(6,238)	43,601	1,157
EBITDA*	**92,632**	**78,602**	**7,230**	**(34,325)**	**13,627**	**8,637**	**4,476**	**4,515**	**(17,207)**	**(8,578)**	**100,758**	**48,851**
EBITDA* excluding stock option plan expense	92,632	80,858	7,230	(34,325)	13,627	8,670	4,476	4,710	(17,207)	(6,238)	100,758	53,675
EBITDA* margin	**29.4%**	**28.7%**	**4.5%**	**-**	**24.4%**	**19.5%**	**14.9%**	**17.7%**	**-**	**-**	**18.9%**	**11.4%**
EBITDA* margin excluding stock option plan expense	29.4%	29.5%	4.5%	-	24.4%	19.6%	14.9%	18.5%	-	-	18.9%	12.5%

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

**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,.

The following table provides reconciliation of each segment result to EBITDA for the three months ended September 30, 2010 and 2009.

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items		Total	
	Three months ended September 30, 2010	**Three months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**
Segment result	78,059	62,809	(26,842)	(61,829)	6,118	779	3,473	3,152	(17,207)	(8,578)	43,601	(3,667)
Depreciation, amortization and impairment charges	14,573	15,793	34,072	27,504	7,509	7,858	1,003	1,363	-	-	57,157	52,518
EBITDA	**92,632**	**78,602**	**7,230**	**(34,325)**	**13,627**	**8,637**	**4,476**	**4,515**	**(17,207)**	**(8,578)**	**100,758**	**48,851**
Stock option plan expense	-	2,256	-	-	-	32	-	195	-	2,340	-	4,824
EBITDA excluding stock option plan	92,632	80,858	7,230	(34,325)	13,627	8,670	4,476	4,710	(17,207)	(6,238)	100,758	53,675

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 September 30, 2010 and 2009:

	Three months ended September 30,							
	2010				2009			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
TVN channel	216,595	62,583	28.9%	28.9%	192,253	52,324	27.2%	29.1%
TVN 24 channel	52,261	25,120	48.1%	48.1%	41,054	18,932	46.1%	48.0%
Other television channels	45,847	4,928	10.8%	10.8%	40,287	6,311	15.7%	16.1%
Total	**314,703**	**92,631**	**29.4%**	**29.4%**	**273,594**	**77,567**	**28.4%**	**29.9%**
Consolidation adjustment (intra segment)	1	1	-	-	216	1,035	-	-
Total segment	**314,704**	**92,632**	**29.4%**	**29.4%**	**273,810**	**78,602**	**28.7%**	**29.5%**

Television broadcasting and production revenue in the three months ended September 30, 2010, increased by 14.9%, to PLN 314,704, compared to PLN 273,810 in the corresponding period of 2009.

Our TVN channel revenue increased by PLN 24,342, or 12.7%, in the three months ended September 30, 2010. This increased was primarily due to a increase of PLN 13,885, or 8.4% in the advertising revenue of our TVN channel.

TVN 24 increased its revenue by PLN 11,207, or 27.3%, mainly due to an increase in advertising revenue.

Our other channels' revenue increased by PLN 5,560, or 13.8%, in the three months ended September 30, 2010, mainly due to an increase in advertising revenue.

Our TVN channel's EBITDA increased by PLN 10,259, or 19.6%, to PLN 62,583 in the three months ended September 30, 2010, from PLN 52,324 in the corresponding period of 2009. TVN channel's EBITDA margin increased to 28.9% from 27.2% in the corresponding period of 2009. The increase in our TVN channel's EBITDA was mostly due to higher advertising revenue. Our TVN 24 channel's EBITDA increased by PLN 6,188, or 32.7% to PLN 25,120 in the three months ended September 30, 2010 from PLN 18,932 in the corresponding period of 2009, and its EBITDA margin was 48.1%.

EBITDA for our other channels decreased by PLN 1,383, or 21,9%. The decrease is mainly due to a decrease in EBITDA of TVN7.

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the three months ended September 30, 2010 and 2009.

	Three months ended September 30,					
	2010			2009		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
'n' post paid subscribers*	147,109	5,597	3.8%	98,080	(33,667)	-
'n' pre-paid subscribers (Telewizja na kartę)	12,104	1,633	13.5%	4,130	(658)	-
Total segment	**159,213**	**7,230**	**4.5%**	**102,210**	**(34,325)**	**-**

* Includes revenue from other services

'n' DTH platform revenue increased by PLN 57,003 or 55.8%, to PLN 159,213 in the three months ended September 30, from PLB 102,210 in corresponding period of 2009. This increase is manly due to an increase in subscription fee revenue, which increased by PLN 60,463, or 79.4%, to PLN 136,606 in the three months ended September 30, 2010, partly offset by decrease of other revenue by PLN 3,460, or 13.3%, to PLN 22,607 in the three months ended September 30, 2010, from PLN 26,067 in the corresponding period of 2009.

This increase is primarily due to a higher average number of subscribers. The 'n' DTH platform's subscribers increased net by 176,045 (not in thousands) to an average of 734,878 (not in thousands) in the three month period ended September 30, 2010, from an average of 558,833 subscribers in the corresponding period in 2009. The 'n' DTH platform recorded average ARPU of PLN 60.3 (not in thousands) in the three months ended September 30, 2010, compared to the ARPU of PLN 57.6 in the corresponding period of 2009 (not in thousands). The 'n' DTH platform recorded 35,493 (not in thousand) post paid subscriber gross additions during the three months ended September 30, 2010, compared to 53,496 (not in thousands) during the three months ended September 30, 2009.

TNK recorded an increase in revenue of PLN 7,974, to PLN 12,104 in the three months ended September 30, 2010. TNK active customer base contracted by net over 10,000 (not in thousands) during the three months ended September 30, 2010. As of September 30, 2010, TNK had over 268,000 active customers and a customer base of over 624,000 (not in thousands). As of September 30, 2010, TNK HD had over 10,000 active customers. In the three months ended September 30, 2010, TNK recorded average ARPU of PLN 12.1 (not in thousands).

The 'n' DTH platform recorded a profit at the EBITDA level of PLN 7,230 in the three months ended September 30, 2010, compared to a loss at EBITDA level of PLN 34,325 in the corresponding period of 2009. The increase in EBITDA results primarily from higher revenue.

Online

The table below sets forth the summarized financial results for our Online segment for the three months ended September 30, 2010 and 2009:

	Three months ended September 30,							
	2010				2009			
	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan Expense
Onet.pl	47,961	16,018	33.4%	35.5%	40,225	8,568	21.3%	22.2%
Other	7,855	(2,416)	-	-	6,054	890	14.7%	14.2%
Total	**55,816**	**13,602**	**24.4%**	**25.1%**	**46,279**	**9,458**	**20.4%**	**22.9%**
Consolidation adjustment (intra segment)	27	25	-	-	(2,083)	(821)	-	-
Total segment	**55,843**	**13,627**	**24.4%**	**25.1%**	**44,196**	**8,637**	**19.5%**	**22.1%**

Online revenue increased by PLN 11,647, or 26.4%, to PLN 55,843 in the three months ended September 30, 2010, from PLN 44,196 in the corresponding period of 2009. Onet.pl revenue increased by PLN 7,736, or 19.2%, to PLN 47,961 in the three months ended September 30, 2010, from PLN 40,225 in the corresponding period of 2009. The increase is mostly due to an increase in advertising revenue. Revenue of our Internet vortals, presented in the table above as 'Other', increased by PLN 1,801, or 29.7%, to PLN 7,855 in the three months ended September 30, 2010, from PLN 6,054 in the corresponding period of 2009, mainly due to increase in marketing services revenue in Zumi.pl.

Segment EBITDA increased by PLN 4,990, to PLN 13,627 in the three months ended September 30, 2010. EBITDA margin increased to 24.4%, from 19.5% in the corresponding period of 2009. Onet.pl EBITDA increased by PLN 7,450 or 87.0%. The increase resulted mainly from higher revenue. EBITDA of our Internet vortals presented in the table above as 'Other' decreased by PLN 3,306 to a negative amount of PLN 2,416 in the three months ended September 30, 2010. This resulted primarily from initial costs of the start-up Onet VOD service.

All Other

The table below sets forth the summarized financial results of our "All Other" segment for the three months ended September 30, 2010 and 2009. 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 September 30,							
	2010				2009			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
Mango Media	15,494	(534)	-	-	16,311	2,225	13.6%	13.6%
Other	15,068	5,010	33.2%	33.3%	9,632	2,530	26.3%	25.8%
Total	**30,562**	**4,476**	**14.6%**	**14.7%**	**25,943**	**4,755**	**18.3%**	**18.2%**
Consolidation adjustment (intra segment)	(425)	-	-	-	(478)	(240)	-	-
Total segment	**30,137**	**4,476**	**14.9%**	**14.9%**	**25,465**	**4,515**	**17.7%**	**18.5%**

"All other" revenue increased by PLN 4,672, or 18.3%, to PLN 30,137 in the three months ended September 30, 2010, from PLN 25,465 in the corresponding period of 2009. Mango Media revenue decreased by PLN 817, or 5.0%, to PLN 15,494. Business units classified as "Other" increased revenue by PLN 5,436, or 56.4%.

Segment EBITDA decreased by PLN 39, to PLN 4,476 in the three months ended September 30, 2010. The EBITDA margin for three months ended September 30, 2010, decreased to 14.9% from 17.7% in the corresponding period of 2009. Mango Media EBITDA decreased by PLN 2,759, to a loss at EBITDA level of PLN 534. EBITDA for business units classified as "Other" increased by PLN 2,480.

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 negative impact on our EBITDA of PLN 17,207 in the three months ended September 30, 2010, compared to a negative impact of PLN 8,578 in the corresponding period of 2009.

Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009

Revenue. Our revenue increased by PLN 297,354, or 20.6%, to PLN 1,740,360 in the nine months ended September 30, 2010, from PLN 1,443,006 in the corresponding period of 2009. This increase resulted partly from an increase in subscription revenue of PLN 200,962 and partly from an increase in advertising revenue of PLN 85,193. Excluding the effects of consolidation of ITI Neovision, our revenue increased by PLN 93,538, or 7.6%, to PLN 1,326,942.

Our advertising revenue increased by PLN 85,193, or 9,6%, to PLN 969,172 during the nine months ended September 30, 2010, from PLN 883,979 in the corresponding period of 2009. This increase results mainly from an increase in the advertising revenue coming from the TVN channel, but also from increase in advertising revenue coming from Onet.pl and from our thematic channels, particularly from TVN 24.

Cost of revenue. Cost of revenue increased by PLN 193,193, or 20.8%, to PLN 1,122,653 in the nine months ended September 30, 2010, from PLN 929,460 in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision, our cost of revenue increased by PLN 36,660, or 5.4%, to PLN 710,064 in the nine months ended September 30, 2010, from PLN 673,404 in the corresponding period of 2009.

The increase of our cost of revenue excluding the effects of consolidation of ITI Neovision is mainly due to an increase in cost of goods and services sold by PLN 13,508, mainly due to an increase in costs of goods sold by Mango Media, and to an increase in amortization of acquired programming rights by PLN 8,382, mainly due to higher cost per episode of externally purchased programming aired on our main TVN free to air channel. In 2010 we aired less first runs of locally produced drama series than in 2009. In our spring schedule, we also replaced our Saturday's quiz show "Who Wants to be a millionaire" with quick repeats of locally produced programs.

As a percentage of revenue, our cost of revenue increased in the nine months ended September 30, 2010, to 64.5%, compared to 64.4% in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision, our cost of revenue as a percentage of revenue decreased in the nine months ended September 30, 2010 to 53.5%, compared to 54.6% in the corresponding period of 2009.

Selling expenses. Our selling expenses increased by PLN 57,508, or 32.8%, to PLN 232,574 for the nine months ended September 30, 2010, from PLN 175,066 in the corresponding period of 2009. This increase results mainly from increase of staff expenses. Excluding the effects of consolidation of ITI Neovision, our selling expenses increased by PLN 16,250, or 14.5% to PLN 128,175.

As a percentage of revenue, our selling expenses increased to 13.4% in the nine months ended September 30, 2010, from 12.1% in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision, our selling expenses as a percentage of revenue increased to 9.7% in the nine months ended September 30, 2010, compared to 9.1% in the corresponding period of 2009.

General and administration expenses. Our general and administration expenses increased by PLN 3,123, or 2.3%, to PLN 139,062 for the nine months ended September 30, 2010, compared with PLN 135,939 in the corresponding period of 2009. In the nine months ended September 30, 2009 our general and administration expenses included direct costs relating to the acquisition of ITI Neovision of PLN 16,608. Excluding the effects of consolidation of ITI Neovision, our general and administration expenses increased by PLN 15,196, or 14.8%, to PLN 117,830 in the nine months ended September 30, 2010.

As a percentage of revenue, our general and administration expenses decreased to 8.0% in the nine months ended September 30, 2010, from 9.4% in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision, our general and administration expenses increased to 8.9% of revenue, from 8.3% in the corresponding period of 2009.

Gain on step acquisition. In the nine months ended September 30, 2009, we recorded PLN 110,690 of gain on step acquisition. Gain on step acquisition resulted from measuring at fair value our 25% equity investment in ITI Neovision that we held before taking control over that company. This gain was further remeasured in December 2009 as a result of the finalisation of purchase price allocation process and was a non-recurring event.

Operating profit. Operating profit decreased by PLN 62,510, or 20.2% to PLN 246,809 in the nine months ended September 30, 2010, from PLN 309,319 in the corresponding period of 2009. Decrease of operating profit results mainly from the non-recurring gain on step acquisition recognised in the nine months ended September 30, 2009. Excluding the effect of consolidation of ITI Neovision our operating profit in the nine months ended September 30, 2010, was PLN 372,161 compared with PLN 342,452 in the corresponding period of 2009.

Our operating margin in the nine months ended September 30, 2010 was 14.2%, whereas in the corresponding period of 2009 it amounted to 21.4%. Excluding the effect of consolidation of ITI Neovision our operating margin was 28.0%, compared with 27.8% in the corresponding period of 2009.

Investment expense, net. We recorded investment expense, net of PLN 11,496 for the nine months ended September 30, 2010, compared to investment income, net of PLN 39,948 in the corresponding period of 2009.

The decrease was mainly due to foreign exchange losses, net, of PLN 19,167 compared with foreign exchange gains, net of PLN 48,382 in the corresponding period of 2009.

Finance expense, net. We recorded finance expense, net of PLN 157,693 for the nine months ended September 30, 2010, compared to finance expense, net of PLN 133,599 in the corresponding period of 2009.

Our foreign exchange gains, net amounted to PLN 72,143 compared with PLN 50,958 in corresponding period of prior year.

Our interest expense increased by PLN 70,663 to PLN 220,615 in the nine months ended September 30, 2010, from PLN 149,952 in the corresponding period of 2009. This increase was primarily due to interest expense of PLN 178,084 on our 10.75% Senior Notes as compared with interest expense of PLN 76,285 on our 9.5% Senior Notes in the corresponding period of 2009.

In 2009, we also recognized PLN 25,107 of fair value losses on foreign exchange option collars we used to hedge our PLN/EUR exchange rate exposure.

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 profit/loss of an associate. Our share of profits of associates amounted to PLN 282 in the nine months ended September 30, 2010, compared with a share of losses of associates of PLN 39,090 in the corresponding period of 2009. In the nine months ended September 30, 2009, the share of loss of an associate represented primarily our share of the loss of ITI Neovision, whereas in the corresponding period of 2010, we recognized only a share of the profits of other associates, and the net results of ITI Neovision were fully consolidated.

Profit before income tax. Our profit before income tax was PLN 77,902 for the nine months ended September 30, 2010, compared to a profit before income tax of PLN 176,578 in the corresponding period of 2009. This decrease was primarily due to lower operating profit and higher interest expense, net partially compensated by positive impact of share of profit/loss of associate as compared to the corresponding period

Income tax charge. For the nine months ended September 30, 2010, we recorded a total income tax charge of PLN 47,842, compared to an income tax charge of PLN 35,299 in the corresponding period of 2009. The increase was primarily due to increase of losses carried forward on which deferred tax asset was not recognized and lower amounts of tax deductions claimed and deferred in relation to operations in special economic zone in the nine months ended September 30, 2010.

Profit for the period. Our profit for the period amounted to PLN 30,060 in the nine months ended September 30, 2010, compared to a profit of PLN 141,279 in the corresponding period of 2009. The decrease was primarily due to lower profit before income tax and higher income tax charge.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 26,953 for the nine months ended September 30, 2010, compared to a profit of PLN 178,160 in the corresponding period of 2009.

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 nine months ended September 30, 2010 and 2009:

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items**		Total	
	Nine months ended September 30, 2010	**Nine months ended September 30, 2009**	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009*** **	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**
Revenue from external customers	1,079,574	1,014,891	446,427	231,918	152,288	130,384	62,071	55,942	-	-	1,740,360	1,433,135
Inter-segment revenue	27,396	31,004	1,966	1,598	16,542	11,239	30,143	25,165	(76,047)	(59,135)	-	9,871
Total revenue	**1,106,970**	**1,045,895**	**448,393**	**233,516**	**168,830**	**141,623**	**92,214**	**81,107**	**(76,047)**	**(59,135)**	**1,740,360**	**1,443,006**
Segment result	390,249	356,614	(124,450)	(126,936)	23,050	6,905	4,209	9,009	(46,249)	63,727	246,809	309,319
Segment result excluding stock option plan expense	390,249	367,757	(124,450)	(126,936)	23,050	8,441	4,209	9,491	(46,249)	67,486	246,809	326,239
EBITDA*	**433,770**	**404,441**	**(17,151)**	**(67,127)**	**47,660**	**27,339**	**7,403**	**12,427**	**(46,249)**	**63,727**	**425,433**	**440,807**
EBITDA* excluding stock option plan expense	433,770	415,584	(17,151)	(67,127)	47,660	28,875	7,403	12,909	(46,249)	67,486	425,433	457,727
EBITDA* margin	**39.2%**	**38.7%**	**-**	**-**	**28.2%**	**19.3%**	**8.0%**	**15.3%**	**-**	**-**	**24.4%**	**30.5%**
EBITDA* margin excluding stock option plan expense	39.2%	39.7%	-	-	28.2%	20.4%	8.0%	15.9%	-	-	24.4%	31.7%

* 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 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.

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

*** Since March 11, 2009.

The following table provides reconciliation of each segment result to EBITDA for the nine months ended September 30, 2010 and 2009.

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items		Total	
	Nine months ended September 30, 2010	**Nine months ended September 30, 2009**	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**
Segment result	390,249	356,614	(124,450)	(126,936)	23,050	6,905	4,209	9,009	(46,249)	63,727	246,809	309,319
Depreciation, amortization and impairment charges	43,521	47,827	107,299	59,809	24,610	20,434	3,194	3,418	-	-	178,624	131,488
EBITDA	**433,770**	**404,441**	**(17,151)**	**(67,127)**	**47,660**	**27,339**	**7,403**	**12,427**	**(46,249)**	**63,727**	**425,433**	**440,807**
Stock option plan expense	-	11,143	-	-	-	1,536	-	482	-	3,759	-	16,920
EBITDA excluding stock option plan	433,770	415,584	(17,151)	(67,127)	47,660	28,875	7,403	12,909	(46,249)	67,486	425,433	457,727

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the nine months ended September 30, 2010 and 2009:

	Nine months ended September 30,							
	2010				2009			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
TVN channel	797,910	327,058	41.0%	41.0%	757,621	297,792	39.3%	41.0%
TVN 24 channel	161,111	78,041	48.4%	48.4%	141,632	72,687	51.3%	52.8%
Other television channels	147,948	28,671	19.4%	19.4%	146,427	35,383	24.2%	24.6%
Total	**1,106,969**	**433,770**	**39.2%**	**39.2%**	**1,045,680**	**405,862**	**38.8%**	**40.2%**
Consolidation adjustment (intra segment)	1	-	-	-	215	(1,421)	-	-
Total segment	**1,106,970**	**433,770**	**39.2%**	**39.2%**	**1,045,895**	**404,441**	**38.7%**	**39.7%**

Television broadcasting and production revenue in the nine months ended September 30, 2010, increased by PLN 61,075, or 5.8%, to PLN 1,106,970, compared to PLN 1,045,895 in the corresponding period of 2009.

Our TVN channel revenue increased by PLN 40,289, or 5.3%, in the nine months ended September 30, 2010. This increase was primarily due to a increase of PLN 36,609, or 5.6% in the advertising revenue of our TVN channel.

TVN 24 increased its revenue by PLN 19,479, or 13.8%, mainly due to an increase in advertising revenue.

Our other channels' revenue decreased by PLN 1,521, or 1.0%, in the nine months ended September 30, 2010, mainly due to a decrease in carriage fees driven by impact of PLN depreciation versus EUR.

Our TVN channel's EBITDA increased by PLN 29,266, or 9.8%, to PLN 327,058 in the nine months ended September 30, 2010, from PLN 297,792 in the corresponding period of 2009. TVN channel's EBITDA margin increased to 41.0% from 39.3% in the corresponding period of 2009. The increase in our TVN channel's EBITDA was mostly due to higher advertising revenue. Our TVN 24 channel's EBITDA increased by PLN 5,354, or 7.4% to PLN 78,041 in the nine months ended September 30, 2010 from PLN 72,687 in the corresponding period of 2009, and its EBITDA margin was 48.4%.

EBITDA for our other channels decreased by PLN 6,712, or 19.0%.

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the nine months ended September 30, 2010 and 2009.

	Nine months ended September 30,					
	2010			2009		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
'n' post paid subscribers*	415,296	(17,599)	-	300,594	(86,679)	-
'n' pre-paid subscribers (Telewizja na kartę)	33,097	448	1.4%	15,556	(3,908)	-
Total segment	**448,393**	**(17,151)**	**-**	**316,150**	**(90,587)**	**-**

* Includes revenue from other services

The table below sets forth reconciliation of segment result to EBITDA for our digital satellite pay television segment for the nine months ended September 30, 2010 and 2009.

	Nine months ended September 30,	
	2010	2009
Segment result	(124,450)	(156,222)
Depreciation, amortization and impairment charges	107,299	65,635
EBITDA	(17,151)	(90,587)

'n' DTH platform revenue increased by PLN 132,243 or 41.8%, to PLN 448,393 in the nine months ended September 30, 2010 from PLN 316,150 in the corresponding period of 2009. This increase resulted mainly from an increase in subscription fee revenue, which increased by PLN 126,124, or 41.6%, to PLN 429,539, in the nine months ended September 30, 2010, from PLN 303,415 in the corresponding period of 2009.

This increase is primarily due to a higher average number of subscribers. The 'n' DTH platform's subscribers increased net by 181,231 (not in thousands) to an average of 728,163 (not in thousands) in the nine month period ended September 30, 2010, from an average of 546,932 subscribers in the corresponding period in 2009. The 'n' DTH platform's recorded average ARPU of PLN 58.7 (not in thousands) in the nine months ended September 30, 2010, compared to the ARPU of PLN 58.5 in the corresponding period of 2009 (not in thousands). The 'n' DTH platform recorded 165,284 (not in thousand) post paid subscriber gross additions during the nine months ended September 30, 2010, compared to 162,486 (not in thousands) during the nine months ended September 30, 2009.

TNK recorded an increase in revenue of PLN 17,541, to PLN 33,097 in the nine months ended September 30, 2010. TNK increased its customer base net by over 6,000 (not in thousands) during the nine months ended September 30, 2010. As of September 30, 2010, TNK had over 268,000 active customers and a customer base of over 624,000 (not in thousands). As of September 30, 2010, TNK HD had over 10,000 active customers. In the nine months ended September 30, 2010, TNK recorded average ARPU of PLN 10.8 (not in thousands).

The ‘n’ DTH platform recorded a loss at the EBITDA level of PLN 17,151 in the nine months ended September 30, 2010, compared to a loss at the EBITDA level of PLN 90,587 in the corresponding period of 2009. The increase in EBITDA results primarily from higher revenue.

Online

The table below sets forth the summarized financial results for our Online segment for the nine months ended September 30, 2010 and 2009:

	Nine months ended September 30,							
	2010				2009			
	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense
Onet.pl	145,755	54,216	37.2%	41.3%	125,329	28,000	22.3%	29.1%
Other	23,497	(6,763)	-	-	19,572	197	1.0%	-
Total	**169,252**	**47,453**	**28.0%**	**30.7%**	**144,901**	**28,197**	**19.5%**	**25.7%**
Consolidation adjustment (intra segment)	(422)	207	-	-	(3,278)	(858)	-	-
Total segment	**168,830**	**47,660**	**28.2%**	**30.9%**	**141,623**	**27,339**	**19.3%**	**25.7%**

Online revenue increased by PLN 27,207, or 19.2%, to PLN 168,830 in the nine months ended September 30, 2010, from PLN 141,623 in the corresponding period of 2009. Onet.pl revenue increased by PLN 20,426, or 16.3%, to PLN 145,755 in the nine months ended September 30, 2010, from PLN 125,329 in the corresponding period of 2009 due to an increase in advertising revenue by PLN 21,508. Revenue of our Internet vortals, presented in the table above as ‘Other’, increased by PLN 3,925, or 20.1%, to PLN 23,497 in the nine months ended September 30, 2010, from PLN 19,572 in the corresponding period of 2009, mainly due to increase in marketing services revenue in Zumi.pl.

Segment EBITDA increased by PLN 20,321, to PLN 47,660 in the nine months ended September 30, 2010. EBITDA margin increased to 28.2%, from 19.3% in the corresponding period of 2009. Onet.pl EBITDA increased by PLN 26,216 or 93.6%. The increase resulted mainly from higher revenue. EBITDA of our Internet vortals presented in the table above as ‘Other’ decreased by PLN 6,960 to a negative amount of PLN 6,763 in the nine months ended September 30, 2010. This resulted primarily from initial costs of the start-up Onet VOD service.

All Other

The table below sets forth the summarized financial results of our "All Other" segment for the nine months ended September 30, 2010 and 2009. The segment comprises teleshopping, cinema movies distribution as well as content sales and technical services offered primarily to business entities within TVN Group.

	Nine months ended September 30,							
	2010				2009			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
Mango Media	52,244	(3,828)	-	-	45,177	3,938	8.7%	8.7%
Other	41,238	11,230	27.2%	27.2%	36,928	8,729	23.6%	24.3%
Total	**93,482**	**7,402**	**7.9%**	**7.9%**	**82,105**	**12,667**	**15.4%**	**15.7%**
Consolidation adjustment (intra segment)	(1,268)	1	-	-	(998)	(240)	-	-
Total segment	**92,214**	**7,403**	**8.0%**	**8.0%**	**81,107**	**12,427**	**15.3%**	**15.9%**

"All other" revenue increased by PLN 11,107, or 13.7%, to PLN 92,214 in the nine months ended September 30, 2010, from PLN 81,107 in the corresponding period of 2009. Mango Media revenue increased by PLN 7,067, or 15.6%, to PLN 52,244, primarily due to an increase in average revenue per item sold. Business units classified as "Other" increased revenue by PLN 4,310, or 11.7%.

Segment EBITDA decreased by PLN 5,024, to PLN 7,403 in the nine months ended September 30, 2010. The EBITDA margin for nine months ended September 30, 2010, decreased to 8.0% from 15.3% in the corresponding period of 2009. Mango Media EBITDA decreased by PLN 7,766, to a loss at EBITDA level of PLN 3,828. EBITDA for business units classified as "Other" increased by PLN 2,501.

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 negative impact on our EBITDA of PLN 46,249 in the nine months ended September 30, 2010, compared to a positive impact of PLN 63,727 in the corresponding period of 2009. This positive impact in 2009 resulted mainly from the recognition of PLN 110,690 of a gain on step acquisition.

Liquidity and Capital Resources

Historical Overview

The table below summarizes our consolidated cash flow for the nine months ended September 30, 2010 and 2009.

	Nine months ended September 30,		
	2009	2010	2010
	PLN	PLN	Euro [1]
Cash generated from operations.....	315,501	370,561	92,578
Net cash generated by operating activities.....	222,609	324,063	80,961
Net cash used in investing activities.....	(108,283)	(165,360)	(41,312)
Net cash used in financing activities……..	(213,491)	(229,582)	(57,357)
Decrease in cash and cash equivalents…….	(99,165)	(70,879)	(17,708)

(1) For the convenience of the reader, we have converted Złoty amounts for the nine months ended September 30, 2010 into Euro at the rate of PLN 4.0027 per €1.00 (arithmetic average of the effective National Bank of Poland, or "NBP", exchange rates on subsequently January 31, 2010, February 28, 2010, March 31, 2010, April 30, 2010, May 31, 2010, June 30, 2010, July 31, 2010, August 31, 2010 and September 30, 2010). You should not view such translations as a representation that such Złoty amounts actually represent such Euro amounts, or could be or could have been converted into Euro at the rates indicated or at any other rate.

Cash Generated from Operations

Cash generated from operations increased by PLN 55,060 to PLN 370,561 in the nine months ended September 30, 2010, from PLN 315,501 in the corresponding period of 2009. The increased is mostly due to higher by PLN 95,316 EBITDA excluding gain on step acquisition recognized in 2009 and was partly offset by an increase in working capital of PLN 40,808.

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 324,063 in the nine months ended September 30, 2010, compared to PLN 222,609 generated by operating activities for the corresponding period in 2009. The increase is a result of an increase of cash generated from operations by PLN 55,060 and a lower level of tax paid, resulting from a changed model of corporate income tax advances paid monthly by TVN S.A.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to PLN 165,360 in the nine months ended September 30, 2010, in comparison to net cash used in investing activities of PLN 108,283 in the corresponding period of 2009. The net cash used in investing activities in the nine months ended September 30,2010 primarily related to cash of PLN 192,823 we deposited into EUR and PLN denominated bank deposits with maturity over three months and payments to acquire property, plant and equipment in the total amount of PLN 186,148. These outflows were partly offset by a cash inflow of PLN 238,168 from the sale of German government treasury bonds and bills.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to PLN 229,582 in the nine months ended September 30, 2010, compared to net cash used in financing activities of PLN 213,491 in the corresponding period of 2009. In the nine months ended September 30, 2010,

we recorded a cash outflow of PLN 105,808, related to payment of dividend, as well as a cash outflow of PLN 123,913 related to interest payments. These were partly offset by an inflow from issue of shares of PLN 14,505. These shares were issued under our stock option plan.

Total cash and cash equivalents, that we held as of September 30, 2010 amounted to PLN 313,169 in comparison to PLN 81,040 as of September 30, 2009. We hold cash and cash equivalents on bank deposit with maturity below three months in Złoty and Euro.

As of September 30, 2010, we also held PLN 127,147 in easily marketable German government EUR denominated treasury bills classified as current available-for-sale financial assets, maturing on October 27, 2010. We also held PLN 196,141 in EUR and PLN denominated bank deposits with maturity over three months.

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.

Future Liquidity and Capital Resources

We expect that our principal future cash needs will be dividends to pay, capital investment in digital satellite pay television set-top decoders, capital expenditure relating to television and broadcasting facilities, Internet infrastructure and equipment, the launch or acquisition of new channels and Internet services and debt service on our Senior Notes and PLN bonds. We believe that our existing cash balances, cash generated from our operations and available Loan Facility (as defined below) 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 September 30, 2010:

	Value	**Coupon/ effective interest**	**Maturity**
10.75% Senior Notes (nominal value[(1)])……..	2 364 291	10.75%	2017
PLN Bonds (nominal value)……	500 000	WIBOR 6m + 2.75%	2013
Guarantees……	145 267	-	-
Accrued interest on long term debt……	105 297	-	-
Total debt……	**3 114 855**	**-**	**-**
Cash at bank and in hand……	313 169	-	-
Bank deposits with maturity over three months……	196 141		
Cash and cash equivalents and bank deposits with maturity over three months……	**509 310**	-	-
EUR denominated German treasury bills……	127 147	0.565%	October 27, 2010
Total liquid and easily marketable assets……	**636 457**	**-**	**-**
Net debt ……	**2 478 398**	**-**	**-**

(1) This value represents outstanding nominal value of our 10.75% Senior Notes, which amounts to EUR 593,000 (EUR 405,000 issued in November, 2009, EUR 148,000 issued in March, 2010 and EUR 40,000 issued in April, 2010) multiplied by the rate of PLN 3,9870 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of September 30, 2010).

Financing Activities

The ratio of consolidated net debt defined as total borrowings (nominal amount of principal and accrued interest thereon) including bank guarantees issued on our behalf, net of cash and cash equivalents, bank deposits with maturity over three months and easily marketable available for sale financial instruments, to our consolidated shareholders' equity was 2.0 as of September 30, 2010 and 1.6 as of December 31, 2009.

Our consolidated net debt to EBITDA ratio increased to 3.2 as of September 30, 2010, from 2.6 as of December 31, 2009. This increase is primarily due to higher level of total debt and lower EBITDA.

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 710,086 at September 30, 2010, compared with PLN 675,477 at December 31, 2009. This increase was mainly due to an increase in accrued interest on borrowings by PLN 83,287.

Our borrowed funds excluding accrued interest as of September 30, 2010, consisted of PLN 2,276,781 of indebtedness represented by the 10.75% Senior Notes and PLN 498,943 of indebtedness represented by PLN Bonds.

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 in a consolidated principal amount of EUR 215,000 issued by TVN Finance. 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 from the issue of the 10.75% Senior Notes issued on November 19, 2009 in an aggregate principal amount of EUR 405,000.

10.75% Senior Notes

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

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

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

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

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. A change of control, as defined in the Indenture, has occurred when:

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

Optional redemption

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

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

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

In addition, 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.

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

We separated the embedded derivatives with respect to these prepayment options, but did not recognize the instrument as at September 30, 2010 as they were assessed to have a negligible value due to the insignificant probability of realization.

Covenants

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

- incur or guarantee additional indebtedness;
- make investments or other restricted payments;
- create liens;
- enter into sale and leaseback transactions;
- sell assets and subsidiary stock;
- pay dividends or make other distributions or repurchase or redeem their stock;

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

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

Events of Default

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

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 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

The Loan Facility with Bank Pekao S.A. allows us to borrow and issue guarantees up to a maximum aggregate amount of PLN 200,000 at any time, provided that the maximum aggregate amount of loans at any time outstanding cannot exceed PLN 100,000.

The Loan Facility expires on June 30, 2011 but allows us to issue guarantees that expire by June 30, 2012. The Loan Facility bears interest at six month WIBOR, LIBOR or EURIBOR (depending on loan's currency) plus margin, which depends on the ratio of consolidated net debt to consolidated adjusted EBITDA (as defined by the loan facility agreement). The Loan Facility has been secured on TVN S.A.'s trade receivables up to PLN 250,000. The Loan Facility is also guaranteed by Grupa Onet, Mango Media and ITI Neovision — TVN S.A.'s subsidiaries.

We intend to use the Loan Facility as a back-up facility, mainly for the purpose of issuing guarantees.

As of September 30, 2010, the Loan Facility had been used for issuing the following bank guarantees (total amount of facility used as of December 31, 2009: PLN 45,097):

- EUR 2,026 and PLN 6,251 in the form of guarantees issued on our behalf;
- EUR 21,900 in the form of guarantees issued on behalf of ITI Neovision in relation to Eutelsat contracts for satellite rental and the UEFA agreement for the UEFA Champions League Season 2011/2012; and
- USD 3,780 in the form of guarantees issued to 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 the 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 to UEFA. On July 21, 2010 the total amount of the guarantee was reduced to EUR 8,000.

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 September 30, 2010 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 September 30,						
	2010	**2011**	**2012**	**2013**	**2014**	**thereafter**	**Total**
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases	14,909	74,095	60,789	60,594	60,594	160,681	431,662
Other technical leases……	3,758	15,031	15,031	15,031	15,031	-	63,882
Operating leases – other……	13,692	35,430	32,425	27,690	21,196	32,737	163,170
Programming rights……	57,901	318,478	310,740	200,760	17,000	4,278	909,157
Total operating leases…….	**90,260**	**443,034**	**418,985**	**304,075**	**113,821**	**197,696**	**1,567,871**
Commitments to purchase equipment and software (2)…	86,347	-	-	-	-	-	86,347
Total cash commitments …	**176,607**	**443,034**	**418,985**	**304,075**	**113,821**	**197,696**	**1,654,218**
Barter commitments (1)……	3,914	-	-	-	-	-	3,914
Total cash commitments and other obligations ……	**180,521**	**443,034**	**418,985**	**304,075**	**113,821**	**197,696**	**1,658,132**

(1) As of September 30, 2010, pursuant to barter agreements, we had contractual commitments outstanding amounting to PLN 3,914, 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, 2013 and 2017. On September 30, 2010, the remaining commitment amounted to PLN 111,645 and should be fulfilled by December 31, 2013. As at September 30, 2010, we assumed contractual commitment of PLN 5,162 to pay IT license fees (nil at December 31, 2009).

We have no off-balance sheet arrangements.

Trend Information

The principal trends of which we are aware and which we believe will affect our revenue and profitability are growth in the television and Internet advertising markets in Poland and growth in the pay television market. We are exposed to fluctuations in the exchange rates of Złoty to both the Euro and the U.S. Dollar. Our 10.75% Senior Notes are denominated in Euro, and a large proportion of our programming costs are denominated in U.S. Dollar. In the third quarter of 2010 the Złoty has again significantly appreciated against the Euro and the U.S. Dollar following similar depreciation in the second quarter. We cannot exclude that volatility of Złoty exchange rates may continue in the market.

The inflation rate in Poland was 2.5% in September 2010, 2.3% in June 2010, 2.6% in March 2010, 3.5% in December 2009, 3.4% in September 2009 and 3.5% in June 2009, 3.3% in December 2008. 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 global recession may have on the Polish economy, on financial markets, and on us or when we can expect full recovery and how strong and sustainable it would be.

Dividend Policy

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

We paid a dividend of PLN 105,788 (or PLN 0.31 per share) on June 16, 2010, representing 30.6% of 2009 net profit. The intention is to maintain a dividend payout ratio at this ratio of net profit till ITI Neovision becomes cash flow positive.

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. Under 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.

The program expired on December 31, 2009.

PART II

ADDITIONAL INFORMATION

1. Our Comment on Previously Published Forecasts

We update our forecast of post paid subscribers of 'n' DTH platform for 2010, as published on February 18, 2010. According to updated data 'n' platform expects to cross 800 thousands subscribers.

We do not change our updated forecast of average monthly revenue per user (ARPU) that we published on February 18, 2010.

We do not change our forecast of capital expenditure for 2010, as published on February 18, 2010.

2. TVN Group Organizational Structure

TVN Group comprises the following entities as of September 30, 2010:

Entity	Country of incorporation and residence	September 30, 2010 Ownership (%)	September 30, 2010 Voting Power (%)
TVN S.A.……	Poland	n/a	n/a
Grupa Onet.pl S.A. [1] …….	Poland	100	100
Dream Lab Onet Sp. z o.o. [1] ……	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. [1] ……...	Poland	100	100
Thema Film Sp. z o.o…….	Poland	100	100
TVN Finance Corporation plc in members' voluntary liquidation ……	UK	100	100
TVN Finance Corporation II AB…….	Sweden	100	100
Grupa Onet Poland Holding B.V. [1]……...	The Netherlands	100	100
Media Entertainment Ventures Int Ltd[1].....	Malta	99	99
DTH Poland Holding Coöperatief U.A. [2]……	The Netherlands	100	100
ITI Neovision Sp. z o.o. [2]…….	Poland	100	100
Cyfrowy Dom Sp. z o.o. …..……	Poland	100	100
Neovision UK Ltd[2]……...	UK	100	100
Polski Operator Telewizyjny Sp. z o.o…….	Poland	50	50
MGM Channel Poland Ltd (joint venture) [2]…	UK	45	45
Polskie Badania Internetu Sp. z o.o.[1]…..….	Poland	20	20

1) *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.*

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

3. Changes in the Structure of the TVN Group

On March 11, 2009, as a result of an agreement with our controlling shareholder ITI Media Group, which is 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.

On May 29, 2009, Discovery Networks Central Europe purchased our share in the Discovery Historia channel and assumed complete ownership of this channel.

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 sole owner of ITI Neovision. Following the closing of the transaction on March 10, 2010 contemplated by the share purchase agreement, we now directly hold 100% of the shares of Neovision Holding.

On April 30, 2010 we completed transformation of the legal form of Neovision Holding B.V. into DTH Poland Holding Coöperatief U.A.

On June 29, 2010 TVN Finance Corporation plc was put in members' voluntary liquidation.

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

The following table presents shareholders that own at least 5% of our shares as of the date of this interim report, to our best knowledge. The information included in the table is based on current reports filed with the Warsaw Stock Exchange, which reflect information received from shareholders pursuant to Art. 69, sec. 1, point 2 the Act on Public Offering, Conditions Governing the Introductions of Financial Instruments to Organized Trading and Public Companies.

The table below shows the ownership of TVN shares as of October 26, 2010:

Shareholder	Number of Shares	% of Share Capital	Number of Votes	% of votes
Strateurop International B.V. (1)	180,355,430	52.75%	180,355,430	52.75%
N-Vision B.V. (1)	3,963,095	1.16%	3,963,095	1.16%
Cadizin Trading&Investment (1)	8,131,477	2.38%	8,131,477	2.38%
ITI Impresario (1)	1,400	0.00%	1,400	0.00%
Other shareholders	149,426,512	43.71%	149,426,512	43.71%
TOTAL:	**341,877,914**	**100.00%**	**341,877,914**	**100.00%**

(1) Entities controlled by ITI Holdings.

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

5.1 Management Board Members

The following table presents share options (not in thousands) allocated to members of our Management Board, under the Stock Option Plans we introduced in December 2005 and July 2006, as of October 26, 2010.

Name	Total number of options granted up to October 26, 2010 (not in thousands)	Total number of options vested up to October 26, 2010 (not in thousands)	Total number of options vested and held as of October 26, 2010 (not in thousands)
Markus Tellenbach	-	-	-
Piotr Walter	622,600	622,600	458,080
Łukasz Wejchert	577,065	577,065	577,065
John Driscoll	-	-	-

The following table presents TVN S.A. shares (not in thousands) owned directly or indirectly by our Management Board as of, October 26, 2010, and changes in their holdings since the date of publication of our previous quarterly report on August 12, 2010. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160, sec. 1 of the Act on Public Trading.

Board Member	Balances as of August 12, 2010	Increases	Decreases	Balances as of October 26, 2010
Markus Tellenbach	-	-	-	-
Piotr Walter	-	-	-	-
Łukasz Wejchert	763,666	-	-	763,666
John Driscoll	-	-	-	-

5.2 Supervisory Board Members

The following table presents TVN S.A. shares (not in thousands) held by the Supervisory Board members, as of October 26, 2010, and changes in their holdings since the date of publication of our previous quarterly report on August 12, 2010. The information included in the table is based on information received from members of our Supervisory Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Board Member	Balances as of August 12, 2010	Increases	Decreases	Balances as of October 26, 2010
Wojciech Kostrzewa	186,876	-	-	186,876
Bruno Valsangiacomo	1,597,325	-	-	1,597,325
Arnold Bahlmann	106,330	-	-	106,330
Romano Fanconi	32,000	-	-	32,000
Paweł Gricuk	-	-	-	-
Wiesław Rozłucki	-	-	-	-
Andrzej Rybicki	-	-	-	-
Aldona Wejchert	-	-	-	-
Gabriel Wujek	-	-	-	-
Michał Broniatowski	-	-	-	-
Paul Lorenz	-	-	-	-
Total:	**1,922,531**	-	-	**1,922,531**

6. Legal Proceedings

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

7. Related Party Transactions Concluded During the Three Months Ended September 30, 2010

During the three months ended September 30, 2010, we did not enter into any material transactions with related parties that are not on regular market conditions.

8. Discussion on Guarantees Granted to Third Parties by TVN Group During the Three Months Ended September 30, 2010

Neither TVN S.A. nor any of the entities within TVN Group granted any guarantees or secured any third party credits, either individually or in the aggregate, for an amount exceeding 10% of our capital.

PART III

FINANCIAL INFORMATION

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

Interim Condensed Consolidated Financial Statements
for the three and nine months ended September 30, 2010

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

Interim Condensed Separate Financial Statements
as of and for the three and nine months ended September 30, 2010

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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

Report on review of interim financial statements

To the Shareholders and Supervisory Board of TVN S.A.:

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of TVN S.A. (the 'Company') and its subsidiaries (the 'TVN Group') as of 30 September 2010, the related interim condensed consolidated income statements and interim condensed consolidated statements of comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statement of changes in shareholders' equity and interim condensed consolidated cash flow statement for the nine-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland
October 25, 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 interim condensed consolidated financial statements of TVN S.A. and its subsidiaries (the "TVN Group") as of and for the three and nine months ended September 30, 2010, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

The interim condensed consolidated financial statements of TVN Group as of and for the three and nine months ended September 30, 2010 include: interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated balance sheet, interim condensed consolidated statement of changes in shareholders' equity, interim condensed consolidated cash flow statement and notes to the interim condensed consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on October 25, 2010.

Markus Tellenbach President of the Board	Piotr Walter Vice-President of the Board
Jan Łukasz Wejchert Vice-President of the Board	John Driscoll Member of the Board

Warsaw, October 25, 2010

TVN Group

Interim Condensed Consolidated Financial Statements
As of and for the three and nine months ended September 30, 2010

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, 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 ("DTH") 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: OnetVOD, 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
- Romano Fanconi
- Paweł Gricuk
- Paweł Kosmala (resigned September 29, 2010)
- Paul H. Lorenz (appointed September 30, 2010)
- Wiesław Rozłucki
- Andrzej Rybicki
- Aldona Wejchert
- Gabriel Wujek

4. Management Board

- Markus Tellenbach, President
- Piotr Walter, Vice-President
- Jan Łukasz Wejchert, Vice-President
- John Driscoll (appointed May 14, 2010)
- Rafał Wyszomierski (resigned May 14, 2010)

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 in members' voluntary liquidation
  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
- DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.)
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- Neovision UK Ltd.
  5 New Street Square
  London EC4A 3TW, UK

8. Subsidiaries (continued)

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
- DreamLab 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 1436, Malta
- SunWeb Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków

9. Joint ventures

- MGM Channel Poland Ltd.
  72 New Cavendish Street
  London W1G 8AU, 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.
Interim Condensed Consolidated Income Statement
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Revenue	6	1,740,360	1,443,006	533,768	427,875
Cost of revenue	7	(1,122,653)	(929,460)	(367,390)	(323,098)
Selling expenses	7	(232,574)	(175,066)	(79,554)	(68,741)
General and administration expenses	7	(139,062)	(135,939)	(42,237)	(40,562)
Other operating income/ (expenses), net	7	738	(3,912)	(986)	859
Gain on step acquisition		-	110,690	-	-
Operating profit/ (loss)		**246,809**	**309,319**	**43,601**	**(3,667)**
Investment (expense)/ income, net	8	(11,496)	39,948	14,556	9,580
Finance (expense)/ income, net	8	(157,693)	(133,599)	17,093	42,495
Share of profit/ (loss) of associate	21	282	(39,090)	87	128
Profit before income tax		**77,902**	**176,578**	**75,337**	**48,536**
Income tax (charge)/ credit	18	(47,842)	(35,299)	(14,306)	1,316
Profit for the period		**30,060**	**141,279**	**61,031**	**49,852**
Profit/ (loss) attributable to:					
Owners of the parent		26,953	178,160	61,020	58,238
Non-controlling interests		3,107	(36,881)	11	(8,386)
		30,060	**141,279**	**61,031**	**49,852**
Earnings per share for profit attributable to the owners of TVN S.A. (not in thousands)					
- basic	9	0.08	0.52	0.18	0.17
- diluted	9	0.08	0.52	0.18	0.17

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

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

	Note	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Profit for the period		**30,060**	**141,279**	**61,031**	**49,852**
Other comprehensive income:					
Available-for-sale assets	**11**	712	(668)	(58)	-
Income tax relating to components of other comprehensive income	**18**	(135)	127	11	-
Other comprehensive income for the period, net of tax		577	(541)	(47)	-
Total comprehensive income for the period		**30,637**	**140,738**	**60,984**	**49,852**
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		27,530	177,619	60,973	58,238
Non-controlling interests		3,107	(36,881)	11	(8,386)
		30,637	**140,738**	**60,984**	**49,852**

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

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

	Note	As at September 30, 2010	As at December 31, 2009
ASSETS			
Non-current assets			
Property, plant and equipment		749,885	798,757
Goodwill		1,677,614	1,677,614
Brands		781,216	788,988
Other intangible assets		103,418	93,288
Non-current programming rights		146,052	158,930
Investments in associates		1,511	1,229
Available-for-sale financial assets	**11**	7,588	138,250
Deferred tax asset	**18**	48,708	58,111
Other non current assets		5,506	5,562
		3,521,498	**3,720,729**
Current assets			
Current programming rights		273,636	230,681
Trade receivables		332,074	322,518
Available-for-sale financial assets	**11**	127,147	246,851
Prepayments and other assets		115,356	81,059
Bank deposits with maturity over three months	**13**	196,141	-
Cash and cash equivalents	**13**	313,169	381,658
		1,357,523	**1,262,767**
TOTAL ASSETS		**4,879,021**	**4,983,496**
EQUITY			
Shareholders' equity			
Share capital	**14**	68,364	68,088
Share premium		633,154	607,054
8% obligatory reserve		23,301	23,301
Other reserves		(433,456)	(58,526)
Accumulated profit		926,099	1,004,954
		1,217,462	**1,644,871**
Non-controlling interest		-	(359,717)
		1,217,462	**1,285,154**
LIABILITIES			
Non-current liabilities			
10.75% Senior Notes due 2017	**15**	2,276,781	1,589,292
PLN Bonds due 2013	**15**	498,943	498,837
Loans from related parties	**15, 23 (iv)**	-	544,612
Deferred tax liability	**18**	152,858	156,506
Non-current trade payables		18,701	21,415
Contingent consideration	**4 (iv), 21**	-	78,397
Financial liability related to acquisition of non-controlling interest	**4 (iv), 21**	-	131,325
Other non-current liabilities		4,190	2,481
		2,951,473	**3,022,865**
Current liabilities			
Current trade payables		241,962	286,877
Corporate income tax payable		8,731	13,007
Accrued interest on borrowings	**15**	105,297	22,010
Derivative financial liabilities	**12**	1,724	-
Other liabilities and accruals	**16**	352,372	353,583
		710,086	**675,477**
Total liabilities		**3,661,559**	**3,698,342**
TOTAL EQUITY AND LIABILITIES		**4,879,021**	**4,983,496**

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

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

	Number of shares (not in thousands)	Share capital	Share premium	Treasury shares	8% obligatory reserve	Other reserves (*)	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	-	-	-	-	-	(541)	178,160	177,619	(36,881)	140,738
Issue of shares	23,850	5	429	-	-	(179)	-	255	-	255
Share issue cost	-	-	(105)	-	-	-	-	(105)	-	(105)
Purchase of treasury shares	-	-	-	(62,572)	-	-	-	(62,572)	-	(62,572)
Redemption of treasury shares	(9,157,107)	(1,832)	-	100,000	-	-	(98,168)	-	-	-
Dividend declared and paid	-	-	-	-	-	-	(194,005)	(194,005)	-	(194,005)
Dividend cost	-	-	-	-	-	-	(20)	(20)	-	(20)
Share option plan charge for the period [1]	-	-	-	-	-	16,920	-	16,920	-	16,920
Acquisition of subsidiary (see Note 21)	-	-	-	-	-	-	-	-	(290,784)	(290,784)
Appropriation of 2008 profit - transfer to 8% obligatory reserve	-	-	-	-	149	-	(149)	-	-	-
Balance at September 30, 2009	**340,382,157**	**68,076**	**606,129**	**-**	**23,301**	**125,248**	**762,292**	**1,585,046**	**(327,665)**	**1,257,381**

(*) Other reserves

	Employee share option plan reserve	Fair value reserve	Total
Balance at January 1, 2009	**108,507**	**541**	**109,048**
Issue of shares	(179)	-	(179)
Charge/ (credit) for the period	16,920	(668)	16,252
Deferred tax on charge for the period	-	127	127
Balance at September 30, 2009	**125,248**	**-**	**125,248**

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

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

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves (*)	Accumulated profit	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2010	**340,440,528**	**68,088**	**607,054**	**23,301**	**(58,526)**	**1,004,954**	**1,644,871**	**(359,717)**	**1,285,154**
Total comprehensive income for the period	-	-	-	-	577	26,953	27,530	3,107	30,637
Issue of shares (2)	1,381,474	276	26,255	-	(11,930)	-	14,601	-	14,601
Share issue cost	-	-	(155)	-	-	-	(155)	-	(155)
Dividend declared and paid (3)	-	-	-	-	-	(105,788)	(105,788)	-	(105,788)
Dividend cost	-	-	-	-	-	(20)	(20)	-	(20)
Derecognition of non-controlling interest (4)	-	-	-	-	(356,718)	-	(356,718)	356,610	(108)
Cost related to acquisition of non-controlling interest (4)	-	-	-	-	(6,859)	-	(6,859)	-	(6,859)
Balance at September 30, 2010	**341,822,002**	**68,364**	**633,154**	**23,301**	**(433,456)**	**926,099**	**1,217,462**	**-**	**1,217,462**

(*) Other reserves

	Employee share option plan reserve	Fair value reserve	Other reserves related to acquisition of non-controlling interest	Total
Balance at January 1, 2010	**129,614**	**(569)**	**(187,571)**	**(58,526)**
Issue of shares	(11,930)	-	-	(11,930)
Charge for the period	-	712	-	712
Deferred tax on charge for the period	-	(135)	-	(135)
Derecognition of non-controlling interest (4)	-	-	(356,718)	(356,718)
Cost related to acquisition of non-controlling interest (4)	-	-	(6,859)	(6,859)
Balance at September 30, 2010	**117,684**	**8**	**(551,148)**	**(433,456)**

(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 nine months ended September 30, 2010 1,381,474 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes.

(3) The dividend declared and paid in 2010 amounted to 0.31 per share (not in thousands).

(4) On March 10, 2010 the Group completed the acquisition of the remaining shares in Neovision Holding and derecognized non-controlling interest (see Note 4 (iv) and 21).

Included in accumulated profit as of September 30, 2010 is an amount of 1,068,117 being the accumulated profit of TVN S.A. on a stand-alone basis which is distributable. The 10.75% Senior Notes due 2017 (see Note 15) impose certain restrictions on payment of dividends.

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

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

	Note	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Operating activities			
Cash generated from operations	**17**	370,561	315,501
Tax paid		(46,498)	(92,892)
Net cash generated by operating activities		**324,063**	**222,609**
Investing activities			
Cost of acquisition of non-controlling interest		(6,859)	-
Acquisition of subsidiary, net of cash acquired	**21**	-	(97,683)
Loans granted to associate		-	(75,344)
Payments to acquire property, plant and equipment		(186,148)	(248,705)
Proceeds from sale of property, plant and equipment		1,119	554
Payments to acquire intangible assets		(27,401)	(22,568)
Purchase of available for sale financial assets	**11**	-	(27,025)
Sale of available-for-sale financial assets	**11**	238,168	347,270
Settlement of foreign exchange options		-	9,864
Bank deposits with maturity over three months	**13**	(192,823)	-
Interest received		8,584	5,354
Net cash used in investing activities		**(165,360)**	**(108,283)**
Financing activities			
Issue of shares, net of issue cost		14,505	150
Dividend paid		(105,808)	(194,025)
Cost of issue of 10.75% Senior Notes due 2017		(14,366)	-
Share buyback, including related expenses		-	(62,572)
Proceeds from related party borrowings		-	69,509
Early settlement of options		-	101,014
Overdraft facility		-	(48,733)
Interest paid		(123,913)	(78,834)
Net cash used in financing activities		**(229,582)**	**(213,491)**
Decrease in cash and cash equivalents		**(70,879)**	**(99,165)**
Cash and cash equivalents at the start of the period		381,658	184,867
Effects of exchange rate changes		2,390	(4,662)
Cash and cash equivalents at the end of the period		**313,169**	**81,040**

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

1. TVN

These interim condensed consolidated financial statements were authorized for issuance by the Management Board and Audit Committee of Supervisory Board of TVN S.A. on October 25, 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 22.

On March 11, 2009, following the transaction agreement with ITI Media Group N.V. ("ITI Media Group"), the Group increased its direct ownership interest in Neovision Holding B.V. ("Neovision Holding") and its indirect ownership interest in ITI Neovision Sp. z o.o. ("ITI Neovision") to, in aggregate, 51% of company's shares and a corresponding pro-rata interest in the shareholders' loans granted to Neovision Holding Group. ITI Neovision owns and operates the 'n' digital satellite television in Poland. As a result, the Group obtained control over Neovision Holding Group on March 11, 2009.

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.

As a result of the acquisition, the financial results of the Group for the nine months ended September 30, 2010 are not directly comparable to the results for the nine months ended September 30, 2009.

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").

On March 10, 2010 the Group completed the acquisition from ITI Media Group of the remaining shares in Neovision Holding. The total transaction price amounted to EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction through the issuance of EUR 148,000 aggregate principal amount of 10.75% Senior Notes due 2017. The 10.75% Senior Notes due 2017 were issued to ITI Media Group under the same indenture pursuant to which the Senior Notes were issued by the Group in November 2009. The remaining EUR 40,000 of the transaction price was paid by the issuance of two promissory notes ("Promissory Notes") in the principal amount of EUR 40,000 in the aggregate which were paid into an escrow account. After completion of the transaction the Group directly owns 100% of the shares in Neovision Holding and shareholders' loans previously owed by Neovision Holding Group to ITI Media Group and its affiliates (see Note 21). On April 30, 2010 the Group exchanged the Promissory Notes for like principal amount of 10.75% Senior Notes due 2017, following which the Promissory Notes were cancelled.

On April 13, 2010 the Group amended and restated the loan facility agreement with Bank Pekao (see Note 15).

On April 30, 2010 the Group completed the transformation of the legal form of Neovision Holding B.V., its wholly owned subsidiary, into DTH Poland Holding Coöperatief U.A.

1. TVN (CONTINUED)

On October 13, 2010 the Group and Telekomunikacja Polska S.A. ("TP Group") signed a long-term framework cooperation agreement for a reciprocal exchange of their respective offerings and services and for the joint creation of new offerings and services. In particular, the Group and TP Group agreed to co-operate in the areas of content supply, post-paid DTH Pay-TV and prepaid satellite TV, Video-On-Demand, Broadband distribution, as well as in the fields of TV technology and marketing. The agreement should allow both parties to expand and strengthen their product offering, while capitalizing on up sell potential and cost synergies from the ongoing convergence of TV, broadband access and other communications services.

The majority of the Group's operations and assets are based in Poland. Assets and revenues from outside Poland constitute less than 10% of the total assets and revenues of all segments. Therefore, no geographic information has been included.

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

Revenue from pay-TV services 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date and IAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial statements as of and for the three and nine months ended September 30, 2010 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2009 except for new accounting policies described below and standards and interpretations which became effective January 1, 2010.

In 2010 the Group adopted:

(i) IFRS Improvements 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 Group adopted the changes in accordance with the transition provisions, the changes did not have significant impact on Group's consolidated financial statements.

(ii) Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions

The amendments 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 did not affect the Group's consolidated financial statements.

(iii) Amendments to IFRS 1 Additional Exemptions for First-time Adopters

The amendments did not affect the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Amendments to IAS 39: Financial Instruments: Recognition and Measurement: Eligible Hedged Items

The amendments provide additional guidance on what can be designated as a hedged item. The amendments did not affect the Group's consolidated financial statements.

(v) IFRIC 17 – Distributions of Non-cash Assets to Owners

The interpretation 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 fair value of the dividend paid and the carrying amount of the net assets distributed in profit or loss. The interpretation did not affect the Group's consolidated financial statements.

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

The Group's consolidated financial statements for the year ended December 31, 2009 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.

2.2. Comparative financial information

Where necessary, comparative figures or figures presented in previously issued financial statements have been adjusted to conform to changes in presentation in the current period. No amendments have resulted in changes to previously presented net results or shareholders' equity.

2.3. 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, 2011. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

The amendment was published on January 28, 2010. It applies for annual periods beginning on or after July 1, 2010. The amendment will not affect the Group's consolidated financial statements.

(ii) IFRS Improvements 2010

On May 6, 2010 the International Accounting Standards Board issued "IFRS Improvements", which amend six standards and one interpretation. The amendments include changes in scope, presentation, disclosure, recognition and valuation and include terminology and editorial changes. The majority of the amendments is effective from annual periods starting on January 1, 2011, but some changes are effective for annual periods beginning on or after July 1, 2010. The amendment will not affect the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The amendments were published on October 7, 2010 and they amended the required disclosures related to transfers of financial assets. The amendments apply for annual periods beginning on or after July 1, 2011. The amendments will not affect the Group's consolidated financial statements.

Additionally, the following standards, amendments and IFRIC Interpretations are applicable in future and were discussed in the Group's consolidated financial statements for the year ended December 31, 2009:

- *Amendment to IAS 32 Classification of Rights Issues – applicable for annual periods beginning on or after February 1, 2010*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – applicable for annual periods beginning on or after July 1, 2010*
- *Revised IAS 24 Related Party Disclosures – applicable for annual periods beginning on or after January 1, 2011*
- *Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement – applicable for annual periods beginning on or after January 1, 2011*
- *IFRS 9 Financial Instruments – applicable for annual periods beginning on or after January 1, 2013*

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 9 Financial Instruments*
- *IFRS Improvements 2010*
- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*

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 guidelines to manage financial risk and liquidity, through determination of the financial risk factors to which the Group is exposed and their sources. Details of the duties, activities and methodologies used to identify, measure, monitor and report risks as well as forecast cash flows, finance maturity gaps and invest free cash resources are contained in approved supplementary written instructions.

The following organizational units within the Group's financial department participate in the risk management process: risk committee, liquidity management team, risk management team, financial planning and analyzing team and accounting and reporting team. The risk committee is composed of the 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 10.75% Senior Notes due 2017

The 10.75% Senior Notes due 2017 are listed on the Luxembourg Stock Exchange. The price of 10.75% Senior Notes due 2017 depends on the Group's creditworthiness and on the relative performance of the bond market as a whole. The Group does not recognize early prepayment options embedded in the 10.75% Senior Notes due 2017 because they are either closely related to the economic characteristics of the host contract or their fair value was assessed at a level close to nil (see Note 15). The 10.75% Senior Notes due 2017 are carried at amortized cost. The Group is therefore not exposed to changes in market price of the 10.75% Senior Notes due 2017.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Group's revenue is primarily denominated in Polish złoty. Foreign exchange risk arises mainly from the Group's liabilities in respect of the 10.75% Senior Notes due 2017, available-for-sale financial assets, bank deposits with maturity over three months and cash and cash equivalents all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. 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 assets, liabilities and costs are predominantly denominated in PLN.

The Group's policy in respect of management of foreign currency risks is to cover known risks in 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 September 30, 2010 and September 30, 2009 of a reasonably possible EUR appreciation of 5% against the złoty, with all other variables held constant and without taking into account any derivative financial instruments entered into for hedging purposes on EUR denominated items in the balance sheet amounts to 86,056 and is presented below:

	Nine months ended September 30, 2010	**Nine months ended September 30, 2009**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
10.75% Senior Notes due 2017 including accrued interest	(99,614)	-
9.5% Senior Notes due 2013 including accrued interest	-	(37,787)
Loans from related parties	-	(23,558)
Contingent consideration	-	(9,265)
Trade payables	(776)	(1,739)
Other	(1,127)	(238)
Assets:		
Cash and cash equivalents	5,160	50
Available-for-sale financial assets	5,149	-
Bank deposits with maturity over three months	4,844	-
Trade receivables	308	149

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated net profit (post-tax) impact on balances as of September 30, 2010 and September 30, 2009 of a reasonably possible USD appreciation of 5% against the złoty, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to 3,435 and is presented below:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Assumed USD appreciation against PLN:	5%	5%
Liabilities		
Trade payables	(5,056)	(3,405)
Assets:		
Trade receivables	1,577	871
Cash and cash equivalents	44	666

The net profit impact of possible foreign currency fluctuations is partially limited by derivative instruments entered into by the Group. Details of foreign exchange forwards which the Group had on September 30, 2010 are discussed in Note 12.

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 10.75% Senior Notes due 2017, PLN Bonds due 2013 (see Note 15) and available-for-sale financial assets.

As the 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 the 10.75% Senior Notes due 2017 are carried at amortised cost, the changes in fair values of these instruments do not have a direct impact on valuation of the 10.75% Senior Notes due 2017 in the balance sheet.

PLN Bonds due 2013 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 September 30, 2010, if WIBOR interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the period would have been 599 lower/higher.

As of September 30, 2010 the Group had EUR denominated available-for-sale financial assets at carrying value of 127,147 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 basis points higher/lower, as at September 30, 2010, fair value reserve in equity would have been 38 lower/higher. Details of available-for-sale financial assets held by the Group are disclosed in Note 11.

The Group did not consider it cost effective to hedge or otherwise seek to reduce interest rate or cash flow risk as of September 30, 2010.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk

Financial assets, which potentially expose the Group to concentration of credit risk, consist principally of trade receivables and related party receivables. The Group places its cash and cash equivalents, bank deposits with maturity over three months and available-for-sale financial assets with financial institutions that the Group believes are credit worthy based on current credit ratings (see Note 11 and 13). 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 (57% of the total trade receivables as of September 30, 2010) 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 14% and the single largest advertiser accounted for 2% of sales for the nine months ended September 30, 2010. 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables (net)	September 30, 2010	December 31, 2009
Receivables from advertising agencies	57%	58%
Receivables from individual customers	35%	35%
Receivables from related parties	8%	7%
	100%	**100%**

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

Trade receivables (net)	September 30, 2010	December 31, 2009 *
Agency A	7%	6%
Agency B	6%	10%
Agency C	5%	6%
Agency D	5%	6%
Agency E	5%	6%
Sub-total	**28%**	**34%**
Total other counterparties	72%	66%
	100%	**100%**

* 2009 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)	September 30, 2010	December 31, 2009 *
Agency Group F	17%	15%
Agency Group G	15%	18%
Agency Group H	9%	9%
Agency Group I	5%	8%
Agency Group J	3%	3%
Sub-total	**49%**	**53%**
Total other counterparties	51%	47%
	100%	**100%**

* 2009 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 September 30, 2010.

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 and financing expenditures relating to dividends, 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 due 2013 and the launch of new thematic channels and internet services. The Group believes that its cash balances and cash generated from operations will be sufficient to fund these needs. However, if the operating cash flows of the Group are negatively affected by a prolonged economic slow-down or clients' financial difficulties the Group will review its cash needs to ensure that its existing obligations can be met for the foreseeable future. As at September 30, 2010 the Group had cash and cash equivalents, bank deposits with maturity over three months, easily marketable available-for-sale financial assets and unutilized credit facility totaling 723,757 at its disposal (cash and cash equivalents, easily marketable available-for-sale financial assets and unutilized credit facility totaling 914,074 at December 31, 2009).

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 September 30, 2010			
10.75% Senior Notes due 2017 (see Note 15)	254,162	254,162	3,762,182
PLN Bonds due 2013	33,750	33,842	533,750
Trade payables	241,962	18,701	-
Derivative financial liabilities	1,724	-	-
Other liabilities and accruals	190,568	709	1,788
	722,166	**307,414**	**4,297,720**
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
	699,105	**316,143**	**4,255,811**

* Derecognized on March 10, 2010 with completion of the acquisition of the non-controlling interest (see Note 21). On completion these liabilities were replaced by long term financial liabilities (10.75% Senior Notes due 2017 held by related parties and Promissory Notes) with maturity beyond 2 years. On April 30, 2010 the Promissory Notes were exchanged for like principal amount of 10.75% Senior Notes due 2017, following which the Promissory Notes were cancelled. Loans from related parties, contingent consideration and financial liability related to acquisition of non-controlling interest are presented as payable at earliest possible date of repayment providing that the completion of acquisition of non-controlling interest was not finalized.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2. Capital risk management

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

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

The Group monitors capital on the basis of the net debt to EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 15) payable at the reporting date including accrued interest and bank guarantees issued on the Group's behalf less cash and cash equivalents, bank deposits with maturity over three months 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 and intangible assets. 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.

	September 30, 2010	**December 31, 2009**
Net debt	2,478,398	2,083,350
EBITDA	779,396	794,770
Net debt/ EBITDA ratio	3.2	2.6

The Group's strategy is to maintain its net debt/EBITDA ratio at a level around 4.0.

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 which are not quoted on the market is determined using industry multiples and the most recent available financial information about the investment. The fair value of currency 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Following fair value measurements were used with respect to financial instruments:

- quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1"),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) ("Level 2"),
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) ("Level 3").

	Level 1	Level 2	Level 3	Total
At September 30, 2010				
Assets				
Available-for-sale financial assets				
EUR Treasury bills	127,147	-	-	127,147
Polskie Media S.A.	-	-	7,588	7,588
	127,147	**-**	**7,588**	**134,735**
Liabilities				
USD foreign exchange forwards	-	1,724	-	1,724
	-	**1,724**	**-**	**1,724**
At December 31, 2009				
Assets				
Available-for-sale financial assets				
EUR Treasury bills	243,543	-	-	243,543
EUR Bonds	133,970	-	-	133,970
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 value of EUR Treasury bills is based on prices provided by Reuters. The carrying value of foreign exchange forwards is based on valuations performed by the Group's banks.

3.4. Consideration of the current economic environment

The global liquidity crisis which commenced in the middle of 2007 which resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times higher inter-bank lending rates and stock market volatility has abated somewhat. Nevertheless, the continuing albeit milder effects of the liquidity crisis, as well as the recent sovereign debt crisis in a few European countries, continue to contribute to somewhat unstable, and at times volatile financial markets.

Management remains unable to reliably estimate the effects on the Group's financial position of further deterioration in the liquidity of the financial markets and increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's businesses under the current circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(i) Fair valuation of the embedded prepayment options

Following the issue of the 10.75% Senior Notes due 2017 the Group reviewed all early prepayment 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 prepayment 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 prepayment options summarized under points d) – e) but did not recognize them as at September 30, 2010 as the Group estimated that the instruments would have a negligible value due to the remote probability of occurrence of the related events.

Details of prepayment options included in the 10.75% Senior Notes due 2017 are disclosed in Note 15.

(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 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, has suffered any impairment. During the year the Group monitors cash-generating units against impairment indicators through the review of actual financial and operating results. As of September 30, 2010 the Group assessed that the operating and financial results of the on-line cash-generating unit do not indicate impairment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) 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. During the year the Group monitors cash-generating units against impairment indicators through the review of actual financial and operating results. As of September 30, 2010 the Group assessed that the operating and financial results of the digital satellite pay television cash-generating unit do not indicate impairment.

(iv) 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 acquired the remaining 49% of the shares in Neovision Holding. As at December 31, 2009 the share purchase agreement was pending completion due to consent required from the lenders of ITI Media Group for the issuance of additional debt as consideration for the acquisition. Therefore, in accordance with the Group's accounting policy, the Group did not derecognize the non-controlling interest as of December 31, 2009.

As at December 31, 2009 the Group recorded a financial liability representing the firm commitment to acquire the non-controlling interest.

On March 10, 2010 the Group completed the acquisition of the remaining shares in Neovision Holding and therefore the Group derecognized the non-controlling interest as of March 10, 2010.

Details of the transactions and corresponding accounting are disclosed in Note 21.

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 a 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.

5. SEGMENT REPORTING (CONTINUED)

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.

Reconciliation of EBITDA to total profit before income tax:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
EBITDA	**425,433**	**440,807**
Depreciation of property, plant and equipment and impairment charges	(141,426)	(103,787)
Amortization of intangible assets	(37,198)	(27,701)
Segment result	**246,809**	**309,319**
Investment (expense)/ income, net (see Note 8)	(11,496)	39,948
Finance expense, net (see Note 8)	(157,693)	(133,599)
Share of profit/ (loss) of associate	282	(39,090)
Profit before income tax	**77,902**	**176,578**

5. SEGMENT REPORTING (CONTINUED)

Nine months ended September 30, 2009	Television broadcasting and production	Digital satellite pay television	On-line	All other	Other reconciling items		Total
Revenue from external customers	1,014,891	231,918	130,384	55,942	-		1,433,135
Inter-segment revenue	31,004	1,598	11,239	25,165	(59,135)		9,871
Total revenue	**1,045,895**	**233,516**	**141,623**	**81,107**	**(59,135)**		**1,443,006**
EBITDA	**404,441**	**(67,127)**	**27,339**	**12,427**	**63,727**	*	**440,807**
Segment result	**356,614**	**(126,936)**	**6,905**	**9,009**	**63,727**		**309,319**
Additions to property, plant and equipment and other intangible assets	20,491	88,518	68,683	200	-		177,892
Depreciation of property, plant and equipment and impairment charges	40,036	51,234	9,602	2,915	-		103,787
Amortization of intangible assets	7,791	8,575	10,832	503	-		27,701
Significant non-cash income	-	-	-	-	110,690		110,690
Gain on step acquisition	-	-	-	-	110,690		110,690
Significant non-cash expenses	11,143	-	1,536	482	3,759		16,920
Share option plan	11,143	-	1,536	482	3,759		16,920
As at December 31, 2009							
Segment assets including:	**1,380,954**	**1,436,241**	**1,718,088**	**90,843**	**357,370**	**	**4,983,496**
Investment in associates	-	1,039	190	-	-		1,229

* Other reconciling items on EBITDA level include: gain on step acquisition (110,690) and headquarter and other costs (46,963).

** 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 (deficit of 85,842).

5. SEGMENT REPORTING (CONTINUED)

Nine months ended September 30, 2010	Television broadcasting and production	Digital satellite pay television	On-line	All other	Other reconciling items		Total
Revenue from external customers	1,079,574	446,427	152,288	62,071	-		1,740,360
Inter-segment revenue	27,396	1,966	16,542	30,143	(76,047)		-
Total revenue	**1,106,970**	**448,393**	**168,830**	**92,214**	**(76,047)**		**1,740,360**
EBITDA	**433,770**	**(17,151)**	**47,660**	**7,403**	**(46,249)**	*	**425,433**
Segment result	**390,249**	**(124,450)**	**23,050**	**4,209**	**(46,249)**		**246,809**
Additions to property, plant and equipment and other intangible assets	39,542	88,330	22,737	1,095	(5,536)		146,168
Depreciation of property, plant and equipment and impairment charges	37,040	89,271	12,466	2,649	-		141,426
Amortization of intangible assets	6,481	18,028	12,144	545	-		37,198
As at September 30, 2010							
Segment assets including:	**1,358,355**	**1,439,520**	**1,680,244**	**93,398**	**307,504**	**	**4,879,021**
Investment in associates	-	1,321	190	-	-		1,511

* Other reconciling items on EBITDA level include mainly headquarter and other costs.

** Other reconciling items on assets level include: deferred tax assets (48,708), available-for-sale financial assets (134,735), bank deposits with maturity over three months (196,141) and other assets and consolidation adjustments (deficit of 72,080).

6. REVENUE

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Revenue from advertising spot sales	969,172	883,979	269,829	232,535
Subscription fees	565,180	364,218	195,449	140,359
Revenue from sponsoring	94,946	85,284	28,474	19,463
Revenue from sales of goods	44,757	38,241	12,599	13,957
Other revenue	66,305	71,284	27,417	21,561
	1,740,360	**1,443,006**	**533,768**	**427,875**

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 nine months ended September 30, 2010 are revenues from related parties in the amount of 9,793 (nine months ended September 30, 2009: 20,601) and for the three months ended September 30, 2010 of 3,749 (three months ended September 30, 2009: 2,160) (see Note 23 (i)).

7. OPERATING EXPENSES

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Amortization of locally produced content	334,880	353,283	103,215	107,812
Fees for broadcasting television channels and content	219,471	101,803	76,883	51,947
Amortization of acquired programming rights and co-production	139,171	115,895	43,678	37,743
Staff expenses	189,027	146,508	60,479	48,086
Share options granted to board members and employees	-	16,920	-	4,824
Depreciation, amortization and impairment charges	178,624	131,488	57,156	52,518
Marketing and research	71,613	63,836	27,659	27,425
Broadcasting expenses	70,697	70,813	24,872	25,452
Royalties	49,690	51,348	17,528	15,474
Rental	38,176	33,896	13,025	11,564
Cost of services and goods sold	36,620	23,115	10,863	7,664
Impaired accounts receivable	11,076	6,001	4,339	3,953
Other	154,506	129,471	50,470	37,080
	1,493,551	**1,244,377**	**490,167**	**431,542**

Included in the above operating expenses are operating lease expenses for the nine months ended September 30, 2010 of 112,138 (nine months ended September 30, 2009: 114,116) and for the three months ended September 30, 2010 of 39,391 (three months ended September 30, 2009: 28,381).

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

7. OPERATING EXPENSES (CONTINUED)

Operating expenses for the nine months ended September 30, 2010 has been reduced by grants received in the total amount of 1,163 (nine months ended September 30, 2009: 1,238) and for the three months ended September 30, 2010 of 247 (three months ended September 30, 2009: 655).

Included in the above operating expenses is an aggregate amount of research and development expenditure of 594 recognized as an expense in the nine months ended September 30, 2010 (nine months ended September 30, 2009: 788) and for the three months ended September 30, 2010 of 113 (three months ended September 30, 2009: 185).

8. INVESTMENT INCOME AND FINANCE EXPENSE

Investment (expense)/ income, net	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**
Foreign exchange (losses)/ gains, net	(5,532)	48,382	14,643	13,933
Foreign exchange losses on available for sale financial assets (see Note 11)	(13,635)	-	(5,054)	-
Fair value (losses)/ gains on financial instruments:				
- foreign exchange options not designated as hedging instruments	-	*(20,089)*	-	*(7,680)*
- foreign exchange options – settlement of instrument	-	*24,069*	-	*2,655*
	-	3,980	-	(5,025)
Interest income from available for sale financial assets (see Note 11)	725	5,297	303	-
Loss on the settlement of liabilities due to the acquisition of non-controlling interest (see Note 21)	(3,268)	-	-	-
Accrued interest income on loan to associate	-	4,181	-	-
Fair value and other losses recognized on loans due to consolidation of associate	-	(26,486)	-	-
Other interest income	10,214	4,594	4,664	672
	(11,496)	**39,948**	**14,556**	**9,580**

8. INVESTMENT INCOME AND FINANCE EXPENSE (CONTINUED)

Finance expense/ (income), net	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Foreign exchange gains on 10.75% Senior Notes due 2017	(31,832)	-	(95,634)	-
Foreign exchange losses on Promissory Notes	1,357	-	-	-
Foreign exchange losses/ (gains) on 9.5% Senior Notes due 2013	-	10,683	-	(53,000)
Foreign exchange gains on loans from related parties	(30,098)	(41,605)	-	(27,571)
Foreign exchange gains on contingent consideration	(4,315)	(20,036)	-	(13,084)
Foreign exchange gains on financial liability related to acquisition of non-controlling interest	(7,255)	-	-	-
Fair value losses/ (gains) on financial instruments:				
- foreign exchange forwards – fair value hedges (see Note 12)	*1,864*	-	*1,864*	-
- foreign exchange options – fair value hedges	-	*126,121*	-	-
- foreign exchange options –settlement of instrument	-	*(101,014)*	-	-
	1,864	25,107	1,864	-
Interest expense on 10.75% Senior Notes due 2017 (see Note 15)	178,084	-	65,696	-
Interest expense on Promissory Notes (see Note 15)	2,326	-	-	-
Interest expense on 9.5% Senior Notes due 2013 (see Note 15)	-	76,285	-	24,190
Interest expense on PLN Bonds due 2013 (see Note 15)	26,004	32,393	8,570	9,294
Interest expenses on loans from related parties (see Note 15, 23 (iv))	10,452	23,266	-	8,993
Interest expense on loan facility and overdraft	-	5,656	-	1,726
Unwinding of interest on financial liability related to acquisition of non-controlling interest (see Note 21)	2,680	-	-	-
Unwinding of interest on contingent consideration (see Note 21)	1,069	12,352	-	5,098
Guarantee fees to related party (see Note 23 (vii))	1,604	3,381	535	1,190
Bank and other charges	5,753	6,117	1,876	669
	157,693	**133,599**	**(17,093)**	**(42,495)**

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

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, less the weighted average effect of Treasury Shares.

	Nine months ended September 30, 2010	**Nine months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**
Profit attributable to the owners of TVN S.A. (in thousands)	26,953	178,160	61,020	58,238
Weighted average number of ordinary shares in issue	341,016,368	341,541,891	341,495,659	340,364,963
Basic earnings per share	**0.08**	**0.52**	**0.18**	**0.17**

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 the 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.

	Nine months ended September 30, 2010	**Nine months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**
Profit attributable to the owners of TVN S.A. (in thousands)	26,953	178,160	61,020	58,238
Weighted average number of ordinary shares in issue	341,016,368	341,541,891	341,495,659	340,364,963
Adjustment for share options	4,236,962	770,337	4,324,582	1,965,911
Weighted average number of potential ordinary shares for diluted earnings per share	345,253,330	342,312,228	345,820,241	342,330,874
Diluted earnings per share	**0.08**	**0.52**	**0.18**	**0.17**

10. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	Loans and receivables	Financial assets available-for-sale	Total
September 30, 2010			
Available-for-sale financial assets	-	134,735	134,735
Trade receivables	332,074	-	332,074
Bank deposits with maturity over three months	196,141	-	196,141
Cash and cash equivalents	313,169	-	313,169
	841,384	**134,735**	**976,119**
December 31, 2009			
Available-for-sale financial assets	-	385,101	385,101
Trade receivables	322,518	-	322,518
Cash and cash equivalents	381,658	-	381,658
	704,176	**385,101**	**1,089,277**

Liabilities as per balance sheet	Derivatives used for hedging	Liabilities at fair value through profit and loss	Other financial liabilities	Total
September 30, 2010				
10.75% Senior Notes due 2017	-	-	2,276,781	2,276,781
PLN Bonds due 2013	-	-	498,943	498,943
Accrued interest on borrowings	-	-	105,297	105,297
Non-current trade payables	-	-	18,701	18,701
Current trade payables	-	-	241,962	241,962
Derivative financial liabilities	1,724	-	-	1,724
Other liabilities and accruals*	-	-	190,568	190,568
	1,724	**-**	**3,332,252**	**3,333,976**
December 31, 2009				
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.

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

11. AVAILABLE FOR SALE FINANCIAL ASSETS

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Beginning of the period	385,101	323,204
Additions	-	27,025
Sales	(238,168)	(347,270)
Fair value change through equity	712	(668)
Interest credited to profit or loss (see Note 8)	725	5,297
Foreign exchange differences (see Note 8)	(13,635)	-
End of the period	**134,735**	**7,588**
Less: non-current portion	(7,588)	(7,588)
Current portion	**127,147**	**-**

Available for sale financial assets include:

	September 30, 2010	December 31, 2009
Securities quoted on active markets:		
- EUR Treasury bills	127,147	243,543
- EUR Bonds	-	133,970
Securities not quoted on active markets:		
- Polskie Media S.A.	7,588	7,588
	134,735	**385,101**

On September 30, 2010 the Group held the following securities quoted on active markets:

	Credit rating *	Effective interest rate	Maturity dates	Nominal value EUR	Purchase value EUR	Purchase value PLN
German EUR Treasury bills	AAA	0.57%	October 27, 2010	31,900	31,746	132,715
				31,900	**31,746**	**132,715**

* Credit rating provided by Fitch's

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, 2010 based on financial information available from the annual financial statements of Polskie Media for the year ended December 31, 2009 and industry sales multiples. The Group assessed that there is no impairment of the carrying value as of September 30, 2010. 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.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	September 30, 2010	December 31, 2009
Derivative financial liabilities		
USD foreign exchange forwards	1,724	-
	1,724	**-**

In July 2010 the Group entered into USD and EUR foreign exchange forwards in order to limit the impact of exchange rate movements on fees for broadcasting television channels and content. The hedging strategy based on USD foreign exchange forwards had in total a notional value of USD 7,000, maturity dates between August 18, 2010 and September 30, 2010 and PLN/USD foreign exchange forward rates between 3.06 and 3.07, the hedging strategy based on EUR foreign exchange forwards had in total a notional value of EUR 5,850, maturity dates between August 18, 2010 and September 30, 2010 and PLN/EUR foreign exchange forward rates between 4.01 and 4.03. The Group has designated these USD and EUR foreign exchange forwards for hedge accounting. The Group recognized a loss on realization of these foreign exchange forwards in the total amount of 552, of which 412, as an effective portion of the hedge, was recognized within fees for broadcasting television channels and content and 140, as an ineffective portion of the hedge, was recognized within finance expenses (see Note 8).

In September 2010 the Group entered into USD foreign exchange forwards in order to limit the impact of exchange rate movements on fees for broadcasting television channels and content. The hedging strategy based on USD foreign exchange forwards has in total a notional value of USD 7,540, maturity dates between October 4, 2010 and December 31, 2010 and PLN/USD foreign exchange forward rate of 3.00. The Group has designated these USD foreign exchange forwards for hedge accounting. The change in fair value of these foreign exchange forwards was recognized within finance expenses (see Note 8).

In September 2010 the Group also entered into USD foreign exchange forwards in order to limit the impact of exchange rate movements on programming rights payables. The hedging strategy based on USD foreign exchange forwards has in total a notional value of USD 23,900, maturity dates between October 22, 2010 and December 23, 2010 and PLN/USD foreign exchange forward rate of 3.00. The Group has designated these USD foreign exchange forwards for hedge accounting. The change in fair value of these foreign exchange forwards was recognized within finance expenses (see Note 8).

The fair value of foreign exchange forwards as at September 30, 2010 was based on valuations performed by the Group's banks.

Foreign exchange forwards were contracted with banks rated as follows (by Standard and Poor's):

	September 30, 2010	December 31, 2009
Derivative financial liabilities		
Bank rated AAA	1,724	-
	1,724	**-**

13. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS WITH MATURITY OVER THREE MONTHS

	September 30, 2010	December 31, 2009
Cash at bank and in hand	309,686	381,658
Restricted cash	3,483	-
	313,169	**381,658**
Bank deposits with maturity over three months	196,141	-
	196,141	**-**

Cash at bank (credit rating – Standard and Poor's)**:**

	September 30, 2010	December 31, 2009
Bank rated A-	238,940	308,812
Bank rated AAA	59,140	52,668
Banks rated BBB	15,089	20,178
	313,169	**381,658**

Bank deposits with maturity over three months (credit rating – Standard and Poor's)**:**

	September 30, 2010	December 31, 2009
Bank rated A-	165,638	-
Bank rated BBB	30,503	-
	196,141	**-**

The carrying amounts of the Group's bank deposits with maturity over three months are denominated in the following currencies:

	September 30, 2010	December 31, 2009
PLN	76,531	-
EUR	119,610	-
	196,141	**-**

14. 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 September 30, 2010 was 341,822,002 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 September 30, 2010:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Strateurop International B.V. (1) (2)	180,355,430	52.76%	180,355,430	52.76%
N-Vision B.V. (1)	3,963,095	1.16%	3,963,095	1.16%
Cadizin Trading&Investment (1)	8,131,477	2.38%	8,131,477	2.38%
ITI Impressario(1)	1,400	0.00%	1,400	0.00%
Other shareholders	149,370,600	43.70%	149,370,600	43.70%
Total	**341,822,002**	**100.00%**	**341,822,002**	**100.00%**

(1) Entities controlled by ITI Group.

(2) Strateurop International B.V. has pledged the Company's shares.

Included in the total number of shares in issue as at September 30, 2010 held by other shareholders are 346,684 shares of C1, C2, C3, E2, E3 and E4 series not registered by the Court.

During the nine months ended September 30, 2010 1,381,474 shares of C1, C2, C3, E1, E2, E3 and E4 series were issued under the stock option plan for an amount of 14,601 (in thousands).

15. BORROWINGS

	September 30, 2010	December 31, 2009
10.75% Senior Notes due 2017	2,276,781	1,589,292
Interest accrued on 10.75% Senior Notes due 2017	95,311	20,371
PLN Bonds due 2013	498,943	498,837
Interest accrued on PLN Bonds due 2013	9,986	1,639
Loans from related parties (see Note 21, 23 (iv)) *	-	544,612
	2,881,021	**2,654,751**
Less: current portion of borrowings	(105,297)	(22,010)
Non-current portion of borrowings	**2,775,724**	**2,632,741**

* 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"). The 10.75% Senior Notes due 2017 were issued at a purchase price of 98.696% for a total consideration of EUR 399,719. The total transaction costs of this issue amounted to 56,588 and mainly related to dealers commission, legal services, auditor fees and printing. The 10.75% Senior Notes due 2017 issued in November 2009 are carried at amortized cost using an effective interest rate of 12.02%.

15. BORROWINGS (CONTINUED)

As disclosed in Note 21, on March 10, 2010 the Group acquired the remaining 49% of the shares in Neovision Holding for the total consideration of EUR 188,000, consisting of 10.75% Senior Notes due 2017 and Promissory Notes.

On March 10, 2010 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued to ITI Media Group EUR 148,000 of additional 10.75% Senior Notes due 2017 as part of the purchase price for the remaining 49% equity interest in Neovision Holding. Additional 10.75% Senior Notes due 2017 were issued to ITI Media Group at a purchase price of 100.000%. The total transaction costs of this additional issue amounted to 12,565 and mainly related to dealers commission, legal services, auditor fees and printing. The 10.75% Senior Notes due 2017 issued in March 2010 are carried at amortized cost using an effective interest rate of 11.50%.

Also on March 10, 2010 the Group issued at par to ITI Media Group as a remaining part of the purchase price for the remaining 49% shares in Neovision Holding two Promissory Notes in the aggregate principal amount of EUR 40,000. The Promissory Notes had substantially similar economic terms as the 10.75% Senior Notes due 2017 and were paid into an escrow account pursuant to an escrow agreement among the Group, ITI Media Group and the Bank of New York Mellon as escrow agent, and remain in escrow as at September 30, 2010. On April 30, 2010 the Group exchanged the Promissory Notes for a like principal amount of additional 10.75% Senior Notes due 2017 issued by TVN Finance Corporation II AB, following which the Promissory Notes were cancelled. The total transaction costs of this additional issue amounted to 1,959 and related mainly to dealers commission. The 10.75% Senior Notes due 2017 issued in April 2010 are carried at amortized cost using an effective interest rate of 11.30%.

Total nominal value of 10.75% Senior Notes due 2017 issued in November 2009, March 2010 and April 2010 is EUR 593,000, they 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 Poland Holding B.V., ITI Neovision Sp. z o.o. and DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.).

The fair value of the 10.75% Senior Notes due 2017, excluding accrued interest, as at September 30, 2010 was estimated to be PLN 2,581,688 or EUR 647,526. Fair value of 10.75% Senior Notes due 2017 reflects their market price quoted by Reuters based on the last value date on September 30, 2010. The Notes are quoted on the Luxembourg Stock Exchange.

15. BORROWINGS (CONTINUED)

The following early prepayment options are included in 10.75% Senior Notes due 2017:

- the Group may redeem all or part of the 10.75% Senior Notes due 2017 on or after November 15, 2013 at a redemption price ranging from 105.375% to 100.000%
- 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 prepayment options are closely related to the economic characteristics of the host contract 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 prepayment 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 the 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 prepayment option, but did not recognize the instrument as at September 30, 2010 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 a discount rate equal to the Bund Rate plus 50 basis points (Bund rate is yield to maturity on obligations of the Federal Republic of Germany with a constant maturity where the maturity approximates the period from the redemption date to November 15, 2013 - but not shorter than a period of one year) and (ii) the outstanding principal of the 10.75% Senior Notes due 2017 on the redemption date.

The Group separated an embedded derivative with respect to this prepayment option, but did not recognize the instrument as at September 30, 2010 as it was assessed to have a negligible value due to remote probability of occurrence of such prepayment.

PLN Bonds due 2013

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 due 2013") 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.

15. BORROWINGS (CONTINUED)

On June 23, 2008 the Group completed the first issue of PLN Bonds due 2013 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 due 2013 are due for repayment on June 14, 2013. The PLN Bonds due 2013 are unsecured obligations and are governed by a number of covenants including restrictions on disposal or inadequate use of assets. The PLN Bonds due 2013 are carried at amortized cost using an effective interest rate of 6.95%.

The Group has an option to redeem all or 50% of the PLN Bonds due 2013 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 due 2013) as the option exercise price is close on each exercise date to the amortized cost of the PLN Bonds due 2013. Consequently, the Group did not separate the embedded derivative.

The fair value of the PLN Bonds due 2013, including accrued interest, as at September 30, 2010 was estimated to be 513,289 (December 31, 2009: 490,876). The PLN Bonds due 2013 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

On June 30, 2008 the Group entered into a PLN 200,000 multicurrency loan facility with Bank Pekao SA. On April 13, 2010 the Group and Bank Pekao amended and restated the loan facility agreement.

The loan facility allows the Group to borrow and issue guarantees up to a maximum aggregate amount of 200,000 at any time outstanding. The maximum aggregate amount of loans at any time outstanding amounts to 100,000.

The loan facility expires on June 30, 2011 but allows the Group to issue guarantees that expire by June 30, 2012. The loan facility bears interest at six month WIBOR, LIBOR or EURIBOR (depending on loan's currency) plus margin, which depends on the ratio of consolidated net debt to consolidated adjusted EBITDA (as defined by the loan facility agreement). The loan facility has been secured on TVN S.A.'s trade receivables up to 250,000. The loan facility is also guaranteed by Grupa Onet.pl S.A., Mango Media Sp. z o.o. and ITI Neovision Sp. z o.o. — TVN S.A.'s subsidiaries.

The Group intends to use the loan facility as a back-up facility, mainly for the purpose of guarantees.

As of September 30, 2010 the facility had been used only for the bank guarantees issued at 112,700 (total amount of facility used as of December 31, 2009: 45,097).

Guarantee agreement

On November 20, 2009, the Group 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 amounted 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. On July 21, 2010 the total amount of the guarantee was reduced to EUR 8,000.

16. OTHER LIABILITIES AND ACCRUALS

	September 30, 2010	December 31, 2009
Deferred income	60,284	46,245
Employee benefits	55,431	33,120
VAT and other taxes payable	46,089	74,063
Accrued production costs	27,393	22,984
Sales and marketing related costs	16,253	24,560
Satellites	7,417	4,846
Other liabilities and accrued costs	139,505	147,765
	352,372	**353,583**

17. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Profit for the period		30,060	141,279
Tax charge		47,842	35,299
Share options granted to board members and employees	**7**	-	16,920
Depreciation, amortization and impairment charges	**7**	178,624	131,488
Amortization of acquired programming rights and co-production	**7**	139,171	113,740
Impaired accounts receivable	**7**	11,076	6,001
Loss on sale of property, plant and equipment		153	287
Investment income and finance expense, net	**8**	169,189	93,651
Share of (profit)/ loss of associate		(282)	39,090
Gain on step acquisition		-	(110,690)
Transaction costs related to acquisition of subsidiary, expensed	**21**	-	3,273
Loss on sale of joint venture		-	1,924
Guarantee fee	**8**	(1,707)	(3,488)
Payments to acquire programming rights		(159,256)	(175,102)
Change in local production balance		(3,501)	(13,922)
Changes in working capital:			
Trade receivables		(20,633)	58,654
Prepayments and other assets		(45,152)	17,680
Trade payables		23,694	(75,916)
Other short term liabilities and accruals		1,283	35,333
		(40,808)	35,751
Cash generated from operations		**370,561**	**315,501**
Non-cash transactions			
Gain on step acquisition		-	110,690
Barter revenue/ (costs), net		855	(5,823)
Share options granted to board members and employees	**7**	-	16,920

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

18. TAXATION

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Current tax charge	(42,222)	(61,419)	(3,470)	(6,188)
Deferred tax (charge)/ credit	(5,620)	26,120	(10,836)	7,504
	(47,842)	**(35,299)**	**(14,306)**	**1,316**
Reconciliation of accounting profit to tax charge				
Profit before income tax	**77,902**	**176,578**	**75,337**	**48,536**
Income tax charge at the enacted statutory rate of 19%	(14,801)	(33,550)	(14,314)	(9,222)
Impact of tax deduction claimed and deferred in relation to operations in special economic zone	3,317	28,548	62	12,033
Impact of non-taxable gains and losses related to acquisition of non-controlling interest, net	248	-	-	-
Impact of settlement of contingent consideration	(1,832)	-	-	-
Losses carry forward on which deferred tax asset was not recognized	(32,420)	(13,310)	214	(2,162)
Impact of non-taxable gain recognized on step acquisition	-	21,031	-	-
Reversal of deferred tax assets recognized on investment in associate due to obtaining the control	-	(25,475)	-	-
Impact of non-taxable loss on elimination of loans granted to associate recognized on consolidation	-	(5,032)	-	-
Tax impact of employee share option plan costs not deductible for tax purposes (see Note 7)	-	(3,215)	-	(917)
Net tax impact of other expenses and losses not deductible for tax purposes and revenue not taxable	(2,354)	(4,296)	(268)	1,584
Tax for the period	**(47,842)**	**(35,299)**	**(14,306)**	**1,316**

Movements in deferred tax asset	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**	
Balance at beginning of period	58,111	34,515	
(Charge)/ credit to the income statement	(9,403)	10,105	*
Balance at end of period	**48,708**	**44,620**	

* includes reversal of deferred tax asset of 25,475 recognized on investment in associate due to obtaining the control

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

18. TAXATION (CONTINUED)

Movements in deferred tax liability	Nine months ended September 30, 2010	Nine months ended September 30, 2009	
Balance at beginning of period	(156,506)	(165,679)	
Acquisition of subsidiary	-	(25,975)	**
Deferred tax (charged)/ credited to equity, net	(135)	127	
Credit to the income statement	3,783	16,015	
Balance at end of period	**(152,858)**	**(175,512)**	

****** represents the deferred tax liability established provisionally on 'n' brand and fair value adjustments

On March 17, 2010 tax authorities completed the audit of certain of the Company's financial records for the 2007 financial year. The audit did not reveal any irregularities or mistakes in the Company's tax filings as of and for the year ended December 31, 2007.

19. CONTINGENCIES

The Group had a remaining contingent asset in respect of a VAT claim and interest due from the tax authorities. The Group received penalties imposed by tax authorities and interest due in 2009 following decision of the Administrative Court. However, on March 26, 2010, the Supreme Administrative Court overruled the Group's claim with respect to the VAT claim.

20. 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 September 30, 2010. These commitments are scheduled to be paid as follows:

Due in 2010	57,901
Due in 2011	318,478
Due in 2012	310,740
Due in 2013	200,760
Due in 2014	17,000
Due in 2015 and thereafter	4,278
	909,157

(ii) Total future minimum payments relating to operating lease agreements signed as at September 30, 2010:

	Related parties	Non-related parties	Total
Due in 2010	4,687	9,005	13,692
Due in 2011	17,866	17,564	35,430
Due in 2012	17,866	14,559	32,425
Due in 2013	17,866	9,824	27,690
Due in 2014	15,643	5,553	21,196
Due in 2015 and thereafter	24,781	7,956	32,737
	98,709	**64,461**	**163,170**

20. 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 September 30, 2010.

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	14,909
Due in 2011	74,095
Due in 2012	60,789
Due in 2013	60,594
Due in 2014	60,594
Due in 2015 and thereafter	160,681
	431,662

Additionally, the Group leases transmission sites and related services for an annual amount of 15,031.

(iii) Barter commitments

The Group has an outstanding commitment of service to broadcast advertising of 3,914 to settle sundry amounts payable recorded as of September 30, 2010 (2,984 at December 31, 2009). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at September 30, 2010, the Group assumed contractual commitments of 86,347 to acquire property, plant and equipment and intangible assets (65,604 at December 31, 2009).

As at September 30, 2010, the Group assumed contractual commitment of 5,162 to pay IT license fees (nil at December 31, 2009).

Additionally the Group has undertaken to invest 215,782 in the special economic zone in Kraków by December 31, 2013 and 2017. As at September 30, 2010 the remaining commitment amounted to 111,645 and should be fulfilled by December 31, 2013.

21. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N"

Acquisition of associate

In 2008 the Group acquired 25% of the share capital plus 1 share of Neovision Holding from ITI Media Group, an entity under common control.

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.

21. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

Acquisition of control on March 11, 2009

On March 11, 2009, the Group increased its direct ownership interest in Neovision Holding and its indirect ownership interest in ITI Neovision to, in aggregate, 51% of the 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. As a result, the Group obtained control over Neovision Holding Group.

The transaction agreement provided that the Group would pay ITI Media Group a supplemental payment, subject to a EUR 60,000 limit, if and to the extent that ITI Neovision meets certain operating targets in 2010.

The Group has accounted for the acquisition of Neovision Holding using the purchase accounting method under IFRS 3 (revised). The goodwill of 724,957 arising from the acquisition is attributable to the future operating cash-flows from the digital platform.

Details of the purchase price allocation following the acquisition of control over Neovision Holding Group on March 11, 2009 were disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2009.

The Group recognized a gain on the step acquisition of 122,359 which was preliminary estimated in the interim condensed consolidated financial statements as of and for the three and nine months ended September 30, 2009 in the amount of 110,690. Gain on the step acquisition resulted from measuring at fair value the Group's 25% equity investment in Neovision Holding held before the business combination. The gain on the step acquisition is disclosed separately in the Group's interim condensed consolidated income statement as of and for the three and nine months ended September 30, 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 would acquire the remaining 49% of the shares in Neovision Holding. The acquisition of the remaining 49% of the shares in Neovision Holding was completed on March 10, 2010. The transaction also involved the settlement of certain shareholder loans owed by Neovision Holding, ITI Neovision and Cyfrowy Dom, as borrowers to ITI Media Group, Strateurop, and N-Vision, as lenders, and the cancellation of contingent consideration owed by the Group to ITI Media Group. The purchase price for the transaction was EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction through the issuance of an EUR 148,000 aggregate principal amount of 10.75% Senior Notes due 2017 and the remaining EUR 40,000 was paid by the issuance of two Promissory Notes in the principal amount of EUR 40,000 in the aggregate into an escrow account pursuant to an escrow agreement between the Group, ITI Media Group and The Bank of New York Mellon as escrow agent. On April 30, 2010 the Group exchanged the Promissory Notes for like principal amount of 10.75% Senior Notes due 2017, following which the Promissory Notes were cancelled.

The completion of the share purchase agreement was conditional upon the fulfillment of a number of conditions, in particular, on obtaining the consent of the banks lending to ITI Group. The conditions were not fulfilled on December 31, 2009, therefore the non-controlling interest as at December 31, 2009 was not derecognized. The Group derecognized the non-controlling interest as of March 10, 2010 with completion of the transaction.

21. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

Following the acquisition of the remaining non-controlling interest in Neovision Holding Group and remaining shareholder loans from ITI Media Group and its affiliates, the Group derecognized loans from related parties with total carrying amount of 524,967, contingent consideration with the carrying amount of 75,150 and financial liability related to acquisition of non-controlling interest with the carrying amount of 126,750. As a result the Group recognized a loss on the settlement of liabilities due to the acquisition of the non-controlling interest in the amount of PLN 3,268 (see Note 4 (iv) and 8).

The direct costs related to the acquisition of the non-controlling interest amounted to 6,859, included mainly legal and professional consulting fees and were recorded in equity.

As a result of the acquisition of the non-controlling interest the Company is, through DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding), the sole shareholder of ITI Neovision and the sole creditor of the digital satellite pay television 'n' under shareholder loans.

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.

22. GROUP COMPANIES

These interim condensed consolidated financial statements as at September 30, 2010 comprised the Company and the following subsidiaries (the Group), joint ventures and associates:

	Country of incorporation	September 30, 2010 Ownership %	December 31, 2009 Ownership %
Grupa Onet.pl S.A.	Poland	100	100
DreamLab Onet.pl 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	100	96
TVN Finance Corporation plc in members' voluntary liquidation	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	99	99
DTH Poland Holding Coöperatief U.A. *	The Netherlands	100	51
ITI Neovision Sp. z o.o.	Poland	100	51
Cyfrowy Dom Sp. z o.o.	Poland	100	51
Neovision UK Ltd	UK	100	51
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (joint venture)	UK	45	23
Polskie Badania Internetu Sp. z o.o.	Poland	20	20

* Formerly Neovision Holding B.V. By April 30, 2010 Neovision Holding B.V. and Neovision Holding II B.V. were merged into DTH Poland Holding Coöperatief U.A.

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

23. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
ITI Group	5,182	9,140	2,194	810
MGM Channel Poland	4,598	3,379	1,553	1,344
Poland Media Properties	13	17	2	6
ITI Neovision *	-	8,065	-	-
	9,793	**20,601**	**3,749**	**2,160**

* 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 21).

Revenue from the ITI Group, MGM Channel Poland and ITI Neovision includes mainly revenue from the exploitation of film rights, license fees, production, broadcasting and technical services rendered and services of broadcasting advertising, net of commissions. Poland Media Properties is controlled by certain shareholders and executive directors of the ITI Group.

(ii) Operating expenses:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
ITI Group	34,771	22,583	11,008	3,283
MGM Channel Poland	9,043	6,645	3,054	6,645
Poland Media Properties	3,654	2,861	1,224	1,365
ITI Neovision *	-	1,493	-	-
	47,468	**33,582**	**15,286**	**11,293**

* 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 21).

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:

	September 30, 2010	December 31, 2009
Receivables:		
MGM Channel Poland	22,641	17,406
ITI Group	2,846	6,148
	25,487	**23,554**

23. RELATED PARTY TRANSACTIONS (CONTINUED)

	September 30, 2010	December 31, 2009
Payables:		
MGM Channel Poland	22,927	18,095
ITI Group	17,212	2,750
Poland Media Properties	-	71
	40,139	**20,916**

(iv) Non-current loans from related parties

	September 30, 2010	December 31, 2009
Loans from Strateurop *	-	323,589
Loans from N-Vision *	-	221,000
Loans from ITI Media Group *	-	23
	-	**544,612**

* Including accrued interest.

Loans from related parties were settled in the transactions disclosed in Note 21.

(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 20 for further details.

(vii) Other

ITI Holdings has provided guarantees in the amount of USD 11,000 to Warner Bros. International Television Distribution, USD 4,000 to DreamWorks, USD 8,812 to Universal Studios International, USD 4,003 to MGM in respect of programming rights purchased and broadcasted by the Group and EUR 1,900 to Eutelsat in respect of rental of satellite capacity (expired September 14, 2010). During the nine months ended September 30, 2010, the Group recorded finance costs relating to ITI Holdings guarantees of 1,604 (during the nine months ended September 30, 2009: 3,381) and during the three months ended September, 2010 535 (during the three months ended September 30, 2009: 1,190).

On March 10, 2010 the Group completed the acquisition of the remaining 49% of the shares in the Neovision Holding from ITI Media Group (see Note 21). The purchase price for the transaction was EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction and the remaining EUR 40,000 was paid into an escrow account (see Note 21).

24. 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)

	Nine months ended September 30, 2010		Nine months ended September 30, 2009	
	Weighted average exercise price	**Outstanding options**	**Weighted average exercise price**	**Outstanding options**
At 1 January	PLN 10.80	**12,562,495**	PLN 10.79	**12,644,716**
Exercised	PLN 10.57	(1,381,474)	PLN 9.56	(23,850)
At 30 September	PLN 10.83	**11,181,021**	PLN 10.80	**12,620,866**

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	311,060	PLN 8.66	Vested
C2	1,302,974	PLN 9.58	Vested
C3	2,852,168	PLN 10.58	Vested
	4,466,202		

Series	Number of options	Exercise price	Service vesting period
E1	213,955	PLN 8.66	Vested
E2	275,360	PLN 9.58	Vested
E3	1,301,266	PLN 10.58	Vested
E4	4,924,238	PLN 11.68	Vested
	6,714,819		

The TVN Incentive Schemes expire on December 31, 2014.

Between October 1, 2010 and the date when these financial statements were prepared 55,912 (not in thousands) of C2, C3, E3 and E4 series options were exercised and as a result 55,912 (not in thousands) new ordinary shares were issued.

25. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	PLN Exchange Rate to EUR
September 30, 2010	2.9250	3.9870
December 31, 2009	2.8503	4.1082
September 30, 2009	2.8852	4.2226

The movement in the consumer price index for the nine months ended September 30, 2010 amounted to 2.1% (nine months ended September 30, 2009: 3.1%).

MANAGEMENT REPRESENTATIONS

These interim condensed separate financial statements of TVN S.A. (the “Company”) as of and for the three and nine months ended September 30, 2010, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed separate financial statements of TVN S.A. as of and for the three and nine months ended September 30, 2010 include: interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate balance sheet, interim condensed separate statement of changes in shareholders’ equity, interim condensed separate cash flow statement and notes to the interim condensed separate financial statements.

These interim condensed separate financial statements were authorized for issuance by the Management Board of TVN S.A. October 25, 2010.

Markus Tellenbach President of the Board	Piotr Walter Vice-President of the Board
Jan Łukasz Wejchert Vice-President of the Board	John Driscoll Member of the Board

Warsaw, October 25, 2010

TVN S.A.

Interim Condensed Separate Financial Statements
As of and for the three and nine months ended September 30, 2010

TVN S.A.

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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 the 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, 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 pay 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: OnetVOD, 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
- Romano Fanconi
- Paweł Gricuk
- Paweł Kosmala (resigned September 29, 2010)
- Paul H. Lorenz (appointed September 30, 2010)
- Wiesław Rozłucki
- Andrzej Rybicki
- Aldona Wejchert
- Gabriel Wujek

4. Management Board

- Markus Tellenbach, President
- Piotr Walter, Vice-President
- Jan Łukasz Wejchert, Vice-President
- John Driscoll (appointed May 14, 2010)
- Rafał Wyszomierski (resigned May 14, 2010)

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 in members' voluntary liquidation
  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
- DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.)
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- Neovision UK Ltd.
  5 New Street Square
  London EC4A 3TW, UK

8. Subsidiaries (continued)

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

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. Associates

- Polskie Badania Internetu Sp. z o.o.
  Al. Jerozolimskie 65/79
  00-697 Warszawa

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

	Note	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Revenue	5	1,137,068	1,073,318	325,824	281,069
Cost of revenue	6	(606,005)	(590,485)	(191,787)	(177,493)
Selling expenses	6	(82,491)	(67,601)	(36,139)	(24,501)
General and administration expenses	6	(97,830)	(81,332)	(32,504)	(25,842)
Other operating income/ (expense), net	6	853	(2,250)	(248)	437
Operating profit		**351,595**	**331,650**	**65,146**	**53,670**
Investment income/ (expense), net	7	56,411	41,042	(16,385)	(23,221)
Finance (expense)/income, net	7	(191,248)	(159,162)	14,041	26,207
Profit before income tax		**216,758**	**213,530**	**62,802**	**56,656**
Income tax charge	19	(45,931)	(44,808)	(13,312)	(11,674)
Profit for the period		**170,827**	**168,722**	**49,490**	**44,982**
Earnings per share (not in thousands)					
- basic	8	0.50	0.49	0.14	0.13
- diluted	8	0.49	0.49	0.14	0.13

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

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

	Note	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Profit for the period		**170,827**	**168,722**	**49,490**	**44,982**
Other comprehensive income:					
Available-for-sale assets	**12**	712	6,209	(58)	13,196
Income tax relating to components of other comprehensive income		(135)	(1,181)	(11)	(2,508)
Other comprehensive income/ (expense) for the period, net of tax		577	5,028	(47)	10,688
Total comprehensive income for the period		**171,404**	**173,750**	**49,443**	**55,670**

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

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

	Note	As at September 30, 2010	As at December 31, 2009
ASSETS			
Non-current assets			
Property, plant and equipment		216,032	227,837
Goodwill		144,127	144,127
Other intangible assets		20,582	20,965
Non-current programming rights		145,872	158,582
Investments in subsidiaries and joint ventures	**9, 10**	2,086,664	1,929,029
Available-for-sale financial assets	**12**	7,255	137,916
Non-current related party loans	**22 (v)**	1,472,821	656,801
Deferred tax asset	**19**	8,642	16,112
Other non-current assets		4,959	4,865
		4,106,954	**3,296,234**
Current assets			
Current programming rights		253,110	208,144
Trade receivables		268,432	302,188
Available-for-sale financial assets	**12**	127,147	246,852
Prepayments and other assets		29,127	27,174
Bank deposits with maturity over three months	**14**	119,610	-
Cash and cash equivalents	**14**	275,899	290,585
		1,073,325	**1,074,943**
TOTAL ASSETS		**5,180,279**	**4,371,177**
EQUITY			
Shareholders' equity			
Share capital	**15**	68,364	68,088
Share premium		633,153	607,054
8% obligatory reserve		23,301	23,301
Other reserves		116,247	127,600
Accumulated profit		1,069,947	1,004,928
		1,911,012	**1,830,971**
LIABILITIES			
Non-current liabilities			
Loans from related parties	**16, 22 (iii)**	2,283,830	1,594,967
PLN Bonds due 2013	**16**	498,943	498,837
Non-current trade payables		16,264	8,671
Contingent consideration	**10**	-	78,397
Other non-current liabilities		1,713	1,491
		2,800,750	**2,182,363**
Current liabilities			
Current trade payables		135,211	112,983
Corporate income tax payable		9,728	14,154
Accrued interest on borrowings	**16, 22 (iii)**	115,663	24,214
Derivative financial liabilities	**13**	1,315	-
Other liabilities and accruals	**17**	206,600	206,492
		468,517	**357,843**
Total liabilities		**3,269,267**	**2,540,206**
TOTAL EQUITY AND LIABILITIES		**5,180,279**	**4,371,177**

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

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

	Number of shares (not in thousands)	Share capital	Share Premium	Treasury shares	8% obligatory reserve	Other reserves- employee share option plan [1]	Other reserves- other changes	Accumulated profit	Shareholders' equity
Balance at January 1, 2009	**349,515,414**	**69,903**	**605,805**	**(37,428)**	**23,152**	**107,163**	**(8,933)**	**878,612**	**1,638,274**
Total comprehensive income for the period	-	-	-	-	-	-	5,028	168,722	173,750
Issue of shares [2]	23,850	5	429	-	-	(179)	-	-	255
Purchase of treasury shares	-	-	-	(62,572)	-	-	-	-	(62,572)
Dividend declared and paid	-	-	-	-	-	-	-	(194,005)	(194,005)
Redemption of treasury shares	(9,157,107)	(1,832)	-	100,000	-	-	-	(98,168)	-
Dividend cost	-	-	-	-	-	-	-	(20)	(20)
Cost of share options plan	-	-	(105)	-	-	-	-	-	(105)
Share option plan charge for the period [1]	-	-	-	-	-	16,818	-	-	16,818
Appropriation of 2008 profit – transfer to 8% obligatory reserve	-	-	-	-	149	-	-	(149)	-
Balance at September 30, 2009	**340,382,157**	**68,076**	**606,129**	**-**	**23,301**	**123,802**	**(3,905)**	**754,992**	**1,572,395**

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

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

	Number of shares (not in thousands)	Share capital	Share Premium	8% obligatory reserve	Other reserves- employee share option plan [1]	Other reserves- other changes	Accumulated Profit	Shareholders' equity
Balance at January 1, 2010	**340,440,528**	**68,088**	**607,054**	**23,301**	**128,169**	**(569)**	**1,004,928**	**1,830,971**
Total comprehensive income for the period	-	-	-	-	-	577	170,827	171,404
Issue of shares [2]	1,381,474	276	26,189	-	(11,930)	-	-	14,535
Share issue cost	-	-	(90)	-	-	-	-	(90)
Dividend declared and paid [3]	-	-	-	-	-	-	(105,788)	(105,788)
Dividend cost	-	-	-	-	-	-	(20)	(20)
Balance at September 30, 2010	**341,822,002**	**68,364**	**633,153**	**23,301**	**116,239**	**8**	**1,069,947**	**1,911,012**

(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. (See Note 23)

(2) During the nine months ended September 30, 2010 1,381,474 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes.

(3) The dividend declared and paid in 2010 amounted to 0.31 per share (not in thousands).

Included in accumulated profit as of September 30, 2010 is an amount of 1,068,117 being the accumulated profit of TVN S.A. on a stand-alone basis which is distributable. The 10.75% Senior Notes due 2017 impose certain restrictions on payment of dividends.

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

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

	Note	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Operating activities			
Cash generated from operations	**18**	405,891	381,421
Tax paid		(42,606)	(90,531)
Net cash generated from operating activities		**363,285**	**290,890**
Investing activities			
Increase of share capital of joint venture		-	(75)
Investment in subsidiaries		(6,663)	-
Payments to acquire property, plant and equipment		(29,121)	(27,538)
Proceeds from sale of property, plant and equipment		6,523	319
Payments to acquire intangible assets		(6,730)	(9,998)
Sale of available for sales financial assets	**12**	238,168	282,870
Bank deposits with maturity over three months		(120,243)	-
Loans granted to subsidiary	**22 (v)**	(255,033)	(365,962)
Repayment of loans		12,254	1,438
Settlement of foreign exchange options		-	9,864
Dividend received		-	1,878
Interest received		8,295	7,814
Net cash used in investing activities		**(152,550)**	**(99,390)**
Financing activities			
Issue of shares, net of issue cost	**15**	14,505	150
Share buyback, including expenses related		-	(62,572)
Dividend paid *		(105,808)	(194,025)
Cost of issuance of TVN Finance Corporation II AB loan		(13,228)	-
Early settlement of options		-	101,014
Overdraft facility		-	(48,723)
Interest paid		(126,100)	(83,895)
Net cash used in financing activities		**(230,631)**	**(288,051)**
Decrease in cash and cash equivalents		**(19,896)**	**(96,551)**
Cash and cash equivalents at the start of the period		290,585	124,523
Effects of exchange rates changes		5,210	(4,662)
Cash and cash equivalents at the end of the period		**275,899**	**23,310**

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

1. TVN

These interim condensed separate financial statements were authorized for issuance by the Management Board and Audit Committee of the Supervisory Board of TVN S.A. on October 25, 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 Company wholly owns the following subsidiaries: Grupa Onet.pl S.A., Tivien Sp. z o.o., TVN Finance Corporation plc in members' voluntary liquidation, TVN Finance Corporation II AB, Grupa Onet Poland Holding B.V., El-Trade Sp. z o.o., Thema Film Sp. z o.o., NTL Radomsko Sp. z o.o., Mango Media Sp. z o.o. and through Grupa Onet.pl S.A.: DreamLab Sp. z o. o., Media Entertainment Ventures International Limited and SunWeb Sp. z o.o. The Company also holds directly and through its subsidiaries in total 5.438% of the voting interest and 6.76% of the share capital of Polskie Media S.A. The investments in subsidiaries are recognized as non-current assets. The investment in Polskie Media is recognized as an available-for-sale investment under non-current assets.

On March 11, 2009, following the transaction agreement with ITI Media Group N.V. ("ITI Media Group"), the Company increased its direct ownership interest in Neovision Holding B.V. ("Neovision Holding") and its indirect ownership interest in ITI Neovision Sp. z o.o. ("ITI Neovision") to, in aggregate, 51% of company's shares and a corresponding pro-rata interest in the shareholders' loans granted to Neovision Holding Group. ITI Neovision owns and operates the 'n' digital satellite television in Poland.

Up to March 11, 2009 the Company had classified its investment in Neovision Holding as an investment in an associate. Starting from March 11, 2009 the Company classified this investment as investment in subsidiary (see Note 10). The agreement was completed on March 31, 2009.

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").

On March 10, 2010 the Company completed the acquisition from ITI Media Group of the remaining shares in Neovision Holding. The total transaction price amounted to EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction through the issuance of EUR 148,000 aggregate principal amount of 10.75% Senior Notes due 2017. The 10.75% Senior Notes due 2017 were issued to ITI Media Group by TVN Finance Corporation II AB, the Company's wholly owned subsidiary, under the same indenture pursuant to which the Senior Notes were issued by TVN Finance Corporation II AB in November 2009. On the issue of EUR 148,000 of 10.75% Senior Notes due 2017 the Company and TVN Finance Corporation II AB entered into a loan agreement for the total principal amount of EUR 148,000. The remaining EUR 40,000 of the transaction price was paid by the Company through the issuance of two promissory notes ("Promissory Notes") in the principal amount of EUR 40,000 in the aggregate which were paid into an escrow account. After completion of the transaction the Company directly owns 100% of the shares in Neovision Holding and indirectly 100% of the shares in ITI Neovision.

1. TVN (CONTINUED)

As part of the transaction settlement, the Company granted loans to Neovision Holding Group companies at the aggregate amount of EUR 135,172. These loans settled Neovision Holding Group shareholder loans liabilities toward ITI Media Group and its affiliates and set-off ITI Media Group's payment liability for the subscription of 10.75% Senior Notes due 2017 issued within the transaction. As a result, the Company holds all of the shareholder loans made to the Neovision Holding Group companies. As part of the transaction and within the transaction price the Company's obligation to pay contingent supplemental payment amount arising under the transaction agreement concluded on March 31, 2009 between ITI Media Group, Neovision Holding and the Company was settled. The acquisition of the remaining shares in Neovision Holding did not involve cash transfers between the Company, its subsidiaries and ITI Media Group (see Note 10). On April 30, 2010 the Company exchanged the Promissory Notes for a like principal amount of 10.75% Senior Notes due 2017 issued by TVN Finance Corporation II AB, following which the Promissory Notes were cancelled. On the issue of EUR 40,000 of 10.75% Senior Notes due 2017 the Company and TVN Finance Corporation II AB entered into a loan agreement for the total principal amount of EUR 40,000.

On April 13, 2010 the Company amended and restated the loan facility agreement with Bank Pekao (see Note 16).

On April 30, 2010 the Company completed the transformation of the legal form of Neovision Holding, its wholly owned subsidiary, into DTH Poland Holding Coöperatief U.A.

The Company believes that all of its material operations are part of the television broadcast service segment and it currently reports as a single business segment. Additionally, all of the Company's operations and assets are based in Poland. Therefore, no other geographic information has been included.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed separate financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed separate financial statements as of and for the three and nine months ended September 30, 2010 are consistent with those used in the separate financial statements as of and for the year ended December 31, 2009 except for new accounting policies described below and standards and interpretations which became effective January 1, 2010.

In 2010 the Company adopted:

(i) IFRS Improvements 2009

The International Accounting Standards Board issued "IFRS Improvements", which amends 12 standards. The amendments include changes in scope, presentation, recognition and valuation and include terminology and editorial changes. The Company adopted the changes in accordance with the transition provisions, the changes did not have significant impact on Company's separate financial statements.

(ii) Amendments to IFRS 2 Company Cash-settled Share-based Payment Transactions

The amendments 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 did not affect the Company's separate financial statements.

(iii) Amendments to IFRS 1 Additional Exemptions for First-time Adopters

The amendments did not affect the Company's separate financial statements.

(iv) Amendments to IAS 39: Financial Instruments: Recognition and Measurement: Eligible Hedged Items

The amendments provide additional guidance on what can be designated as a hedged item. The amendments did not affect the Company's separate financial statements.

(v) IFRIC 17 – Distributions of Non-cash Assets to Owners

The interpretation 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 fair value of the dividend paid and the carrying amount of the net assets distributed in profit or loss. The interpretation did not affect the Company's separate financial statements.

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

The Company's separate and consolidated financial statements for the year ended December 31, 2009 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. 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 separate financial statements that are mandatory for accounting periods beginning on or after January 1, 2011. The Company’s assessment of the impact of these new standards and interpretations is set out below.

(i) Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

The amendment was published on January 28, 2010. It applies for annual periods beginning on or after July 1, 2010. The amendment will not affect the Company’s separate financial statements.

(ii) IFRS Improvements 2010

On May 6, 2010 the International Accounting Standards Board issued “IFRS Improvements”, which amend six standards and one interpretation. The amendments include changes in scope, presentation, disclosure, recognition and valuation and include terminology and editorial changes. The majority of the amendments are effective from annual periods starting on January 1, 2011, but some changes are effective for annual periods beginning on or after July 1, 2010. The amendment will not affect the Company’s financial statements.

(iii) Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The amendments were published on October 7, 2010 and they amended the required disclosures related to transfers of financial assets. The amendments apply for annual periods beginning on or after July 1, 2011. The amendments will not affect the Group’s consolidated financial statements.

Additionally, the following standards, amendments and IFRIC Interpretations are applicable in the future and were discussed in the Company’s separate financial statements for the year ended December 31, 2009:

- *Amendment to IAS 32 Classification of Rights Issues – applicable for annual periods beginning on or after February 1, 2010*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – applicable for annual periods beginning on or after July 1, 2010*
- *Revised IAS 24 Related Party Disclosures – applicable for annual periods beginning on or after January 1, 2011*
- *Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement – applicable for annual periods beginning on or after January 1, 2011*
- *IFRS 9 Financial Instruments – applicable for annual periods beginning on or after January 1, 2013*

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 9 Financial Instruments*
- *IFRS Improvements 2010*
- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

The following organizational units within the Company's financial department participate in the risk management process: risk committee, liquidity management team, risk management team, financial planning and analyzing team and accounting and reporting team. The risk committee is composed of the Board Member responsible for the Group's financial reporting and heads of the teams within the Company's financial department. The risk committee meets monthly and based on an analysis of financial risks recommends financial risk management strategy, which is approved by the Management Board. The Supervisory Board approves risk exposure limits and is consulted prior to the execution of hedging transactions. The financial planning and analysis team measure and identify financial risk exposure based on information reported by operating units generating that exposure. The liquidity management team performs analysis of the Company's risk factors, forecasts the Company's cash flows and market and macroeconomic conditions and proposes cost-effective hedging strategies. The accounting and reporting team monitors the accounting implications of hedging strategies and verifies the settlement of the transactions.

(i) Market risk

Market risk related to bonds issued by the subsidiary

On November 19, 2009 the Company, via its subsidiary TVN Finance Corporation II AB, issued EUR 405,000 of 10.75% Senior Notes due 2017, which are listed on the Luxembourg Stock Exchange. On March 10, 2010, as part of the acquisition of the remaining shares in Neovision Holding, the Company, via TVN Finance Corporation II AB, issued additional EUR 148,000 of 10.75% Senior Notes due 2017. On April 30, 2010 additional EUR 40,000 was issued in exchange for Promissory Notes that were issued as part of the acquisition of the remaining interest in Neovision Holding. The Company does not recognize early prepayment options embedded in 10.75% Senior Notes due 2017 (see Note 4 (i)) and therefore the Company is not exposed to price risk in relation to embedded derivative instruments.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Company's revenue is primarily denominated in Polish złoty. Foreign exchange risk arises mainly from the Company's liabilities in respect of the loans from related parties and the Company's assets in respect of loans to subsidiaries, cash and cash equivalents, bank deposits with maturity over three months and available-for-sale financial assets, all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Other assets, liabilities and costs are predominantly denominated in PLN.

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

The estimated net profit (post-tax) impact on balances as of September 30, 2010 and September 30, 2009 of a reasonably possible EUR appreciation of 5% against the złoty,with all other variables held constant and without taking into account any derivative financial instruments entered into for hedging purposes on EUR denominated items in the balance sheet amounts to 26,467 and is presented below:

	Nine months ended September 30, 2010	**Nine months ended September 30, 2009**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
11.90% loans from subsidiary due 2017 including accrued interest	(100,027)	-
9.65% loan from subsidiary due 2013 including accrued interest	-	(41,566)
Contingent consideration	-	(9,265)
Trade payables	(205)	(397)
Other	(719)	(238)
Assets:		
Loans to subsidiaries	59,118	24,981
Bank deposits with maturity over three months	4,844	-
Cash and cash equivalents	5,153	44
Available for sale financial assets	5,149	3,455
Trade receivables	220	116

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated net profit (post-tax) impact on balances as of September 30, 2010 and September 30, 2009 of a reasonably possible USD appreciation of 5% against the złoty,with all other variables held constant, and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to 3,334 and is presented below:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Assumed USD appreciation against PLN:	5%	5%
Liabilities:		
Trade payables	(3,529)	(2,862)
Assets:		
Cash and cash equivalents	7	642
Trade receivables	188	175

The net profit impact of possible foreign currency fluctuations is partially limited by derivative instruments entered into by the Group. Details of currency forward contracts which the Company had on September 30, 2010 are discussed in Note 13.

Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing items are the 11.90% loans from related party due 2017, PLN Bonds (see Note 16), loans to subsidiaries and available-for-sale financial assets.

As 11.90% loans from related party due 2017 are at a fixed interest rate, the Company is exposed to fair value interest rate risk in this respect. Since 11.90% loans from related party due 2017 are carried at amortised cost, the changes in fair value of these instruments do not have direct impact on valuation of 11.90% loans from related party due 2017 in the balance sheet.

PLN Bonds with a nominal value of 500,000 were issued by the Company on June 23, 2008 and are at a variable interest rate linked to WIBOR and therefore expose the Company to interest rate risk. At September 30, 2010, if WIBOR interest rates had been 50 basis points. higher/lower with all other variables held constant, post-tax profit for the period would have been 599 lower/higher.

As the loans to subsidiaries are at a fixed annual interest rate the Company is exposed to fair value interest rate risk in this respect. Since the loans to subsidiaries 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.

As of September 30, 2010 the Company had EUR denominated available-for-sale financial assets at carrying value of 127,147 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 basis points higher/lower, as at September 30, 2010, fair value reserve in equity would have been 38 lower/higher. Details of available-for-sale financial assets held by the Company are disclosed in Note 12.

The Company did not consider cost effective use of financial instruments to hedge or otherwise seek to reduce interest rate or cash flow risk as of September 30, 2010.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk

Financial assets, which potentially expose the Company to concentration of credit risk, consist principally of trade receivables, related party receivables and loans granted to subsidiaries. The Company places its cash and cash equivalents, bank deposits with maturity over three months and available-for-sale financial assets with financial institutions that the Company believes are credit worthy based on current credit ratings (see Note 12 and 14). The Company expects that loans granted to subsidiaries will be repaid from future cash flows of the controlled entities (see Note 22 (v)). Loans granted to subsidiaries mature in general in 2015 or later. The Company does not consider its current concentration of credit risk as significant.

The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Clients with poor or no history of payments with the Company, with low value committed spending or assessed by the Company as not credit worthy are required to pay before the service is rendered. Credit is granted to customers with a good history of payments and significant spending who are assessed credits worthy based on internal or external ratings. The Company performs ongoing evaluations of the market segments focusing on their liquidity and creditworthiness and the Company's credit policy is appropriately adjusted to reflect current and expected economic conditions.

The Company defines credit exposure as total outstanding receivables (including overdue balances) and monitors the exposure regularly on an individual basis by paying counterparty. The majority of the Company's sales are made through advertising agencies 65% of the total trade receivables as of September 30, 2010 who manage advertising campaigns for advertisers and pay the Company once payment has been received from the customer. The Company's top ten advertisers account for 21% and the single largest advertiser accounted for 4% of sales for the nine months ended September 30, 2010.

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

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

Trade receivables (net)	**September 30, 2010**	**December 31, 2009**
Receivables from advertising agencies	65%	56%
Receivables from individual customers	18%	18%
Receivables from related parties	17%	26%
	100%	**100%**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables (net)	September 30, 2010	December 31, 2009*
Agency A	8%	6%
Agency B	7%	10%
Agency C	6%	6%
Agency D	6%	5%
Agency E	6%	6%
Sub-total	**33%**	**33%**
Total other counterparties	67%	67%
	100%	**100%**

* 2009 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 Company's total trade receivables is presented below:

Trade receivables (net)	September 30, 2010	December 31, 2009*
Agency Group F	19%	14%
Agency Group G	18%	18%
Agency Group H	11%	9%
Agency Group I	6%	8%
Agency Group J	4%	3%
Sub-total	**58%**	**52%**
Total other counterparties	42%	48%
	100%	**100%**

* 2009 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 reporting date from non-performance by the Company's customers as at September 30, 2010.

(iii) Liquidity risk

The Company maintains sufficient cash to meet its obligations as they become due. Management monitors regularly expected cash flows. The Company expects that its principal future cash needs will be capital and financing expenditures relating to dividends, capital investment in television and broadcasting facilities and equipment, debt service of PLN Bonds and through its subsidiary of 10.75% Senior Notes due 2017, the launch of new thematic channels and investment in its subsidiaries The Company believes that its cash balances, bank deposits with maturity over three months, easily marketable available-for-sale financial assets and cash generated from operations will be sufficient to fund these needs. However, if the operating cash flows of the Company are negatively affected by an economic slow-down or clients' financial difficulties the Company will review its cash needs to ensure that its existing obligations can be met for the foreseeable future. As at September 30, 2010 the Company had cash and cash equivalents, bank deposits with maturity over three months, easily marketable available-for-sale financial assets and unutilized credit facility totaling 609,956 at its disposal (cash and cash equivalents, easily marketable available-for-sale financial assets and unutilized credit facility of 823,001 at December 31, 2009).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Within 1 year	Between 1-2 years	Above 2 years
At September 30, 2010			
11.90% loans from subsidiary due 2017	281,350	281,350	3,911,716
9.95% loan from subsidiary due 2013	563	563	6,419
PLN Bonds	33,750	33,842	533,750
Trade payables	135,211	16,264	-
Other liabilities and accruals	110,343	20	-
Guarantees **	76,729	-	-
	637,946	**332,039**	**4,451,885**
At December 31, 2009			
11.90% loan from subsidiary due 2017	195,795	197,995	2,851,789
9.95% loan from subsidiary due 2013	585	585	6,969
PLN Bonds	35,200	35,200	552,848
Trade payables	112,983	8,671	-
Contingent consideration *	-	79,830	-
Other liabilities and accruals	106,859	-	-
Guarantees **	36,818	65,731	-
	488,240	**388,012**	**3,411,606**

* Derecognized on March 10, 2010 with completion of acquisition of the remaining interest in subsidiary (see Note 10). As at December 31, 2009 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 would not be finalized).

** For details see Note 22 (viii)

3.2 Capital risk management

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

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

The Company monitors capital on the basis of the net debt to EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 16) payable at the reporting date including accrued interest and bank guarantees issued on Company's behalf less cash and cash equivalents, bank deposits with maturity over three months and easily marketable 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 and reversals on property plant and equipment and intangible assets, finance expense, investment income and income tax charge.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

	September 30, 2010	December 31, 2009
Net debt	2,607,691	1,636,562
EBITDA	769,047	753,867
Net debt/EBITDA ratio	3.4	2.2

The Company's strategy is to maintain its net debt/EBITDA ratio at a level around 4.0.

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 Company 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 which are not quoted on the market is determined using industry multiples and the most recent available financial information about the investment. The fair value of currency options and forwards is determined based on valuations performed by the Company'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.

Following fair value measurements were used with respect to financial instruments:

- quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1"),
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) ("Level 2"),
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) ("Level 3").

	Level 1	Level 2	Level 3	Total
At September 30, 2010				
Assets				
Available-for-sale financial assets				
EUR Treasury bills	127,147	-	-	127,147
Polskie Media S.A.	-	-	7,255	7,255
	127,147	**-**	**7, 255**	**134,402**
At December 31, 2009				
Assets				
Available-for-sale financial assets				
EUR Bonds	133,970	-	-	133,970
EUR Treasury bills	243,543	-	-	243,543
Polskie Media S.A.	-	-	7,255	7,255
	377,513	**-**	**7,255**	**384,768**
Liabilities				
Contingent consideration	-	-	78,397	78,397
	-	**-**	**78,397**	**78,397**

The carrying value of EUR Treasury bills is based on prices provided by Reuters. The carrying value of foreign exchange forwards is based on valuations performed by the Company's banks.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Consideration of the current economic environment

The global liquidity crisis which commenced in the middle of 2007 which resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times higher inter-bank lending rates and stock market volatility has abated somewhat. Nevertheless, the continuing albeit milder effects of the liquidity crisis, as well as the recent sovereign debt crisis in a few European countries, continue to contribute to somewhat unstable, and at times volatile financial markets.

Management remains unable to reliably estimate the effects on the Company's financial position of further deterioration in the liquidity of the financial markets and increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's businesses under the current circumstances.

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

(i) Fair valuation of the embedded prepayment options

Following the issue by TVN Finance Corporation II AB, the Company's subsidiary, of the 10.75% Senior Notes due 2017 in November 2009, March 2010 and April 2010 the subsidiary granted to the Company loans in the aggregate principal amount of EUR 593,000, with interest of 11.90% and maturing on November 15, 2017. The loans are repayable in the event that the principal amount of the 10.75% Senior Notes due 2017 is due and payable prior to their stated maturity. The 10.75% Senior Notes due 2017 have certain early repayment options. The Company controls TVN Finance II AB and would decide on the exercise of the option. Accordingly, the Company in substance controls the early repayment options included in the 10.75% Senior Notes due 2017 issued by the wholly owned subsidiary.

Following early repayment options are included in 10.75% Senior Notes due 2017 that were issued by the Company through its subsidiary:

- the Company 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 Company, 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 the 10.75% Senior Notes due 2017 will have the right to require the Company 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 Company 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%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Senior Notes due 2017. Consequently, the Company did not separate the embedded derivatives related to the above early repayment options.

In addition, prior to November 15, 2012, the Company 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 Company separated an embedded derivative with respect to this repayment option, but did not recognize the instrument as at September 30, 2010 as it was assessed to have a negligible value due to remote probability of occurrence the related of events.

In addition, at any time prior to November 15, 2013, the Company has also an option to redeem 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 a discount rate equal to the Bund Rate plus 50 basis points (Bund rate is yield to maturity on obligations of the Federal Republic of Germany with a constant maturity where the maturity approximates the period from the redemption date to November 15, 2013 - but not shorter than a period of one year) and (ii) the outstanding principal of the 10.75% Senior Notes due 2017 on the redemption date.

The Company separated an embedded derivative with respect to this repayment option, but did not recognize the instrument as at September 30, 2010 as it was assessed to have a negligible value due to remote probability of occurrence the related of events.

(ii) Estimated impairment of investment in on-line subsidiaries

The Company tests annually whether investment in subsidiaries has suffered any impairment. The Company tests the total aggregate carrying amount of investment in Grupa Onet Poland Holding and Grupa Onet.pl. During the year the Company monitors investment in subsidiaries against impairment indicators through the review of actual financial and operating results of Grupa Onet.pl. As of September 30, 2010 the Company assessed that the operating and financial results of Grupa Onet.pl do not indicate impairment of investment in on-line subsidiaries.

(iii) Estimated impairment of investment in digital satellite pay television

The Company tests annually whether the investment in Neovision Holding has suffered any impairment. During the year the Company monitors investment in subsidiaries against impairment indicators through the review of actual financial and operating results of ITI Neovision. As of September 30, 2010 the Company assessed that the operating and financial results of ITI Neovision do not indicate impairment of the digital satellite pay television.

5. REVENUE

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Revenue from advertising spot sales	836,967	776,872	224,639	198,593
Subscription fees	134,480	133,061	44,655	41,278
Revenue from sponsoring	95,876	90,420	28,937	20,199
Revenue from sales of goods and services	24,826	19,116	8,787	5,518
Other revenue	44,919	53,849	18,806	15,481
	1,137,068	**1,073,318**	**325,824**	**281,069**

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

Included in revenues for the nine months ended September 30, 2010 are revenues from related parties in the amount of 49,880 (nine months ended September 30, 2009: 50,909) and for the three months ended September 30, 2010 of 16,184 (three months ended September 30, 2009: 11,957) (see Note 22 (i)).

6. OPERATING EXPENSES

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Amortization of locally produced content	296,133	294,157	92,846	87,712
Amortization of acquired programming rights and co-production	99,904	91,185	31,677	29,157
Staff expenses	119,470	93,608	36,989	28,456
Share options granted to board members and employees	-	15,588	-	4,997
Depreciation, amortization and impairment charges	46,311	51,076	15,507	16,861
Royalties	43,119	40,931	12,353	10,679
Marketing and research	45,432	37,824	23,653	14,384
Broadcasting expenses	32,511	34,924	11,147	10,047
Rental	28,002	27,128	9,490	9,206
Cost of services and goods sold	11,922	8,619	3,699	2,142
Impaired accounts receivable	2,583	(1,042)	2,041	371
Other	60,086	47,670	21,276	13,387
	785,473	**741,668**	**260,678**	**227,399**

Included in the above operating expenses are operating lease expenses for the nine months ended September 30, 2010 of 70,839 (nine months ended September 30, 2009: 73,414) and for the three months ended September 30, 2010 of 24,258 (three months ended September 30, 2009: 22,617). Amortization of locally produced content for the nine months ended September 30, 2010 has been reduced by grants received in the total amount of 730 (nine months ended September 30, 2009: 1,238) and for the three months ended September 30, 2010 of 76 (three months ended September 30, 2009: 655).

7. INVESTMENT INCOME AND FINANCE EXPENSE

Investment income/ (expense) net	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**
Fair value gains/losses on financial instruments:				
- foreign exchange options - settlement of instrument	-	*24,069*	-	*2,655*
- foreign exchange options not designated as hedging instruments	-	*(20,089)*	-	*(7,680)*
- foreign exchange forward (see Note 14)	-	*(933)*	-	*(933)*
	-	3,047	-	(5,958)
Foreign exchange (losses)/ gains, net	(14,077)	(12,099)	(46,574)	(29,694)
Foreign exchange losses on available for sale financial assets (see Note 12)	(13,635)	951	(5,054)	(4,838)
Interest income on loans to related parties	76,820	32,747	31,245	12,888
Interest income from available for sale financial assets (see Note 12)	725	11,203	303	2,063
Dividend income	-	1,878	-	1,878
Other interest income	6,578	3,315	3,695	440
	56,411	**41,042**	**(16,385)**	**(23,221)**
Finance expense/ (income), net				
Foreign exchange losses/(gains) on loans from related party	(31,939)	11,744	(95,791)	(58,514)
Foreign exchange losses on Promissory Notes	1,357	-	-	-
Foreign exchange gains on contingent consideration	(4,315)	(20,036)	-	(13,084)
Fair value losses/ (gains) on financial instruments:				
- foreign exchange forwards – fair value hedges (see Note 13)	*1,315*	-	*1,315*	-
- foreign exchange options– fair value hedges	-	*126,121*	-	-
- foreign exchange options –settlement of instrument	-	*(101,014)*	-	-
	1,315	25,107	1,315	-
Interest expense on 11.90% loans from related party (see Note 22 (iii))	196,848	-	72,853	-
Interest expense on 9.65% loan from related party (see Note 22(iii))	-	84,347	-	26,553
Interest expense on Promissory Notes (see Note 16)	2,326	-	-	-
Interest expense on PLN Bonds (see Note 16)	26,004	32,393	8,570	9,294
Interest expense on loan facility and overdraft (see Note 16)	-	5,656	-	1,726
Unwinding of interest on contingent consideration	1,069	12,352	-	5,098
Income from guarantee fees from related parties (see Note 22 (viii))	(9,479)	-	(3,658)	-
Guarantee fees to related parties (see Note 22 (viii))	4,212	5,736	1,404	2,338
Bank charges	3,850	1,863	1,266	382
	191,248	**159,162**	**(14,041)**	**(26,207)**

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

8. BASIC AND DILUTED EARNINGS PER SHARE (NOT IN THOUSANDS)

Basic

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the period, less the weighted average effect of Treasury Shares.

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Profit for the period (in thousands)	170,827	168,722	49,490	44,982
Weighted average number of ordinary shares in issue	341,016,368	341,541,891	341,495,659	340,364,963
Basic earnings per share	**0.50**	**0.49**	**0.14**	**0.13**

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of potential ordinary shares: share options.

8. BASIC AND DILUTED EARNINGS PER SHARE (NOT IN THOUSANDS) (CONTINUED)

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.

	Nine months ended September 30, 2010	**Nine months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2009**
Profit for the period (in thousands)	170,827	168,722	49,490	44,982
Weighted average number of ordinary shares in issue	341,016,368	341,541,891	341,495,659	340,364,963
Adjustment for share options	4,236,962	770,337	4,324,582	1,965,911
Weighted average number of potential ordinary shares for diluted earnings per share	345,253,330	342,312,228	345,820,241	342,330,874
Diluted earnings per share	**0.49**	**0.49**	**0.14**	**0.13**

9. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	September 30, 2010	December 31, 2009
Grupa Onet Poland Holding B.V.	1,102,500	1,102,500
DTH Poland Holding Coöperatief U.A. (5)	647,184	494,558
Grupa Onet.pl S.A.	271,874	271,874
Mango Media Sp. z o.o.	54,861	49,862
TVN Finance Corporation plc in members' voluntary liquidation	6,572	6,572
NTL Radomsko Sp. z o.o.	2,800	2,800
Polski Operator Telewizyjny Sp. z o.o.	400	400
TVN Finance Corporation II AB	209	209
El-Trade Sp. z o.o.	156	156
Thema Film Sp. z o.o.	58	48
Tivien Sp. z o.o.	50	50
Total	**2,086,664**	**1,929,029**

	Country of incorporation	September 30,2010 Ownership %	December 31, 2009 Ownership %
Grupa Onet Poland Holding B.V.	The Netherlands	100	100
Grupa Onet.pl S.A. (1)	Poland	100	100
Mango Media Sp. z o.o.	Poland	100	100
TVN Finance Corporation plc in members' voluntary liquidation	UK	100	100
TVN Finance Corporation II AB	Sweden	100	100
NTL Radomsko Sp. z o.o.	Poland	100	100
El-Trade Sp. z o.o.	Poland	100	100
Tivien Sp. z o.o.	Poland	100	100
Thema Film Sp. z o.o.	Poland	100	96
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
Media Entertainment Ventures Int Ltd (2)	Malta	99	99
DreamLab Onet.pl Sp. z o.o. (2)	Poland	100	100
SunWeb Sp. z o.o. (2)	Poland	100	100
DTH Poland Holding Coöperatief U.A. (5)	The Netherlands	100	51
ITI Neovision Sp. z o.o. (3)	Poland	100	51
Cyfrowy Dom Sp. z o.o. (3) (6)	Poland	100	51
Neovision UK Ltd (3)	UK	100	51
MGM Chanel Poland Ltd (4)	UK	45	23

(1) Owned directly by the Company and indirectly through GOPH B.V.
(2) Owned indirectly through Grupa Onet.pl S.A.
(3) Owned indirectly through DTH Poland Holding Coöperatief U.A.
(4) Joint venture through DTH Poland Holding Coöperatief U.A.
(5) Formerly Neovision Holding B.V. By April 30, 2010 Neovision Holding B.V. and Neovision Holding II B.V. were merged into DTH Poland Holding Coöperatief U.A.
6) On July 20, 2010 ITI Neovision acquired the remaining 1% of the share capital of Cyfrowy Dom.

10. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N"

Investment in subsidiary	Nine months ended September 30, 2010	Year ended December 31, 2009
Beginning of the period	494,558	214,432
Investment in Neovision Holding *	151,044	272,663
Other direct costs	1,582	7,463
End of the period	**647,184**	**494,558**

* the amount includes excess of nominal value of loans extended in the period over their fair value.

Loans receivable from subsidiary	Nine months ended September 30, 2010	Year ended December 31, 2009
Beginning of the period	560,541	179,138
Loans extended during the period **	753,297	380,165
Repayment of loans	(8,548)	-
Other direct costs	5,277	5,872
Interest accrued	73,431	38,459
Foreign exchange gains / (losses)	(3,320)	(43,093)
End of the period	**1,380,678**	**560,541**

** the value of loans extended includes fair value adjustments on loans at their inception date. Total nominal value of loans extended in 2010 amounted to 774,251. The excess of nominal value of loans extended over their fair value was recognized as an investment in subsidiary. The amount includes the aggregate amount of EUR 135,172 being loans granted by the Company to Neovision Holding Group as part of the settlement of the acquisition of the remaining 49% of the shares in Neovision Holding. The total cash outflow in the nine months ended September 30, 2010 related to the loans granted to Neovision Holding Group amounted to 255,033 (including other direct costs of 5,277).

Acquisition of associate

In 2008 the Company acquired 25% of the share capital plus 1 share of Neovision Holding from ITI Media Group, an entity under common control.

Before March 11, 2009 the Company had significant influence on, but not control over ITI Neovision operations. Accordingly, the investment was classified as an investment in associate and was recognized at cost. In the separate financial statements the total investment was split between investment in an associate and loans receivable from an associate.

Acquisition of control on March 11, 2009

On March 11, 2009, the Company increased 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 46,200. As a result, the Company obtained control over Neovision Holding Group and starting from March 11, 2009 the Company classifies this investment as investment in subsidiary. The agreement was completed on March 31, 2009.

The transaction agreement provided that the Company would pay ITI Media Group a supplemental payment, subject to a EUR 60,000 limit, if and to the extent that ITI Neovision meets certain operating targets in 2010.

10. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

Acquisition of non-controlling interest in subsidiary

On December 10, 2009 the Company concluded the share purchase agreement with ITI Media Group, under which the Company would acquire remaining 49% of the shares in Neovision Holding. The completion of the share purchase agreement was conditional upon the fulfillment of a number of conditions, in particular, on obtaining the consent of the banks lending to ITI Group. The conditions were not fulfilled on December 31, 2009.

The acquisition of the remaining 49% of the shares in Neovision Holding was completed on March 10, 2010. The purchase price for the transaction was EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction through the issuance by TVN Finance Corporation II AB, the Company's subsidiary, of an EUR 148,000 aggregate principal amount of 10.75% Senior Notes due 2017. On the issue of EUR 148,000 of 10.75% Senior Notes due 2017 the Company and TVN Finance Corporation II AB entered into a loan agreement for the total principal amount of EUR 148,000. The remaining EUR 40,000 was paid by the issuance by the Company of two Promissory Notes in the principal amount of EUR 40,000 in the aggregate into an escrow account pursuant to an escrow agreement between the Company, ITI Media Group and The Bank of New York Mellon as escrow agent, and remains in escrow as at September 30, 2010. On April 30, 2010 the Company exchanged the Promissory Notes for like principal amount of 10.75% Senior Notes due 2017 issued by TVN Finance Corporation II AB, following which the Promissory Notes were cancelled. On the issue of EUR 40,000 of 10.75% Senior Notes due 2017 the Company and TVN Finance Corporation II AB entered into a loan agreement for the total principal amount of EUR 40,000.

The transaction also involved the settlement of certain shareholder loans owed by Neovision Holding, ITI Neovision and Cyfrowy Dom, as borrowers to ITI Media Group, Strateurop, and N-Vision, as lenders, and the settlement of a contingent supplemental payment owed by the Company to ITI Media Group.

As part of the transaction settlement and within the transaction price, the Company granted loans to Neovision Holding Group companies at the aggregate amount of EUR 135,172. The aggregate amount of the loans was determined as the total of nominal values of loans from ITI Media Group and its related companies to Neovision Holding Group and interest due at March 10, 2010. These loans settled Neovision Holding Group shareholder loans liability towards ITI Media Group and set-off ITI Media group's payment liability for the subscription of 10.75% Senior Notes due 2017 issued in the transaction.

The acquisition of the remaining shares in Neovision Holding, including settlement of shareholder loans, did not involve cash transfers between the Company, its subsidiaries and ITI Media Group.

As a result of executing the acquisition of the remaining non-controlling interest in Neovision Holding Group the Company's obligation to pay contingent supplemental payment amount arising under the transaction agreement concluded on March 31, 2009 between ITI Media Group, Neovision Holding and the Company was settled and accordingly the Company derecognized contingent consideration with the carrying amount of 75,150.

As a result of the acquisition of the remaining non-controlling interest in the subsidiary the Company is, through Neovision Holding, the sole shareholder of ITI Neovision and the sole creditor of the digital satellite pay television 'n' under shareholder loans.

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.

11. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	Loans and receivables	Financial assets available-for-sale	Total
September 30, 2010			
Available-for-sale financial assets	-	134,402	134,402
Non-current related party loans	1,472,821	-	1,472,821
Trade receivables	268,432	-	268,432
Bank deposits with maturity over three months	119,610	-	119,610
Cash and cash equivalents	275,899	-	275,899
	2,136,762	**134,402**	**2,271,164**
December 31, 2009			
Available-for-sale financial assets	-	384,768	384,768
Non-current related party loans	656,801	-	656,801
Trade receivables	302,188	-	302,188
Cash and cash equivalents	290,585	-	290,585
	1,249,574	**384,768**	**1,634,342**

Liabilities as per balance sheet	Derivatives used for hedging	Liabilities at fair value through profit and loss	Other financial liabilities	Total
September 30, 2010				
Loans from related parties	-	-	2,283,830	2,283,830
PLN Bonds due 2013	-	-	498,943	498,943
Accrued interest on borrowings	-	-	115,663	115,663
Non-current trade payables	-	-	16,264	16,264
Current trade payables	-	-	135,211	135,211
Derivative financial liabilities	1,315	-	-	1,315
Other liabilities and accruals*	-	-	110,345	110,345
	1,315	**-**	**3,160,256**	**3,161,571**
December 31, 2009				
Loans from related parties	-	-	1,594,967	1,594,967
PLN Bonds due 2013	-	-	498,837	498,837
Accrued interest on borrowings	-	-	24,214	24,214
Non-current trade payables	-	-	8,671	8,671
Current trade payables	-	-	112,983	112,983
Contingent consideration	-	78,397	-	78,397
Other liabilities and accruals*	-	-	106,859	106,859
	-	**78,397**	**2,346,531**	**2,424,928**

* This amount excludes following items which are not financial liabilities: VAT and other taxes payable, employee benefits, deferred income.

12. AVAILABLE FOR SALE FINANCIAL ASSETS

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Beginning of the period	384,768	356,501
Sales	(238,168)	(282,870)
Fair value change through equity	712	6,209
Interest credited to profit or loss (see Note 7)	725	11,203
Interest income received	-	(4,239)
Foreign exchange differences (see Note 7)	(13,635)	951
End of the period	**134,402**	**87,755**
Less: non-current portion	(7,255)	(87,755)
Current portion	**127,147**	**-**

Available for sale financial assets include:

	September 30, 2010	December 31, 2009
Securities quoted on active markets:		
- EUR treasury bills	127,147	243,543
- EUR bonds	-	133,970
Securities not quoted on active markets:	-	-
- Polskie Media S.A.	7,255	7,255
Total	**134,402**	**384,768**

On September 30, 2010 the Company held the following securities quoted on active markets:

	Credit rating*	Effective interest rate	Maturity dates	Nominal value EUR	Purchase value EUR	Purchase value PLN
German EUR Treasury bills	AAA	0.57%	October 27, 2010	31,900	31,746	132,715
				31,900	**31,746**	**132,715**

* Credit rating provided by Fitch's

The Company 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 Company does not have any significant influence over the financial and operating policies of Polskie Media S.A. ("Polskie Media"). The Company estimated the fair value of its investment in Polskie Media as at September 30, 2010 based on financial information available from the annual financial statements of Polskie Media for the year ended December 31, 2009 and industry sales multiples. The Company assessed that there is no impairment of the carrying value as of September 30, 2010. During the period the Company monitors audience share of Polskie Media for impairment indicators. The Company's share in Polskie Media is 5.438% of the current voting interest and 6.76% of the share capital.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	September 30, 2010	December 31, 2009
Derivative financial liabilities		
USD foreign exchange forwards	1,315	-
	1,315	**-**

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

In September 2010 the Company entered into USD foreign exchange forwards in order to limit the impact of exchange rate movements on programming rights payables. The hedging strategy based on USD foreign exchange forwards has in total a notional value of USD 23,900, maturity dates between October 22, 2010 and December 23, 2010 and PLN/USD foreign exchange forward rate of 3.00. The Company has designated these USD foreign exchange forwards for hedge accounting. The change in fair value of these foreign exchange forwards was recognized within finance expenses (see Note 7).

The fair value of foreign exchange forwards as at September 30, 2010 was based on valuations performed by the Group's banks.
Foreign exchange forwards were contracted with banks rated as follows (by Standard and Poor's):

	September 30, 2010	December 31, 2009
Derivative financial liabilities		
Bank rated AAA	1,315	-
	1,315	**-**

14. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS WITH MATURITY OVER THREE MONTHS

	September 30, 2010	December 31, 2009
Cash at bank and in hand	275,899	290,585
	275,899	**290,585**
Bank deposits with maturity over three months	119,610	-
	119,610	**-**

Cash at bank (credit rating – Standard and Poor's)**:**

	September 30, 2010	December 31, 2009
Bank rated AAA	46,261	14
Bank rated A-	229,182	290,117
Banks rated BBB	456	454
	275,899	**290,585**

Bank deposits with maturity over three months (credit rating – Standard and Poor's)**:**

	September 30, 2010	December 31, 2009
Bank rated A-	119,610	-
	119,610	**-**

The carrying amounts of the Group's bank deposits with maturity over three months are denominated in the following currencies:

	September 30, 2010	December 31, 2009
EUR	119,610	-
	119,610	**-**

15. 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 September 30, 2010 was 341,822,002 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 September 30, 2010:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Strateurop International B.V. (1) (2)	180,355,430	52.76%	180,355,430	52.76%
N-Vision B.V. (1)	3,963,095	1.16%	3,963,095	1.16%
Cadizin Trading&Investment (1)	8,131,477	2.38%	8,131,477	2.38%
ITI Impressario(1)	1,400	0.00%	1,400	0.00%
Other shareholders	149,370,600	43.70%	149,370,600	43,70%
Total	**341,822,002**	**100.00%**	**341,822,002**	**100.00%**

(1) Entities controlled by ITI Group.

(2) Strateurop International B.V. has pledged the Company's shares.

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

Included in the total number of shares in issue as at September 30, 2010 held by other shareholders are 346,684 shares of C1,C2, C3, E2, E3 and E4 series not registered by the Court.

During the nine months ended September 30, 2010 1,381,474 shares of C1, C2, C3, E1, E3 and E4 series were issued under the stock option plan for an amount of 14,601 (in thousands).

16. BORROWINGS

	September 30, 2010	December 31, 2009
Loans from related parties (see Note 22 (iii))	2,283,830	1,594,967
Interest accrued on loans from related parties	105,677	22,575
PLN Bonds due 2013	498,943	498,837
Interest accrued on PLN Bonds due 2013	9,986	1,639
	2,898,436	**2,118,018**
Less: current portion of borrowings	(115,663)	(24,214)
Non-current portion of borrowings	**2,782,773**	**2,093,804**

PLN Bonds

On May 26, 2008 the Company 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 Company 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 Company 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 PLN Bonds are carried at amortized cost using an effective interest rate of 6.95%.

The Company 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 Company 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 Company did not separate the embedded derivative.

The fair value of the PLN Bonds, including accrued interest, as at September 30, 2010 was estimated to be 513,289 (December 31, 2009: 490,876). 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

On June 30, 2008 the Company entered into a PLN 200,000 multicurrency loan facility with Bank Pekao SA. On April 13, 2010 the Company and Bank Pekao amended and restated the loan facility agreement.

The loan facility allows the Company to borrow and issue guarantees up to a maximum aggregate amount of 200,000 at any time outstanding. The maximum aggregate amount of loans at any time outstanding amounts to 100,000.

16. BORROWINGS (CONTINUED)

The loan facility expires on June 30, 2011 but allows the Company to issue guarantees that expire by June 30, 2012. The loan facility bears interest at six month WIBOR, LIBOR or EURIBOR (depending on loan's currency) plus margin, which depends on the ratio of consolidated net debt to consolidated adjusted EBITDA (as defined by the loan facility agreement). The loan facility has been secured on TVN S.A.'s trade receivables up to 250,000. The loan facility is also guaranteed by Grupa Onet.pl S.A., Mango Media Sp. z o.o. and ITI Neovision Sp. z o.o. — TVN S.A.'s subsidiaries.

The Company intends to use the loan facility as a back-up facility, mainly for the purpose of guarantees.

As of September 30, 2010 the facility had been used only for the bank guarantees issued at 112,700 (total amount of facility used as of December 31, 2009: 45,097).

Guarantee agreement

On November 20, 2009, the Company 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. On July 21, 2010 the total amount of the guarantee was reduced to EUR 8,000.

17. OTHER LIABILITIES AND ACCRUALS

	September 30, 2010	December 31, 2009
Employee benefits	44,611	26,512
VAT and other taxes payable	37,890	63,646
Deferred income	13,754	9,475
Accrued production costs	11,679	9.390
Satellites	3,548	3,164
Sales and marketing related costs	5,990	3,664
Other liabilities and accrued costs	89,128	90,641
	206,600	**206,492**

18. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Net profit		170,827	168,722
Tax charge		45,931	44,809
Share options granted to board members and employees	**6**	-	15,414
Depreciation, amortization and impairment	**6**	46,311	51,076
Amortization of program rights and co-production	**6**	99,904	91,185
Payments to acquire programming rights		(123,261)	(90,755)
Impaired accounts receivable	**6**	2,583	(1,042)
(Gain)/ loss on disposal of property, plant and equipment		(599)	293
Investment income and finance expense, net	**7**	134,837	118,120
Guarantee fee paid		(1,566)	(3,893)
Change in local production balance		(4,294)	(16,989)
Loss on sale of joint venture		-	5
Changes in working capital:			
Trade receivables		31,174	19,653
Other receivables		(9,130)	(9)
Trade payables		16,568	9,686
Other short term liabilities and accruals		(3,394)	(24,854)
		35,218	4,476
Cash generated from operations		**405.891**	**381,421**

Non-cash transactions

Barter (cost)/revenue, net		(1,422)	3,146
Share options granted to board members and employees	**6**	-	16,818

19. TAXATION

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
Current tax charge	(38,596)	(58,206)	(1,982)	(5,510)
Deferred tax (charge)/credit	(7,335)	13,398	(11,330)	(6,164)
	(45,931)	**(44,808)**	**(13,312)**	**(11,674)**
Reconciliation of accounting profit to tax charge				
Profit before income tax	216,758	213,530	62,802	56,656
Income tax benefit/(charge) at the enacted statutory rate of 19%	(41,184)	(40,571)	(11,932)	(10,765)
Tax impact of employee share option plan costs not deductible for tax purposes	-	(2,929)	-	(917)
Impact of settlement of contingent consideration	(1,832)	-	-	-
Net tax impact of other net expenses not deductible for tax purposes	(2,915)	(1,308)	(1,380)	8
Tax for the period	**(45,931)**	**(44,808)**	**(13,312)**	**(11,674)**

On March 17, 2010 tax authorities completed audit of certain of the Company's financial records for the 2007 financial year. The audit did not reveal any irregularities or mistakes in the Company's tax filings as of and for the year ended December 31, 2007.

20. CONTINGENCIES

The Company had a remaining contingent asset in respect of a VAT claim and interest due from the tax authorities. The Company received penalties imposed by tax authorities and interest due in 2009 following decision of the Administrative Court. However, on March 26, 2010, the Supreme Administrative Court overruled the Company's claim with respect to the VAT claim.

21. COMMITMENTS

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

(i) Commitments to acquire programming

The Company has outstanding contractual payment commitments in relation to programming as of September 30, 2010. These commitments are scheduled to be paid as follows:

	Total
Due in 2010	39,622
Due in 2011	165,183
Due in 2012	207,369
Due in 2013	188,650
Due in 2014	17,000
Due in 2015 and thereafter	4,278
	622,102

21. COMMITMENTS (CONTINUED)

(ii) Total future minimum payments relating to operating lease agreements signed as at September 30, 2010:

	Related parties	Non-related parties	Total
Due in 2010	3,452	4,269	7,721
Due in 2011	12,927	14,411	27,338
Due in 2012	12,927	12,095	25,022
Due in 2013	12,927	7,360	20,287
Due in 2014	12,880	3,090	15,970
Due in 2015 and thereafter	21,111	5,492	26,603
	76,224	**46,717**	**122,941**

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"). Commitments in foreign currencies were calculated using exchange rates as at September 30, 2010.

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

In addition to the lease agreements disclosed above, the Company has agreements with third parties for the provision of satellite capacity. Under these agreements the Company is obliged to pay annual fees. These commitments are scheduled to be paid as follows:

	Total
Due in 2010	3,548
Due in 2011	33,070
Due in 2012	30,495
Due in 2013	30,301
Due in 2014	30,301
Due in 2015 and thereafter	105,128
	232,843

Additionally, the Company leases transmission sites and related services for an annual amount of 15,031.

(iii) Barter commitments

The Company has an outstanding commitment of service to broadcast advertising of 1,437 to settle sundry amounts payable recorded as of September 30, 2010 (1,016 at December 31, 2009). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at September 30, 2010, the Company assumed contractual commitments of 1,712 to acquire property, plant and equipment and intangible assets (423 at December 31, 2009).

22. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
ITI Neovision *	31,917	28,478	10,641	8,321
Grupa Onet Poland Holding	8,278	7,788	2,680	1,153
Mango Media	6,828	6,720	1,601	2,088
ITI Group	2,729	7,780	1,231	347
El-Trade	92	92	31	31
Tivien	34	34	11	11
Poland Media Properties	-	17	-	6
TVN Finance Corporation plc in members' voluntary liquidation	2	-	-	-
	49,880	**50,909**	**16,195**	**11,957**

* ITI Neovision was an associate of the Company from June 25, 2008 and subsidiary of the Company from March 11, 2009 (see Note 10).

Revenue from ITI Neovision includes mainly revenue from license fees, production and technical services.

Additionally the Company recognized revenue of 3,116 for the nine months ended September 30, 2010 (nine months ended September 30, 2009: 4,595) and for the three months ended September 30, 2010 387 (three months ended September 30, 2009: 1,867) from advertising services rendered for ITI Neovision through advertising agencies.

Revenue from Grupa Onet Poland Holding includes mainly revenue from sale of airtime, production and technical services.

Revenue from Mango Media includes mainly revenue from sale of airtime and satellite transmissions.

Revenue from ITI Group includes mainly revenue from the exploitation of film rights, license fees, production and technical services rendered and services of broadcasting advertising, net of commissions. Poland Media Properties is controlled by certain shareholders and executive directors of the ITI Group.

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Operating expenses:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2009
ITI Group	29,796	19,627	9,285	6,075
Grupa Onet Poland Holding Group	12,132	9,399	5,078	2,223
Tivien	10,758	9,156	3,886	2,754
ITI Neovision *	1,489	2,219	466	1,066
Poland Media Properties	1,531	1,283	516	659
NTL Radomsko	1,049	1,045	352	348
El-Trade	324	491	103	144
Mango Media	(49)	-	(100)	-
Polski Operator Telewizyjny	-	241	-	-
	57,030	**43,461**	**19,586**	**13,269**

* ITI Neovision was an associate of the Company from June 25, 2008 and a subsidiary of the Company from March 11, 2009 (see Note 10).

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 Grupa Onet Poland Holding include mainly marketing and production services.

Operating expenses from Tivien comprise technical and production services.

Operating expenses from ITI Neovision include mainly technical and production services.

Operating expenses from Poland Media Properties comprise rent of office premises. Poland Media Properties is controlled by certain shareholders and executive directors of the ITI Group.

(iii) Loans from related parties

	September 30, 2010	December 31, 2009
Loans from TVN Finance Corporation II AB	2,278,033	1,589,170
Loan from TVN Finance Corporation plc in members' voluntary liquidation	5,797	5,797
Interest accrued	105,677	22,575
	2,389,507	**1,617,542**

As of December 31, 2009 the Company had a loan from TVN Finance Corporation II AB with the nominal of EUR 405,000, bearing interest at 11.90% p.a. and due for repayment on November 15, 2017. Interest on this loan is paid semi-annually. The loan is carried at amortized cost using an effective interest rate of 13.25%.

22. RELATED PARTY TRANSACTIONS (CONTINUED)

On March 10, 2010, as part of the purchase price for acquisition by the Company of non-controlling interest in Neovision Holding (see Note 10), TVN Finance Corporation II AB, the Company's subsidiary, issued to ITI Media Group and its affiliates additional 10.75% Senior Notes due 2017 in the aggregate principal amount of EUR 148,000. Following the issue of 10.75% Senior Notes due 2017, TVN Finance Corporation II AB granted to the Company a loan with the nominal of EUR 148,000, bearing interest at 11.90% p.a. and due for repayment on November 15, 2017. Interest on this loan is paid semi-annually. The total costs getting of the loan by the Company amounted to 12,433, including commission for granting the loan in the amount of 7,185 and other direct costs in the amount of 5,248. The loan is carried at amortized cost using an effective interest rate of 12.73%.

On April 30, 2010 the Company exchanged the Promissory Notes (see Note 10) for like principal amount of 10.75% Senior Notes due 2017 issued by TVN Finance Corporation II AB, following which the Promissory Notes were cancelled. On the issue of EUR 40,000 of 10.75% Senior Notes due 2017 the Company and TVN Finance Corporation II AB entered into a loan agreement for the total principal amount of EUR 40,000, bearing interest at 11.90% p.a. and due for repayment on November 15, 2017. Interest on this loan is paid semi-annually. The total costs getting of the loan by the Company amounted to 1,959, including mainly commission for granting the loan. The loan is carried at amortized cost using an effective interest rate of 12.53%.

The total nominal value of loans granted by TVN Finance Corporation II AB following the issue of 10.75% Senior Notes due 2017 in November 2009, March and April 2010 is EUR 593,000.

The loan from TVN Finance Corporation plc bears interest at 9.95% p.a. and due for repayment on December 15, 2013. Interest is paid semi-annually.

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

	September 30, 2010	December 31, 2009
Receivables:		
ITI Neovision Group	38,374	68,135
Grupa Onet Poland Holding	2,059	2,471
Mango Media	3,997	1,270
ITI Group	1,448	5,412
	45,878	**77,288**
Payables:		
ITI Group	15,344	685
Grupa Onet Poland Holding	5,567	1,265
Tivien	594	277
NTL-Radomsko	123	-
Poland Media Properties	-	71
El-Trade	21	22
	21,649	**2,320**

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(v) Related party loans

	September 30, 2010	December 31, 2009
ITI Neovision	1,222,988	419,558
DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.)	157,690	140,983
Grupa Onet Poland Holding	91,150	90,894
Thema Film	499	477
TVN Finance Corporation II AB	446	-
El-Trade	48	45
Mango Media	-	4,844
Non-current portion	**1,472,821**	**656,801**

22. RELATED PARTY TRANSACTIONS (CONTINUED)

The loans to Grupa Onet Poland Holding consists mainly of the loan for a principal amount of EUR 16,886, bears interest of 5.67% per annum, due for repayment on December 31, 2016. Further loans are for the total amount of 160, bears interest of 7.98% per annum and EUR 28, bears interest of 5.67% per annum.

On September 30, 2010 the following loans were receivable from Neovision Holding Group:

Nominal value (EUR)		Effective interest rate	Maturity dates	Carrying value	Fair value
ITI Neovision					
4,532		10.31%	April 5, 2011	22,075	22,093
5,666		10.31%	July 19, 2011	27,602	27,621
8,180	*	10.39%	June 30, 2015	34,695	36,166
7,055		9.52%	June 30, 2015	30,756	30,831
2,034		9.49%	June 30, 2015	8,760	8,736
2,354		9.53%	June 30, 2015	10,064	10,055
10,146		9.29%	June 30, 2015	43,548	42,996
2,081		9.88%	June 30, 2015	8,824	8,955
12,110		11.34%	June 30, 2015	46,131	50,320
21,115		9.37%	December 31, 2015	90,407	89,983
25,073		9.73%	December 31, 2015	110,288	111,417
6,796		10.75%	June 30, 2015	29,125	27,961
8,058		10.75%	June 30, 2015	34,228	32,965
5,748		10.75%	June 30, 2015	24,400	23,507
24,063		10.75%	June 30, 2015	101,238	98,184
133,158	**	8.71%	June 30, 2017	540,127	533,142
1,375		10,75%	June 30, 2015	5,634	5,634
12,020		10,75%	June 30, 2017	49,140	49,140
4,444		10,75%	June 30, 2017	17,882	17,882
				1,234,924	**1,227,588**
DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.)					
25,096		9.52%	December 31, 2015	106,927	107,250
8,957		9.37%	December 31, 2015	38,344	38,172
45	**	10.75%	December 31, 2014	483	483
				145,754	**145,905**
				1,380,678	**1,373,493**

* Aggregate of loans granted in the period between July 15, 2008 and December 9, 2008.

** Loans granted as part of the transaction settlement for the acquisition of the remaining 49% of shares in Neovision Holding (see Note 10).

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(vi) Other non-current assets

Other non current assets include a rental deposit paid to ITI Group in the amount of 1,981.

(vii) Lease commitments with related parties

See Note 21 (ii) for further details.

(viii) Other

On March 10, 2010 the Company completed the acquisition of the remaining 49% of the shares in the Neovision Holding from ITI Media Group (see Note 10). The purchase price for the transaction was EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction and the remaining EUR 40,000 was paid into an escrow account (see Note 16).

ITI Holdings has provided guarantees in the amount of USD 11,000 to Warner Bros. International Television Distribution, USD 4,000 to DreamWorks and USD 8,812 to Universal Studios International in respect of programming rights purchased and broadcasted by the Company. During the nine months ended September 30, 2010, the Company recorded finance costs relating to ITI Holdings guarantees of 1,175 (during the nine months ended September 30, 2009: 2,768) and during the three months ended September, 2010 392 (during the three months ended September 30, 2009: 923)

Additionally during the nine months ended September 30, 2010 the Company recorded the cost of 1,013 from Grupa Onet, 1,013 from Mango Media and 1,013 from ITI Neovision relating to the guarantees provided (during the nine months ended September 30, 2009: Grupa Onet 2,135, Mango Media 608 and ITI Neovision 225) and during the three months ended September 30, 2010 338 from Grupa Onet, 338 from Mango Media and 338 from ITI Neovision (during the three months ended September 30, 2009: Grupa Onet 853, Mango Media 338 and ITI Neovison 225).

As of September 30, 2010 the Company's banks issued bank guarantees in the total amount of 144,596 (including bank guarantees issued under loan facility in the amount of 50,528, see Note 16) on the Company's behalf relating to the liabilities of ITI Neovision.

As of September 30, 2010 the Company has provided guarantee in the amount of 26,201 to IBM in respect of services provided to ITI Neovision.

During the nine months ended September 30, 2010 the Company recorded the revenue of 8,028 from TVN Finance Corporation II AB and 1,451 from ITI Neovision relating to the guarantees provided.

As of September 30, 2010 the Company had an outstanding commitment to provide loans to ITI Neovision in a total amount of EUR 8,537 (EUR 16,041 as at December 31, 2009).

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

23. SHARE BASED PAYMENTS (CONTINUED)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows (not in thousands):

	Nine months ended September 30, 2010		Nine months ended September 30, 2009	
	Average exercise price	Outstanding options	Average exercise price	Outstanding options
At 1 January	PLN 10.80	**12,562,495**	PLN 10.79	**12,644,716**
Exercised	PLN 10.57	(1,381,474)	PLN 9.56	(23,850)
At September 30	PLN 10.83	**11,181,021**	PLN 10.80	**12,620,866**

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 Company'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	311,060	PLN 8.66	Vested
C2	1,302,974	PLN 9.58	Vested
C3	2,852,168	PLN 10.58	Vested
	4,466,202		

Series	Number of options	Exercise price	Service vesting period
E1	213,955	PLN 8.66	Vested
E2	275,360	PLN 9.58	Vested
E3	1,301,266	PLN 10.58	Vested
E4	4,924,238	PLN 11.68	Vested
	6,714,819		

The TVN Incentive Schemes expire on December 31, 2014.

Between October 1, 2010 and the date when these financial statements were prepared 55,912 (not in thousands) of C2 C3, E3 and E4 series options were exercised and as a result 55,912 (not in thousands) new ordinary shares were issued.

24. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	PLN Exchange Rate to EUR
September 30, 2010	2.9250	3.9870
December 31, 2009	2.8503	4.1082
September 30, 2009	2.8852	4.2226

The movement in the consumer price index for the nine months ended September 30, 2010 amounted to 2.1% (nine months ended September 30, 2009: 3.1%).