TVN S.A.

INTERIM REPORT
FOR THE THREE AND NINE MONTHS
ENDED SEPTEMBER 30, 2011

TABLE OF CONTENTS

PART I	**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**	**6**
PART II	**ADDITIONAL INFORMATION**	**49**
PART III	**FINANCIAL INFORMATION**	**54**

Definitions

We have prepared this interim report as required by Section 4.16 of the Indentures for our 10.75% Senior Notes and the 7.875% Senior Notes, dated November 19, 2009 and November 19, 2010 respectively. We have also included information we are required to disclose to our shareholders as a public company in Poland in order to ensure consistent disclosure to both bondholders and shareholders.

In this 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, DTH Poland Holding, ITI Neovision and Mango Media and "**guarantor**" refers to each of them individually; "**TVN**" refers to our free-to-air broadcast channel; "**TVN 7**" refers to our free satellite and cable entertainment channel; "**TVN 24**" refers to our news and current affairs channel; "**TVN Turbo**" refers to our thematic channel aimed at male viewers; "**TVN Meteo**" refers to our weather channel; "**TVN Style**" refers to our thematic channel focused on life styles, health and beauty, aimed at female viewers; "**ITVN**" refers to our Polish language channel that broadcasts to viewers of Polish origin residing abroad; "**Telezakupy Mango 24**" refers to our teleshopping channel and "**NTL Radomsko**" refers to the local television channel. We purchased these channels in 2007 and 2005, respectively; "**TVN CNBC**" refers to our business channel which we operate in cooperation with CNBC Europe; "**TVN Warszawa**" refers to our television channel targeted at Warsaw inhabitants, which we decided to cease broadcasting and to transfer its content to online presence only on March 25, 2011; "**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 high-definition 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., 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 video-on-demand Internet service launched on February 14, 2010, by Onet.pl; "**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; "**7.875% Senior Notes**" refer to the 7.875% Senior Notes that TVN Finance Corporation III AB issued on November 19, 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; "**TVN Finance III**" refers to our subsidiary, TVN Finance Corporation III AB, a limited liability company under the laws of Sweden; "**PTH**" refers to Polish Television Holding, previously Strateurop International B.V.; **"TVN Holding"** refers to TVN Holding S.A.; **"Stavka"** refers to Stavka Sp. z o.o. holder of the license for terrestrial broadcasting of the U-TV channel. We acquired 25% shares of the company in September 2011; "**Indentures**" refers to the indenture dated November 19, 2009 governing the 10.75% Senior Notes and the indenture dated November 19, 2010 governing the 7.875% Senior Notes ; "**Promissory Notes**" refers to the two promissory notes in the aggregate principal amount of EUR 40,000 we issued on March 10, 2010. On April 30, 2010, these Promissory Notes were exchanged for like principal amount of 10.75% Senior Notes and cancelled; "**PLN Bonds**" refers to a PLN 500,000 bond issued by TVN S.A. on June 23, 2008 and fully redeemed by June 14, 2011;"**Guarantee Facility**" refers to a PLN 400,000 revolving guarantee facility agreement 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 four major business segments – television broadcasting and production, digital satellite pay television, online and teleshopping. Our 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 nine television channels: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, NTL Radomsko and TVN CNBC. TVN, our principal free-to-air channel, is recognized in the Polish market as a leading television broadcaster of high quality entertainment as well as comprehensive independent news and current affairs programs. TVN 7 is an entertainment channel that complements TVN by broadcasting feature films, television series and game shows. TVN 24 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, our local channel aimed at residents of Warsaw, ceased broadcasting via TV platforms and its content was transferred to online presence only as of March 25, 2011. As a result we do not account it anymore as a television channel. 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, 2011, the ‘n’ DTH platform had over 858,000 (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 over 311,000 (not in thousands) active customers (including TNK HD) as of September 30, 2011.

- **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.

- **Teleshopping** – we own Telezakupy Mango 24, which is the only all-day teleshopping channel in Poland.

Forward-Looking Statements

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

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

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

PART I

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

The following discussion and analysis provides information concerning our results of operations and financial condition. You should read such discussion and analysis of financial condition and results of operations in conjunction with our accompanying interim 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

Three Months Ended September 30, 2011

The principal events of the three months ended September 30, 2011 were as follows:

- According to Starlink the television advertising market in Poland in the three months ended September 30, 2011 decreased by 0.5% compared to the corresponding period of 2010.

- Our share in the net television advertising market, according to Starlink, decreased to 33.5%, from 33.6 % in the corresponding period of 2010.

- Our main channel TVN in September 2011 was for the first time in its history the most popular television station in Poland within all target groups, both in peak time and on an all day basis, and the only big television station to improve its audience share results.

- Our TVN 7 increased its audience share in five out of seven categories. All-day nationwide audience share increased to 1.8%, from 1.7%, all-day basic commercial target group audience share increased to 2.2%, from 2.1%, all-day key target group audience share increased to 2.3%, from 2.2%, *prime time* basic commercial target group audience share increased to 2.3%, from 2.0% and *peak time* basic commercial target group audience share increased to 2.3%, from 2.0% in the corresponding period of 2010 according to NAM.

- Our TVN Style channel increased its audience share in five out of seven categories. All-day key target group audience share increased to 1.0%, from 0.9%, *prime time* basic commercial target group audience share increased to 0.5%, from 0.4%, *prime time* key target group audience share increased to 0.8%, from 0.6%, *peak time* basic commercial target group audience share increased to 0.5%, from 0.4%, and *peak time* key target group audience share increased to 0.8%, from 0.7% in the corresponding period of 2010 according to NAM.

- Our Internet portal Onet.pl had 12.2 million real users and 2.7 billion page views in August 2011. Average monthly time spent per real user on Onet.pl portal in August 2011 was 5 hours and 12 minutes, according to Megapanel PBI/Gemius.

- Our 'n' DTH platform's post-paid net subscriber number increased by almost 32,000 (not in thousands) during the three months ended September 30, 2011. As of September 30, 2011, the 'n' DTH platform had over 858,000 (not in thousands) active subscribers. In the three months ended September 30, 2011, the 'n' DTH platform recorded monthly average revenue per subscriber ("ARPU") of PLN 61.4 (not in thousands), compared to PLN 60.3 (not in thousands) in the corresponding period of 2010.

- TNK active pre-paid net customer increased by almost 6,000 (not in thousands) during the three months ended September 30, 2011. As of September 30, 2011, TNK had a total customer base (active and inactive) of over 788,000 (not in thousands). As of September

30, 2011, TNK HD had over 49,000 active customers. The ‘n’ DTH platform including TNK and TNK HD, had reached a total active clients number of over 1,169,000 (not in thousands) as of September 30, 2011, compared to over 1,017,000 (not in thousands) as of September 30, 2010.

- Our group revenue increased by PLN 32,656, or 6.1% to PLN 566,019, from PLN 533,365 in the corresponding period of 2010.

- Our TV segment increased its revenue by PLN 668, or 0.2% to PLN 326,678, from PLN 326,010 in the corresponding period of 2010.

- Our Digital satellite pay television segment increased its revenue by PLN 26,018, or 16.3%, to PLN 185,230, from PLN 159,212 in the corresponding period of 2010.

- Our Online segment increased its revenue by PLN 8,880, or 16.1%, to PLN 64,078, from PLN 55,198 in the corresponding period of 2010.

- Our operating profit decreased by 8.0% to PLN 40,126, from PLN 43,601 in the corresponding period of 2010.

- Our EBITDA increased by PLN 6,196 to PLN 106,953, from PLN 100,757 in the corresponding period of 2010. Our EBITDA margin was maintained at the level of 18.9% in the three months ended September 30, 2011 and in the corresponding period of 2010.

- We recorded a loss for the period of PLN 357,214 compared to a profit for the period of PLN 61,031 in of 2010, primarily as a result of negative difference between unrealized foreign exchange losses booked this year and gains recorded last year.

- Consequently, we recorded a loss attributable to the owners of TVN S.A., of PLN 357,214, compared to a profit attributable to the owners of TVN S.A. of PLN 61,020 in 2010.

- Our Net debt to EBITDA ratio as of September 30, 2011 was 4.3. We held in total PLN 785,613 of cash and cash equivalents as of September 30, 2011.

- On July 6, 2011 ITI Neovision entered into a license agreement with Union des Associations Européennes de Football (“UEFA”). Under the agreement ITI Neovision acquires rights to broadcast UEFA Champions League and Europa League on ‘n’ platform’s sport channels, as well as to sublicense certain rights to selected TVN’s channels and to Telewizja Polska S.A.

- On July 7, 2011 ITI Holdings informed that it considered options concerning potential sale of entire stake it held in the TVN Group at that time.

- On July 26, 2011 we have amended the PLN 200 million revolving guarantee facility agreement with Bank Pekao S.A., established on December 17, 2010. The amended agreement is a multicurrency facility increased to PLN 300 million available in EUR, USD and/or PLN, valid for the May 16, 2012 with an extension option for another year.

- On August 29, 2011 we entered into strategic alliance with Stavka Sp. z o.o., the holder of the licence for terrestrial broadcasting of the U-TV channel, through acquisition of a 25% stake in that company. We will provide know-how in the production and broadcast operations of U-TV channel, which is one of the channels to be broadcast via the first DTT multiplex.

- On September 30, 2011 we have amended the revolving guarantee facility agreement with Bank Pekao S.A., established on December 17, 2010 and then amended on May 17, 2011 and again on July 26, 2011. The amended Agreement is a multicurrency facility increased to PLN 400 million (not in thousands) available in EUR, USD and/or PLN, valid till May 16, 2012 with an extension option for another year.

- On October 3, 2011 we acquired 100% of the share capital of Highgate Capital Investments Sp. z o.o. for a consideration of PLN 110.

- On October 6, 2011 we sold its share in the share capital of Polskie Media S.A. for a consideration of PLN 8,002. We recognized a gain on this transaction in the amount of PLN 414.

- On November 2, 2011 we announce that, together with ITI Holdings, we agreed to enter into exclusive negotiations with Canal+ Group regarding the creation of a strategic partnership in Poland. Together with Canal+ Group we expected to merge our Polish pay-TV activities in a joint venture in order to create a common DTH platform in Poland. We will combine its subsidiary ITI Neovision with Cyfra+ in exchange for a significant minority stake in the combined entity. Concurrently with the combination of the pay-TV assets, Canal+ Group is to acquire a significant minority stake in N-Vision B.V., the parent company of Polish Television Holding, which in turn holds the 51% majority stake in TVN, whereby the Canal+ Group has been granted an option to acquire the remaining portion of the controlling stake in TVN over time from ITI Group.

Nine Months Ended September 30, 2011

The principal events of the nine months ended September 30, 2011 were as follows:

- According to Starlink the television advertising market in Poland in the nine months ended September 30, 2011 increased by 3.8% compared to the corresponding period of 2010.

- Our share in the net television advertising market, according to Starlink, decreased to 33.7%, from 34.2 % in the corresponding period of 2010.

- Our TVN 7 increased its audience share in five out of seven categories. All-day basic commercial target group audience share increased to 2.1%, from 2.0%, all-day key target group audience share increased to 2.2%, from 2.0%, *prime time* basic commercial target group audience share increased to 2.2%, from 1.9%, *prime time* key target group audience share increased to 2.0%, from 1.9% and *peak time* basic commercial target group audience share increased to 2.2%, from 1.9%, in the corresponding period of 2010 according to NAM.

- Our Internet portal Onet.pl had 12.2 million real users and 2.7 billion page views in August 2011. Average monthly time spent per real user on Onet.pl portal in August 2011 was 5 hours and 12 minutes, according to Megapanel PBI/Gemius.

- Our ‘n’ DTH platform’s post-paid net subscriber number increased by over 53,000 (not in thousands) during the nine months ended September 30, 2011. As of September 30, 2011, the ‘n’ DTH platform had over 858,000 (not in thousands) active subscribers. In the nine months ended September 30, 2011, the ‘n’ DTH platform recorded monthly average revenue per subscriber (“ARPU”) of PLN 60.8 (not in thousands), compared to PLN 58.7 (not in thousands) in the corresponding period of 2010.

- TNK active pre-paid net customer increased by over 18,000 (not in thousands) during the nine months ended September 30, 2011. As of September 30, 2011, TNK had a total customer base (active and inactive) of over 788,000 (not in thousands). As of September 30, 2011, TNK HD had over 49,000 active customers. The ‘n’ DTH platform including TNK and TNK HD, had reached a total active clients number of over 1,169,000 (not in thousands) as of September 30, 2011, compared to over 1,017,000 (not in thousands) as of September 30, 2010.

- Our group revenue increased by PLN 134,721, or 7.8% to PLN 1,871,967, from PLN 1,737,246 in the corresponding period of 2010.

- Our TV segment increased its revenue by PLN 30,899, or 2.7% to PLN 1,168,468, from PLN 1,137,569 in the corresponding period of 2010.

- Our Digital satellite pay television segment increased its revenue by PLN 92,783, or 20.7%, to PLN 541,175, from PLN 448,392 in the corresponding period of 2010.

- Our Online segment increased its revenue by PLN 26,924, or 16.1%, to PLN 194,560, from PLN 167,636 in the corresponding period of 2010.

- Our operating profit increased by PLN 4,070, or 1.6% to PLN 250,879, from PLN 246,809 in the corresponding period of 2010.

- Our EBITDA increased by PLN 21,757, or 5.1% to PLN 447,190, from PLN 425,433 in the corresponding period of 2010. Our EBITDA margin was 23.9%, as compared to 24.5% in the corresponding period of 2010.

- We recorded a loss for the period of PLN 329,796 compared to a profit for the period of PLN 30,060 in 2010, primarily as a result of negative difference between unrealized foreign exchange losses booked this year and gains recorded last year.

- Consequently, we recorded a loss attributable to the owners of TVN S.A., of PLN 329,796, compared to a profit attributable to the owners of TVN S.A. of PLN 26,953 in the corresponding period of 2010.

- Our Net debt to EBITDA ratio as of September 30, 2011 was 4.3. We held in total PLN 785,613 of cash and cash equivalents as of September 30, 2011.

- On March 25, 2011 we announced decision to cease broadcasting TVN Warszawa and from March 26, 2011 TVN Warszawa is fully present online at www.tvnwarszawa.pl.

- On April 29, 2011 TVN and ITI Neovision signed agreements with Cyfrowy Polsat S.A. and Telewizja Polsat S.A., respectively, concerning mutual distribution of television channels. According to the agreements, Cyfrowy Polsat S.A. will continue to distribute TVN, TVN 7, TVN24, TVN Turbo, TVN Meteo and TVN Style channels as well as it will start offering TVN CNBC, Telezakupy Mango, TVN HD and TVN HD+1 via its satellite platform. At the same time ITI Neovision will initiate distribution of Polsat, Polsat HD, Polsat News, Polsat Cafe, Polsat Play, TV Biznes, Polsat JimJam, and later also Polsat Sport News, through ‘n’ platform.

- On May 17, 2011 we have amended the PLN 200 million (not in thousands) revolving guarantee facility agreement with Bank Pekao S.A., established on December 17, 2010. The amended agreement is a PLN 200 million (not in thousands) multicurrency facility available in EUR, USD and/or PLN, valid for the next 12 months with an extension option for another year.

- On June 14, 2011 we acquired our own PLN bonds with nominal value of PLN 5.6 million (not in thousands), outstanding portion of the PLN 500 million (not in thousands) PLN

Bonds, issued in 2008 and maturing in 2013. As a result of this acquisition all of our PLN Bonds were redeemed.

Summary Historical Financial Data

The following table sets out our consolidated financial information as of and for the three and nine months ended September 30, 2011, for the three and nine months ended September 30, 2010 and our audited consolidated financial information as of December 31, 2010. You should read the information in conjunction with the interim consolidated financial statements and Operating and Financial Review presented in this interim report.

For your convenience, Złoty amounts as of September 30, 2011 have been converted into Euro at a rate of PLN 4.4112 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on September 30, 2011). Złoty amounts for the three months ended September 30, 2011 have been converted into Euro at a rate of PLN 4.1894 per €1.00 (arithmetic average of the effective NBP exchange rates on July 31, 2011, August 31, 2011 and September 30, 2011). Złoty amounts for the nine months ended September 30, 2011 have been converted into Euro at a rate of PLN 4.0413 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2011, February 28, 2011, March 31, 2011, April 30, 2011, May 31, 2011, June 30, 2011, July 31, 2011, August 31, 2011 and September 30, 2011). Złoty amounts as of December 31, 2010 have been converted into Euro at a rate of PLN 3.9603 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2010) and as of September 30, 2010 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 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 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,			
	2010 PLN Unaudited	2010 € Unaudited	2011 PLN Unaudited	2011 € Unaudited	2010 PLN Unaudited	2010 € Unaudited	2011 PLN Unaudited	2011 € Unaudited
Income Statement data								
Revenue	533,365	133,355	566,019	135,107	1,737,246	434,019	1,871,967	463,209
Operating profit	43,601	10,901	40,126	9,578	246,809	61,661	250,879	62,079
Profit/ (loss) before income tax	75,337	18,836	(375,600)	(89,655)	77,902	19,462	(300,391)	(74,330)
Profit/ (loss) attributable to the owners of TVN S.A.	61,020	15,257	(357,214)	(85,266)	26,953	6,734	(329,796)	(81,606)
Cash Flow Data								
Net cash generated by operating activities	45,579	11,396	117,383	28,019	324,063	80,961	281,386	69,628
Net cash generated by/ (used in) investing activities	9,842	2,461	(56,177)	(13,409)	(165,360)	(41,312)	165,297	40,902
Net cash (used in)/ generated by financing activities	(9,991)	(2,498)	1,802	430	(229,582)	(57,357)	(150,996)	(37,363)
Increase/ (decrease) in cash and cash equivalents	45,430	11,359	63,008	15,040	(70,879)	(17,708)	295,687	73,166
Weighted average number of ordinary shares in issue (not in thousands)	341,495,659	341,495,659	343,733,779	343,733,779	341,016,368	341,016,368	343,161,778	343,161,778
Weighted average number of potential ordinary shares in issue (not in thousands)	345,820,241	345,820,241	343,733,779	343,733,779	345,253,330	345,253,330	343,161,778	343,161,778
Earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	0.18	0.05	(1.04)	(0.25)	0.08	0.02	(0.96)	(0.24)
Diluted earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	0.18	0.05	(1.04)	(0.25)	0.08	0.02	(0.96)	(0.24)
Dividend paid or declared per share (not in thousands)	-	-	-	-	0.31	0.08	0.04	0.01
Other data								
EBITDA*	100,757	25,192	106,953	25,529	425,433	106,287	447,190	110,655
EBITDA margin	18.9%	18.9%	18.9%	18.9%	24.5%	24.5%	23.9%	23.9%
Operating margin	8.2%	8.2%	7.1%	7.1%	14.2%	14.2%	13.4%	13.4%

Balance Sheet data	As at December 31, 2010 PLN	As at December 31, 2010 €	As at September 30, 2011 PLN Unaudited	As at September 30, 2011 € Unaudited	As at December 31, 2010 PLN	As at December 31, 2010 €	As at September 30, 2011 PLN Unaudited	As at September 30, 2011 € Unaudited
Total assets	5,191,482	1,310,881	5,022,099	1,138,488	5,191,482	1,310,881	5,022,099	1,138,488
Current assets	1,559,090	393,680	1,524,656	345,633	1,559,090	393,680	1,524,656	345,633
Non-current liabilities	3,261,207	823,475	3,449,994	782,099	3,261,207	823,475	3,449,994	782,099
Current liabilities	691,590	174,631	658,617	149,306	691,590	174,631	658,617	149,306
Shareholders equity	1,238,685	312,776	913,488	207,084	1,238,685	312,776	913,488	207,084
Share capital	68,471	17,289	68,758	15,587	68,471	17,289	68,758	15,587

*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, interest income, finance expenses, 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. 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.

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, 2011, 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 Corporation plc in members' voluntary liquidation, TVN Finance Corporation II, TVN Finance Corporation III, 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, Thema Film Sp. z o.o., ITI Neovision, Cyfrowy Dom Sp. z o.o., Neovision UK Ltd., TVN Holding S.A. and DTH Poland Holding are fully consolidated in accordance with IFRS. Our interest in Polski Operator Telewizyjny Sp. z o.o. is consolidated based on the proportionate consolidation method. Our interest in MGM Channel Poland Ltd., Polskie Badania Internetu Sp. z o.o., since March 2011, Film Miasto Sp. z o.o. and since September 2011, Stavka Sp. z o.o. 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 2011, we derived 40.7% and 45.6%, respectively, of our total revenue from commercial television advertising, compared to 42.1% and 48.2% in the corresponding periods of 2010.

Commercial television advertising revenue

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

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

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

	Three months ended September 30,			Nine months ended September 30,		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**
Our Rate-card pricing	53%	53%	44%	56%	57%	50%
Our Cost per GRP pricing	47%	47%	56%	44%	43%	50%

We usually schedule specific advertisements one month in advance of broadcast. Prices that advertisers pay, whether they purchase advertising time on a GRP package or rate-card basis, tend to be higher during peak viewing months such as October and November than during off-peak months such as July and August. Consistent with television broadcasting industry practice, and in order to optimize ratings and revenue, we do not sell all of our legally available advertising time. During the three and nine months ended September 30, 2011, we tended to sell over 99.8% and 99.0.%, respectively, of peak time advertising spots on our TVN channel and over 73.8% and 70.7% 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, 2011, 9.0% and 7.8%, respectively, of our total revenue came from such fees compared with 8.4% and 7.7% in the corresponding periods of 2010. 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.

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, 2011, we derived 30.4% and 26.9%, respectively, of our total revenue from 'n' DTH platform subscription fees and recharges compared with 27,6% and 24.3% in the corresponding periods of 2010.

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.

Online

Our online segment derives a substantial portion of its revenue from online advertising. During the three and nine months ended September 30, 2011, we derived 9.5% and 9.0%, respectively of our total revenue from online advertising, compared with 8.7% and 8.1% in the corresponding periods of 2010.

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. Fee revenue also includes sales of telecommunications services under such brands as OnetSkype, and OnetTelefon.

Teleshopping

Revenue in teleshopping primarily includes the sale of goods/teleshopping which accounted for approximately 1.6% and 1.5%, respectively, of our revenue in the three and nine months ended September 30, 2011, compared with 2.4% and 2.6% in the corresponding periods of 2010. 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.

Our expenses

The majority of our operating expenses, 45.2% and 46.3%, respectively, the three and nine months ended September 30, 2011 and 45.7% and 46.5% in the corresponding periods of 2010, 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 22.7% and 25.7%, respectively, of our operating expenses in the three and nine months ended September 30, 2011, compared with 25.4% and 26.6% in the corresponding periods of 2010. 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, 2011, we commissioned and produced locally through third parties 75.1% and 76.1%, respectively, of programming content on our TVN channel, compared with 68.0% and 72.5% in the corresponding period of 2010. During the three and nine months ended September 30, 2011, we acquired 24.9% and 23.9%, respectively, of our programming content from third parties, compared with 32.0% and 27.5% in the corresponding periods of 2010. Amortization is based on the estimated number of showings and the type of programming content.

Other costs

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

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 20.6% and 19.0%, respectively, of our operating expenses in the three and nine months ended September 30, 2011, compared with 19.1% and 18.9% in the corresponding periods of 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.

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.

Teleshopping

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

Key factors affecting our results of operations

Cyclicality of Polish advertising market

Advertising sales in Poland historically have responded to changes in general business and economic conditions, generally growing at a faster rate in times of economic expansion and at a slower or negative rate in times of recession. We cannot predict the likelihood that these trends will continue. In particular, we cannot predict what effect the global economic crisis may continue to have on the growth rate of the Polish economy or on us. Apart from seasonality as discussed below, since future levels of advertising spending are not predictable with any certainty more than one month in advance, we cannot predict with certainty our future levels of advertising sales. The Polish economy is expected to experience 3.9% GDP growth in 2011 according to a forecast by the World Bank published on June 7, 2011. We estimate that net television advertising expenditure in Poland increased by 7.2% in 2010.

Although the Polish advertising market is dominated by spending on television advertising, which, according to Starlink, accounted for about 50.9% of total advertising expenditure in the third quarter of 2011, the fastest growing segment of the market has been online advertising which gained market share predominantly 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, 2010, we generated approximately 21.4% of our television segment total advertising revenue in the first quarter, 28.2% in the second quarter, 18.1% in the third quarter and 32.3% 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 NAM, our channels captured an average of 20.4% and 20.5%, respectively, of Poland's nationwide all-day audience in the three and nine months ended September 30, 2011, and our TVN channel achieved 21.8% and 22.8%, respectively, of our key target audience during *peak time* in the three and nine months ended September 30, 2011. We believe our substantial market share of Poland's television viewing audience results from offering attractive programming, which enables us to obtain a larger total audience, as measured by the higher number of gross rating points ("GRPs") in a more efficient manner. This in turn maximizes the use of advertising airtime. While we believe we have been successful in producing and acquiring programming content that appeals to our key target audience, we continue to compete with other television broadcasters for programming content and to seek to air programming that addresses evolving audience tastes and trends in television broadcasting. Further, while we believe that we are able to produce and source programming content at attractive cost levels, increased competition may require higher levels of expenditure in order to maintain or grow our audience share.

Launch of new channels. The success of our thematic channels depends in large part on their ability to profile and target specific audiences that are attractive to advertisers. Accordingly, from time to time, we have launched new channels and disposed of existing channels in response to demand from advertisers. Since January 1, 2006, we have acquired the Telezakupy Mango 24 channel, launched the TVN CNBC channel, disposed of our interest in the Discovery Historia channel and ceased operating the TVN Med, TVN Lingua and TVN Warszawa channels. 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.

Digital satellite pay television

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

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

Availability and cost of attractive programming content. Our ability to increase our digital satellite platform subscriber base depends largely on our ability to acquire and broadcast high quality programming that 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.

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, 2010, we generated approximately 20.5% of our total online advertising revenue in the first quarter of 2010, 24.7% in the second quarter, 22.2% in the third quarter and 32.6% in the fourth quarter.

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, 2011 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 142,705 loss.

On January 12, 2011 we entered into EUR foreign exchange forwards in order to mitigate the impact on the our net results of PLN/EUR exchange rate movements in relation to the 10.75% Senior Notes and 7.875% Senior Notes balance. The hedging strategy based on EUR foreign exchange forwards had in total a notional value of EUR 350,000 with a settlement date on March 31, 2011 and PLN/EUR foreign exchange forward rate of 3.89. We recognized a gain on realization of this foreign exchange forward contract in the total amount of PLN 46,585 and an interest expense on this foreign exchange forward contract in the amount of PLN 9,625.

On January 19, 2011 we entered into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on programming rights assets. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 18,536, maturity dates between January 31, 2011 and March 31, 2012 and PLN/USD foreign exchange forward rates between 2.87 and 2.98.

On January 19, 2011 we entered also into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on payments for broadcasting television channels and content. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 15,700, maturity dates between March 25, 2011 and January 20, 2012 and PLN/USD foreign exchange forward rates between 2.89 and 2.99.

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 57,685 or 7.6% to PLN 705,345 as of September 30, 2011, from PLN 763,030 as of December 31, 2010. The decrease is mainly due to depreciation charges being higher than gross value increases.

Our goodwill amounted to PLN 1,677,614 as of September 30, 2011, and the change compared to our goodwill as of December 31, 2010 was nil. Our brand decreased to PLN 770,853 as of September 30, 2011, from PLN 778,625 as of December 31, 2010. This decrease results from the amortization of the 'n' DTH platform brand.

Our other intangible assets increased by PLN 22,991, or 20.5%, to PLN 135,190 as of September 30, 2011, from PLN 112,199 as of December 31, 2010. The increase is mainly due to the recognition of software related to the implementation of CRM system in ITI Neovision.

Our current and non-current programming rights inventory increased by PLN 26,793, or 6.7%, to PLN 429,142 as of September 30, 2011, from PLN 402,349 as of December 31, 2010. The increase is mainly due to programming rights increase in our television broadcasting and production segment.

Our non-current restricted cash was nil, as of September 30, 2011, compared to PLN 84,172 as of December 31, 2010. Our current restricted cash was nil, as of September 30, 2011, compared to PLN 27,363 as of December 31, 2010. On September 30, 2011 we have amended the revolving guarantee facility agreement with Bank Pekao S.A., established on December 17, 2010 and then amended on May 17, 2011 and again on July 26, 2011. The amended Agreement is a multicurrency facility increased to PLN 400 million (not in thousands) available in EUR, USD and/or PLN, valid till May 16, 2012 with an extension option for another year.

Our prepayments and other assets decreased by PLN 20,014, or 14.8%, to PLN 115,386 as of September 30, 2011, from PLN 135,400 as of December 31, 2010. The decrease results mainly from decrease of set-top boxes inventory level.

Our bank deposits with maturity over three months decreased to nil as of September 30, 2011, compared to PLN 321,721 as of December 31, 2010. This decrease results mainly from the fact that all of our bank deposits with maturity over three months matured before September 30, 2011.

Our share capital increased by PLN 287, to PLN 68,758 as of September 30, 2011, from PLN 68,471 as of December 31, 2010. Our share premium increased by PLN 28,306, to PLN 671,355 as of September 30, 2011, from PLN 643,049 as of December 31, 2010. This increase results from shares issued under our stock option plan.

Our other reserves amounted to a negative amount of PLN 448,302 as of September 30, 2011, compared to a negative amount of PLN 438,036 as of December 31, 2010. This decrease results mainly from shares issued under our stock option plan.

Our 10.75% Senior Notes, excluding accrued interest, amounted to PLN 2,536,895 as of September 30, 2011, compared to PLN 2,263,055 as of December 31, 2010. Our 7.875% Senior Notes, excluding accrued interest, amounted to PLN 750,966 as of September 30, 2011, compared to PLN 671,146 as of December 31, 2010. These increases result primarily from higher PLN/EUR exchange rate recognized as of September 30, 2011 in comparison to PLN/EUR exchange rate we recognized at the end of the year.

Our PLN Bonds, excluding accrued interest, decreased to nil as of September 30, 2011, compared with PLN 140,739 as of December 31, 2010. All our PLN Bonds were fully redeemed by September 30, 2011.

Our current trade payables decreased by PLN 28,935 to PLN 210,615 as of September 30, 2011, from PLN 239,550 as of December 31, 2010. The decrease results partly from decrease of trade payables related to ITI Neovision's purchases of set-top decoders and partly from decrease of trade payables to associate. These decreases were offset by an increase of third parties trade payables.

Our other liabilities and accruals decreased by PLN 96,744, or 23.4%, to PLN 316,919 as of September 30, 2011, from PLN 413,663 as of December 31, 2010. The decrease was mainly due to a decrease in VAT payable, employee benefits and sales and marketing related costs. These decreases were partly offset by increase in accrued production and programming costs.

Results of Operations

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Revenue. Our revenue increased by PLN 32,654, or 6.1%, to PLN 566,019 in the three months ended September 30, 2011, from PLN 533,365 in the corresponding period of 2010. This increase resulted partly from subscription fees revenue from 'n' DTH platform of PLN 25,435 and partly from an increase in advertising revenue of PLN 10,703.

Subscription fees revenue from 'n' DTH platform increased by PLN 25,435, or 17.1%, to PLN 174,250, from PLN 148,815 in 2010. The increase was mainly due to an increase in the number of subscribers and ARPU in our digital satellite pay television.

Our advertising revenue increased by PLN 10,703, or 4.0%, to PLN 280,129 during the three months ended September 30, 2011, from PLN 269,426 in the corresponding period of 2010. This increase results mainly from an increase in the advertising revenue of our main channel TVN and also an increase in the advertising revenue of Onet.pl.

Cost of revenue. Cost of revenue increased by PLN 26,043, or 7.1%, to PLN 393,433 in the three months ended September 30, 2011, from PLN 367,390 in the corresponding period of 2010.

The increase results from a number of smaller increases across several cost lines, the most material of which included an increase of fees for broadcasting television content by PLN 16,759 or 21.8%, an increase in depreciation and amortisation of PLN 4,558, or 9.2% and an increase of broadcasting expenses of PLN 2,767, or 11.1% and other increases.

As a percentage of revenue, our cost of revenue increased in the three months ended September 30, 2011, to 69.5%, compared to 68.9% in the corresponding period of 2010.

Selling expenses. Our selling expenses decreased by PLN 1,337, or 1.7%, to PLN 77,815 for the three months ended September 30, 2011, from PLN 79,152 in the corresponding period of 2010.

As a percentage of revenue, our selling expenses decreased to 13.7% in the three months ended September 30, 2011, from 14.8% in the corresponding period of 2010.

General and administration expenses. Our general and administration expenses increased by PLN 11,810, or 28.0%, to PLN 54,046 in the three months ended September 30, 2011, compared with PLN 42,236 in the corresponding period of 2010. This increase resulted partly from an staff expenses increase of PLN 4,296 and partly from an increase of depreciation and amortisation by PLN 4,585.

As a percentage of revenue, our general and administration expenses increased to 9.5% in the three months ended September 30, 2011 from 7.9% in the corresponding period of 2010.

Operating profit. Operating profit decreased by PLN 3,475 to PLN 40,126 in the three months ended September 30, 2011, from an operating profit PLN 43,601 in the corresponding period of 2010. Our operating margin decreased to 7.1% in the three months ended September 30, 2011, from 8.2 % in the corresponding period of 2010.

Interest income. We recorded interest income of PLN 8,054 for the three months ended September 30, 2011, compared to interest income of PLN 4,967 in the corresponding period of 2010.

Finance expense. We recorded finance expense of PLN 86,042 for the three months ended September 30, 2011, compared to finance expense of PLN 78,541 in the corresponding period of 2010. The increase is mainly due to interest expense on 7.875%

Senior Notes of PLN 14,825, we recognized in the three months ended September 30, 2011. As these Notes were issued in November 2010, we did not recognize any interest related to them in the three months ended September 30, 2010. This increase was partly offset by decrease of interest expense on PLN Bonds by PLN 8,570 to PLN nil in three months ended September 30, 2011 as all our PLN Bonds were fully redeemed by June 30, 2011.

Foreign exchange losses, net. We recorded foreign exchange losses, net of PLN 336,894 for the three months ended September 30, 2011 compared to exchange gain, net of PLN 105,223 in the corresponding period of 2010. We recorded foreign exchange loss on our 10.75% Senior Notes of PLN 258,706 in the three months ended September 30, 2011, compared to foreign exchange gain of PLN 95,634 in the corresponding period of 2010. We recorded foreign exchange loss on our 7.875% Senior Notes of PLN 75,801 in the three months ended September 30, 2011, compared to nil in the corresponding period of 2010, following significant Zloty depreciation in the third quarter of 2011.

Loss before income tax. Our loss before income tax for the three months ended September 30, 2011 was PLN 375,600 compared to a profit before income tax of PLN 75,337, in the corresponding period of 2010. This decrease was primarily due to foreign exchange losses, net that we recognized in the three months ended September 30, 2011, as compared with foreign exchange gains recognized in the three months ended September 30, 2010.

Income tax credit. For the three months ended September 30, 2011, we recorded a total income tax credit of PLN 18,386, compared to an income tax charge of PLN 14,306 in the corresponding period of 2010. This increase is mostly due to deferred tax liability change due to deferred tax on unrealized results on foreign exchange.

Loss for the period. Our loss for the period amounted to PLN 357,214 in the three months ended September 30, 2011, compared to a profit of PLN 61,031 in the corresponding period of 2010.

Loss attributable to the owners of TVN S.A. Our loss attributable to the owners of TVN S.A. was PLN 357,214 in the three months ended September 30, 2011, compared to a gain of PLN 61,020 in the corresponding period of 2010.

Results by Business Segment

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

The table below sets forth the summarized financial results by segment for the three months ended September 30, 2011 and 2010:

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items**		Total	
	Three months ended September 30, 2011	Three months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Revenue from external customers	311,442	309,935	184,675	158,593	58,464	49,345	11,438	15,492	-	-	566,019	533,365
Inter-segment revenue	15,236	16,075	555	619	5,614	5,853	-	2	(21,405)	(22,549)	-	-
Total revenue	**326,678**	**326,010**	**185,230**	**159,212**	**64,078**	**55,198**	**11,438**	**15,494**	**(21,405)**	**(22,549)**	**566,019**	**533,365**
Operating profit/(loss)	84,822	81,085	(38,500)	(26,573)	13,723	7,018	(726)	(600)	(19,193)	(17,329)	40,126	43,601
EBITDA*	**100,557**	**96,680**	**4,874**	**7,442**	**21,237**	**14,457**	**(650)**	**(613)**	**(19,065)**	**(17,209)**	**106,953**	**100,757**
EBITDA* margin	**30.8%**	**29.7%**	**2.6%**	**4.7%**	**33.1%**	**26.2%**	**-**	**-**	**-**		**18.9%**	**18.9%**

* 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, interest income, finance expenses, 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, 2011 and 2010.

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items		Total	
	Three months ended September 30, 2011	Three months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Operating profit/(loss)	84,822	81,085	(38,500)	(26,573)	13,723	7,018	(726)	(600)	(19,193)	(17,329)	40,126	43,601
Depreciation, amortization and impairment charges	15,735	15,595	43,374	34,015	7,514	7,439	76	(13)	128	120	66,827	57,156
EBITDA	100,557	96,680	4,874	7,442	21,237	14,457	(650)	(613)	(19,065)	(17,209)	106,953	100,757

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, 2011 and 2010:

	Three months ended September 30,					
	2011			2010		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
TVN channel	209,051	68,586	32.8	216,711	60,863	28.1
TVN 24 channel	53,132	23,574	44.4	52,261	25,111	48.0
Other	65,495	8,397	13.0	57,038	10,706	18.8
Total segment	**326,678**	**100,557**	**30.8**	**326,010**	**96,680**	**29.7**

Television broadcasting and production revenue in the three months ended September 30, 2011, increased by 668 to PLN 326,678, compared to PLN 326,010 in the corresponding period of 2010.

Our TVN channel revenue decreased by PLN 7,660, or 3.5%, in the three months ended September 30, 2011. This decrease was primarily due to lower call TV revenue and lower sponsoring revenue.

TVN 24 increased its revenue by PLN 871, or 1.7%, in the three months ended September 30, 2011 mainly due to an increase in subscriptions revenue partly offset by lower advertising revenue.

Our other revenue in the television, broadcasting and production segment mainly consists of revenue of our other channels and increased by PLN 8,457, or 14.8%, in the three months ended September 30, 2011, mainly thanks to premium TV revenue, increasing sales of content to third parties and higher subscription revenue of our thematic channels.

Our TVN channel's EBITDA increased by PLN 7,723, or 12.7%, to PLN 68,586 in the three months ended September 30, 2011, from PLN 60,863 in the corresponding period of 2010. TVN channel's EBITDA margin increased to 32.8% from 28.1% in the corresponding period of 2010. Our TVN 24 channel's EBITDA decreased by PLN 1,537, or 6.1% to PLN 23,574 in the three months ended September 30, 2011 from PLN 25,111 in the corresponding period of 2010, and its EBITDA margin was 44.4%.

EBITDA of television, broadcasting and production segment presented as 'Other' mainly consists of EBITDA of our other channels. It decreased by PLN 2,309, or 21.6%. The decrease is mainly due to higher programming and broadcasting expenses of TVN Style and TVN Turbo.

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, 2011 and 2010.

	Three months ended September 30,					
	2011			2010		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
'n' post-paid subscribers*	168,946	3,315	2.0	147,107	5,806	3.9
'n' pre-paid customers (Telewizja na kartę)	16,284	1,559	9.6	12,105	1,636	13.5
Total segment	**185,230**	**4,874**	**2.6**	**159,212**	**7,442**	**4.7**

* Includes revenue from other services

'n' DTH platform revenue increased by PLN 26,018 or 16.3%, to PLN 185,230 in the three months ended September 30, 2011 from PLN 159,212 in corresponding period of 2010. This increase is mainly due to an increase in subscription fee revenue, which increased by PLN 24,434, or 16.6%, to PLN 171,866 in the three months ended September 30, 2011.

This increase in revenue is primarily due to a higher average number of subscribers. The 'n' DTH platform's subscribers increased net by 112,622 (not in thousands) to an average of 847,499 (not in thousands) in the three month period ended September 30, 2011, from an average of 734,878 (not in thousands) subscribers in the corresponding period of 2010. The 'n' DTH platform recorded average ARPU of PLN 61.4 (not in thousands) in the three months ended September 30, 2011, compared to the ARPU of PLN 60.3 in the corresponding period of 2010 (not in thousands). The 'n' DTH platform recorded 56,847 (not in thousands) post-paid subscriber gross additions during the three months ended September 30, 2011, compared to 35,493 (not in thousands) during the three months ended September 30, 2010.

TNK active pre-paid net customer increased by almost 6,000 (not in thousands) during the three months ended September 30, 2011. As of September 30, 2011, TNK had a total customer base (active and inactive) of over 788,000 (not in thousands). As of September 30, 2011, TNK HD had almost 49,000 active customers. In the three months ended September 30, 2011, TNK recorded average ARPU of PLN 12.8 (not in thousands).

The 'n' DTH platform recorded a profit at the EBITDA level of PLN 4,874 in the three months ended September 30, 2011, compared to a profit at EBITDA level of PLN 7,442 in the corresponding period of 2010.

Online

The table below sets forth the summarized financial results for our Online segment for the three months ended September 30, 2011 and 2010:

	Three months ended September 30,							
	2011				2010			
	Revenue	EBITDA	EBITDA %	Cash EBITDA %	Revenue	EBITDA	EBITDA %	Cash EBITDA %
Onet.pl	56,331	21,672	38.5	42.0	47,961	16,019	33.4	35.5
Other	7,747	(435)	-	-	7,237	(1,562)	-	-
Total segment	**64,078**	**21,237**	**33.1**	**35.6**	**55,198**	**14,457**	**26.2**	**27.1**

Online revenue increased by PLN 8,880, or 16.1%, to PLN 64,078 in the three months ended September 30, 2011, from PLN 55,198 in the corresponding period of 2010. Onet.pl revenue increased by PLN 8,370, or 17.5%, to PLN 56,331 in the three months ended September 30, 2011, from PLN 47,961 in the corresponding period of 2010. 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 510, or 7.0%, to PLN 7,747 in the three months ended September 30, 2011, from PLN 7,237 in the corresponding period of 2010, mainly due to increase in marketing services revenue in Zumi.pl.

Segment EBITDA increased by PLN 6,780, or 46.9% to PLN 21,237 in the three months ended September 30, 2011. EBITDA margin increased to 33.1% in the three months ended September 30, 2011 from 26.2% in the corresponding period of 2010. Onet.pl EBITDA increased by PLN 5,653 or 35.3%. EBITDA of our Internet vortals presented in the table above as ‘Other’ increased by PLN 1,127 to a negative level of 435 PLN in the three months ended September 30, 2011, due to an increase of EBITDA of Zumi.pl and improving performance of VoD service.

Teleshopping

The table below sets forth the summarized financial results of our "Teleshopping" segment for the three months ended September 30, 2011 and 2010.

	Three months ended September 30,					
	2011			2010		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	11,438	(650)	-	15,494	(613)	-
Total segment	**11,438**	**(650)**	**-**	**15,494**	**(613)**	**-**

"Teleshopping" revenue decreased by PLN 4,056, or 26.2%, to PLN 11,438 in the three months ended September 30, 2011, from PLN 15,494 in the corresponding period of 2010 primarily due to change of broadcast time of teleshopping spots on TVN channel attributed to Mango Media from early afternoon to early morning.

Segment EBITDA decreased by PLN 37, to a loss at EBITDA level of PLN 650 in the three months ended September 30, 2011 from a loss at EBITDA level of PLN 613 in the corresponding period of 2010.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments and head office expenses not allocated to business segments. Other reconciling items had a negative impact on our EBITDA of PLN 19,065 in the three months ended September 30, 2011, compared to a negative impact of PLN 17,209 in the corresponding period of 2010.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Revenue. Our revenue increased by PLN 134,721, or 7.8%, to PLN 1,871,967 in the nine months ended September 30, 2011, from PLN 1,737,246 in the corresponding period of 2010. This increase resulted partly from an increase in subscription fees revenue from 'n' DTH platform of PLN 84,309 and partly from an increase in advertising revenue of PLN 45,623.

Subscription fees revenue from 'n' DTH platform increased by PLN 84,309, or 19.9%, to PLN 508,869, from PLN 424,560 in 2010. The increase was mainly due to an increase in the number of subscribers and ARPU in our digital satellite pay television.

Our advertising revenue increased by PLN 45,623, or 4.7%, to PLN 1,011,681 during the nine months ended September 30, 2011, from PLN 966,058 in the corresponding period of 2010. This increase results mainly from an increase in the advertising revenue of our main channel TVN, from an increase in the advertising revenue of Onet.pl and also from an increase in the advertising revenue of our TVN Turbo and TVN Style channels.

Cost of revenue. Cost of revenue increased by PLN 94,990, or 8.5%, to PLN 1,217,643 in the nine months ended September 30, 2011, from PLN 1,122,653 in the corresponding period of 2010.

The increase results from a number of smaller increases across several cost lines, the most material of which included an increase of fees for broadcasting television content by PLN 31,384 or 14.3%, an increase of amortisation of locally produced content of PLN 20,817, or 6.2%, an increase of depreciation and amortisation of PLN 12,943, or 8.8%, an increase in cost of royalties of PLN 12,843 or 25.8% and other increases.

As a percentage of revenue, our cost of revenue increased in the nine months ended September 30, 2011, to 65.0%, compared to 64.6% in the corresponding period of 2010.

Selling expenses. Our selling expenses increased by PLN 20,942, or 9.1%, to PLN 250,402 for the nine months ended September 30, 2011, from PLN 229,460 in the corresponding period of 2010.

The increase in selling expenses was partly due to an increase in other category by PLN 13,599, or 27.5% to PLN 63,025 from PLN 49,426 in the corresponding period of 2010 and partly due to an increase in our marketing cost by PLN 7,283 or 10.6% to PLN 75,782 from PLN 68,499 in the corresponding period of 2010. This increase resulted mainly from an increase of marketing cost of our TVN channel and an increase of Onet marketing cost.

As a percentage of revenue, our selling expenses increased to 13.4% in the nine months ended September 30, 2011, from 13.2% in the corresponding period of 2010.

General and administration expenses. Our general and administration expenses increased by PLN 12,731, or 9.2%, to PLN 151,793 in the nine months ended September 30, 2011, compared with PLN 139,062 in the corresponding period of 2010. This increase resulted partly from an increase of staff expenses by PLN 2,711 and partly from the other increases of PLN 8,836.

As a percentage of revenue, our general and administration expenses increased to 8.1% in the nine months ended September 30, 2011 from 8.0% in the corresponding period of 2010.

Operating profit. Operating profit increased by PLN 4,070 to PLN 250,879 in the nine months ended September 30, 2011, from PLN 246,809 in the corresponding period of 2010. Our operating margin decreased to 13.4% in the nine months ended September 30, 2011, from 14.2 % in the corresponding period of 2010.

Interest income. We recorded interest income of PLN 18,851 for the nine months ended September 30, 2011, compared to interest income of PLN 10,939 in the corresponding period of 2010.

Finance expense. We recorded finance expense of PLN 263,936 for the nine months ended September 30, 2011, compared to finance expense of PLN 233,104 in the corresponding period of 2010. The increase is partly due to interest expense on 7.875% Senior Notes of PLN 43,124, we recognized in the nine months ended September 30, 2011. As these Notes were issued in November 2010, we did not recognize any interest related to them in the nine months ended September 30, 2010. The increase is also partly due to an increase of interest expense on 10.75% Senior Notes by PLN 21,626 to PLN 199,710, we recognized in the nine months ended September 30, 2011. These increases were partly offset by a decrease of interest expense on PLN Bonds by PLN 24,615 to PLN 1,389 as all our PLN Bonds were fully redeemed by June 30, 2011 and decrease of interest expense on ITI loans given to ITI Neovision by PLN 10,452 to nil in the nine months ended September 30, 2011.

Foreign exchange losses, net. We recorded foreign exchange losses, net of PLN 305,539 for the nine months ended September 30, 2011 compared to foreign exchange gain, net of PLN 52,976 in the corresponding period of 2010. We recorded foreign exchange losses on our 10.75% Senior Notes of PLN 237,197 in the nine months ended September 30, 2011, compared to foreign exchange gains of PLN 31,832 in the corresponding period of 2010. We also recorded foreign exchange losses on our 7.875% Senior Notes of PLN 69,549 in the nine months ended September 30, 2011, compared to nil in the corresponding period of 2010 as these Notes were issued in November 2010 and we did not recognize any interest related to them in the nine months ended September 30, 2010.

Loss before income tax. Our loss before income tax for the nine months ended September 30, 2011 was PLN 300,391 compared to a profit before income tax of PLN 77,902, in the corresponding period of 2010. This decrease was primarily due to foreign exchange losses, net that we recognized in the nine months ended September 30, 2011, as compared with foreign exchange gains recognized in the nine months ended September 30, 2010.

Income tax charge. For the nine months ended September 30, 2011, we recorded a total income tax charge of PLN 29,405, compared to an income tax charge of PLN 47,842 in the corresponding period of 2010. This decrease is mostly due to deferred tax liability change due to deferred tax on unrealized foreign exchange results.

Loss for the period. Our loss for the period amounted to PLN 329,796 in the nine months ended September 30, 2011, compared to a profit of PLN 30,060 in the corresponding period of 2010.

Loss attributable to the owners of TVN S.A. Our loss attributable to the owners of TVN S.A. was PLN 329,796 in the nine months ended September 30, 2011, compared to a profit of PLN 26,953 in the corresponding period of 2010.

Results by Business Segment

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

The table below sets forth the summarized financial results by segment for the nine months ended September 30, 2011 and 2010:

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items**		Total	
	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Revenue from external customers	1,119,957	1,086,525	539,395	446,426	177,961	152,053	34,654	52,242	-	-	1,871,967	1,737,246
Inter-segment revenue	48,511	51,044	1,780	1,966	16,599	15,583	-	2	(66,890)	(68,595)	-	-
Total revenue	**1,168,468**	**1,137,569**	**541,175**	**448,392**	**194,560**	**167,636**	**34,654**	**52,244**	**(66,890)**	**(68,595)**	**1,871,967**	**1,737,246**
Operating profit/(loss)	376,771	395,757	(116,418)	(123,760)	44,736	26,118	(536)	(4,100)	(53,674)	(47,206)	250,879	246,809
EBITDA*	**423,375**	**442,309**	**9,976**	**(16,874)**	**67,365**	**50,501**	**(302)**	**(3,924)**	**(53,224)**	**(46,579)**	**447,190**	**425,433**
EBITDA* margin	**36.2%**	**38.9%**	**1.8%**	**-**	**34.6%**	**30.1%**	**-**	**-**			**23.9%**	**24.5%**

* 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, interest income, finance expenses, 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 nine months ended September 30, 2011 and 2010.

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items		Total	
	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Operating profit/(loss)	376,771	395,757	(116,418)	(123,760)	44,736	26,118	(536)	(4,100)	(53,674)	(47,206)	250,879	246,809
Depreciation, amortization and impairment charges	46,604	46,552	126,394	106,886	22,629	24,383	234	176	450	627	196,311	178,624
EBITDA	423,375	442,309	9,976	(16,874)	67,365	50,501	(302)	(3,924)	(53,224)	(46,579)	447,190	425,433

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, 2011 and 2010:

	Nine months ended September 30,					
	2011			2010		
	Revenue	**EBITDA**	**EBITDA %**	**Revenue**	**EBITDA**	**EBITDA %**
TVN channel	791,464	303,156	38.3	798,821	321,589	40.3
TVN 24 channel	167,456	80,569	48.1	161,111	78,041	48.4
Other	209,548	39,650	18.9	177,637	42,679	24.0
Total segment	**1,168,468**	**423,375**	**36.2**	**1,137,569**	**442,309**	**38.9**

Television broadcasting and production revenue in the nine months ended September 30, 2011, increased by 30,899 or 2.7% to PLN 1,168,468, compared to PLN 1,137,569 in the corresponding period of 2010.

Our TVN channel revenue decreased by PLN 7,357 in the nine months ended September 30, 2011. This decrease was primarily due to lower revenue from call TV.

TVN 24 increased its revenue by PLN 6,345, or 3.9%, in the nine months ended September 30, 2011 mainly due to an increase in subscription revenue.

Our other revenue in the television, broadcasting and production segment mainly consists of revenue of our other channels and increased by PLN 31,911, or 18.0%, in the nine months ended September 30, 2011, mainly thanks to premium TV revenue, increasing sales of content to third parties and higher subscription revenue of our thematic channels.

Our TVN channel's EBITDA decreased by PLN 18,433, or 5.7%, to PLN 303,156 in the nine months ended September 30, 2011, from PLN 321,589 in the corresponding period of 2010. TVN channel's EBITDA margin decreased to 38.3% from 40.3% in the corresponding period of 2010. Our TVN 24 channel's EBITDA increased by PLN 2,528, or 3.2% to PLN 80,569 in the nine months ended September 30, 2011 from PLN 78,041 in the corresponding period of 2010, and its EBITDA margin was 48.1%.

EBITDA of television, broadcasting and production segment presented as 'Other' mainly consists of EBITDA of our other channels. It decreased by PLN 3,029, or 7.1%. The decrease is mainly due to higher programming and broadcasting expenses of TVN Style.

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, 2011 and 2010.

	Nine months ended September 30,					
	2011			2010		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
‘n’ post-paid subscribers*	495,839	8,534	1.7	415,295	(17,322)	-
‘n’ pre-paid customers (Telewizja na kartę)	45,336	1,442	3.2	33,097	448	1.3
Total segment	**541,175**	**9,976**	**1.8**	**448,392**	**(16,874)**	**-**

* Includes revenue from other services

‘n’ DTH platform revenue increased by PLN 92,783 or 20.7%, to PLN 541,175 in the nine months ended September 30, 2011 from PLN 448,392 in corresponding period of 2010. This increase is mainly due to an increase in subscription fee revenue, which increased by PLN 81,640, or 19.4%, to PLN 503,115 in the nine months ended September 30, 2011.

This increase in revenue is primarily due to a higher average number of subscribers. The ‘n’ DTH platform’s subscribers increased net by 104,615 (not in thousands) to an average of 832,776 (not in thousands) in the nine month period ended September 30, 2011, from an average of 728,161 (not in thousands) subscribers in the corresponding period of 2010. The ‘n’ DTH platform recorded average ARPU of PLN 60.8 (not in thousands) in the nine months ended September 30, 2011, compared to the ARPU of PLN 58.7 in the corresponding period of 2010 (not in thousands). The ‘n’ DTH platform recorded 176,682 (not in thousands) post-paid subscriber gross additions during the nine months ended September 30, 2011, compared to 165,284 (not in thousands) during the nine months ended September 30, 2010.

TNK recorded an increase in revenue of PLN 12,239, or 37.0%, to PLN 45,336 in the nine months ended September 30, 2011. TNK active pre-paid net customer increased by over 18,000 (not in thousands) during the nine months ended September 30, 2011. As of September 30, 2011, TNK had a total customer base (active and inactive) of over 788,000 (not in thousands). As of September 30, 2011, TNK HD had almost 49,000 active customers. In the nine months ended September 30, 2011, TNK recorded average ARPU of PLN 12.5 (not in thousands).

The ‘n’ DTH platform recorded a profit at the EBITDA level of PLN 9,976 in the nine months ended September 30, 2011, compared to a loss at EBITDA level of PLN 16,874 in the corresponding period of 2010.

Online

The table below sets forth the summarized financial results for our Online segment for the nine months ended September 30, 2011 and 2010:

	Nine months ended September 30,							
	2011				2010			
	Revenue	EBITDA	EBITDA %	Cash EBITDA %	Revenue	EBITDA	EBITDA %	Cash EBITDA %
Onet.pl	167,647	66,173	39.5	43.1	145,755	54,216	37.2	41.3
Other	26,913	1,192	4.4	4.4	21,881	(3,715)	-	-
Total segment	**194,560**	**67,365**	**34.6**	**37.3**	**167,636**	**50,501**	**30.1**	**33.0**

Online revenue increased by PLN 26,924, or 16.1%, to PLN 194,560 in the nine months ended September 30, 2011, from PLN 167,636 in the corresponding period of 2010. Onet.pl revenue increased by PLN 21,892, or 15.0%, to PLN 167,647 in the nine months ended September 30, 2011, from PLN 145,755 in the corresponding period of 2010. 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 5,032, or 23.0%, to PLN 26,913 in the nine months ended September 30, 2011, from PLN 21,881 in the corresponding period of 2010, mainly due to increase in marketing services revenue in Zumi.pl.

Segment EBITDA increased by PLN 16,864, or 33.4% to PLN 67,365 in the nine months ended September 30, 2011. EBITDA margin increase to 34.6% in the nine months ended September 30, 2011 from 30.1% in the corresponding period of 2010. Onet.pl EBITDA increased by PLN 11,957 or 22.1%. EBITDA of our Internet vortals presented in the table above as ‘Other’ increased by PLN 4,907 to a positive level of PLN 1,192 in the nine months ended September 30, 2011, due to an increase of EBITDA of Zumi.pl and improving performance of VoD service.

Teleshopping

The table below sets forth the summarized financial results of our "Teleshopping" segment for the nine months ended September 30, 2011 and 2010.

	Nine months ended September 30,					
	2011			2010		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	34,654	(302)	-	52,244	(3,924)	-
Total segment	**34,654**	**(302)**	**-**	**52,244**	**(3,924)**	**-**

"Teleshopping" revenue decreased by PLN 17,590, or 33.7%, to PLN 34,654 in the nine months ended September 30, 2011, from PLN 52,244 in the corresponding period of 2010 primarily due to change of broadcast time of teleshopping spots on TVN channel attributed to Mango Media from early afternoon to early morning.

Segment EBITDA increased by PLN 3,622, to a loss at EBITDA level of PLN 302 in the nine months ended September 30, 2011 from a loss at EBITDA level of PLN 3,924 in the corresponding period of 2010.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments and head office expenses not allocated to business segments. Other reconciling items had a negative impact on our EBITDA of PLN 53,224 in the nine months ended September 30, 2011, compared to a negative impact of PLN 46,579 in the corresponding period of 2010.

Liquidity and Capital Resources

Historical Overview

The table below summarizes our consolidated cash flow for the nine months ended September 30, 2011 and 2010.

	Nine months ended September 30,		
	2010	2011	2011
	PLN	PLN	Euro [(1)]
Cash generated from operations....................................	370,561	306,659	75,881
Net cash generated by operating activities.....................	324,063	281,386	69,628
Net cash (used in)/ generated by investing activities.......	(165,360)	165,297	40,902
Net cash used in financing activities……………………..	(229,582)	(150,996)	(37,363)
(Decrease)/ increase in cash and cash equivalents……	(70,879)	295,687	73,166

(1) For the convenience of the reader, we have converted Złoty amounts for the nine months ended September 30, 2011 into Euro at the rate of PLN 4,0413 per €1.00 (arithmetic average of the effective National Bank of Poland, or "NBP", exchange rates on subsequently January 31, 2011, February 28, 2011, March 31, 2011, April 30, 2011, May 31, 2011, June 30, 2011, July 31, 2011, August 31, 2011 and September 30, 2011). 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 decreased by PLN 63,902 to PLN 306,659 in the nine months ended September 30, 2011, from PLN 370,561 in the corresponding period of 2010. The decrease results mainly from negative change in working capital of PLN 84,169 in the nine months ended September 30, 2011 partly offset by positive change on EBITDA level of PLN 21,757 in the nine months ended September 30, 2011.

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 281,386 in the nine months ended September 30, 2011, compared to PLN 324,063 generated by operating activities for the corresponding period in 2010. The decrease is a result of lower cash generated from operations. This decrease was partly offset by tax paid lower by PLN 21,225.

Net Cash Generated by Investing Activities

Net cash generated by investing activities amounted to PLN 165,297 in the nine months ended September 30, 2011, in comparison to net cash used in investing activities of PLN 165,360 in the corresponding period of 2010. The net cash generated by investing activities is primarily due to transfer of cash from our bank deposits with maturity over three months and a decrease of payments to acquire property, plant and equipment by PLN 59,928.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to PLN 150,996 in the nine months ended September 30, 2011, compared to net cash used in financing activities of PLN 229,582 in the corresponding period of 2010. In the nine months ended September 30, 2011, we recorded a cash outflow of PLN 144,971 related to repurchase of PLN Bonds, and related to interest paid on our total debt, including our bonds of PLN 154,737, partly offset by cash inflow of PLN 111,535 related to a release of the restricted cash balance and offset by lower by PLN 92,080 level of dividend paid. Cash outflow was also partly offset by settlement of foreign exchange forward contracts of PLN 36,960.

Total cash and cash equivalents, that we held as of September 30, 2011 amounted to PLN 785,613 in comparison to PLN 480,294 as of December 31, 2010. We hold cash and cash equivalents on bank deposit with maturity below three months in Złoty and Euro.

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 does not impact our ability to meet our liquidity requirements.

Future Liquidity and Capital Resources

We expect that our principal future cash needs will be dividends, 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. We believe that our existing cash balances and cash generated from our operations will be sufficient to fund these needs.

The table below sets forth the components of our gross debt, cash and cash equivalents, of September 30, 2011:

	Value	Coupon/ effective interest	Maturity
7.875% Senior Notes (nominal value[2])………………	771.960	7.875%	2018
10.75% Senior Notes (nominal value[1])………………	2.615.842	10.75%	2017
Accrued interest on long term debt…………………	128.248	-	-
Total debt…………………………	**3.516.050**	**-**	**-**
Cash at bank and in hand……………	785.613	-	-
Cash and cash equivalents ………	**785.613**	-	-
Net debt ………………………	**2.730.437**	**-**	**-**

(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 4,4112 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of September 30, 2011).

(2) This value represents outstanding nominal value of our 7.875% Senior Notes, which amounts to EUR 175,000 issued in November, 2010 multiplied by the rate of PLN 4,4112 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of September 30, 2011).

Financing Activities

The ratio of consolidated net debt defined as total borrowings (nominal amount of principal and accrued interest thereon), net of cash and cash equivalents, bank deposits with maturity over three months and easily marketable available for sale financial instruments, to our consolidated shareholders' equity was 3.0 as of September 30, 2011 was 2.0 as of December 31, 2010.

Our consolidated net debt to EBITDA ratio was 4.3 as of September 30, 2011 and 4.0 as of December 31, 2010.

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, interest income, finance expenses, foreign exchange gains and losses, share of loss of associate and income tax charges.

Our current liabilities amounted to PLN 658,617 at September 30, 2011, compared with PLN 691,590 at December 31, 2010. This decrease was mainly due to a decrease in other liabilities and accruals by PLN 96,744 and due to a decrease in current trade payables by PLN 28,935. The decrease was partly offset by increase of accrued interest on borrowings by PLN 89,871.

Our borrowed funds excluding accrued interest as of September 30, 2011, consisted of PLN 2,536,895 of indebtedness represented by the 10.75% Senior Notes and of PLN 750,966 of indebtedness represented by 7.875% Senior Notes.

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 was invested 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, 2011 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.

7.875% Senior Notes

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

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

Change of Control

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

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

Optional redemption

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

- we may redeem all or part of the 7.875% Senior Notes on or after November 15, 2013 at a redemption price ranging from 100.000% to 105.906%;
- the 7.875% Senior Notes may be redeemed, at our option, in whole but not in part, at any time, at a price equal to 100% of the aggregate principal amount plus accrued and unpaid interest, if any, up to the redemption date as a result of certain defined changes in tax laws or official interpretations regarding such laws;

- if a change of control over the Company occurs, each registered holder of 7.875% Senior Notes will have the right to require us to repurchase all or any part of such holder's 7.875% Senior Notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase.

We assessed that the above early repayment options are closely related to the economic characteristics of the host contract (Notes) as the options' exercise prices are close on each exercise date to the amortized cost of the 7,875% Senior Notes. Consequently, we did not separate the embedded derivatives related to the above early repayment options.

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 7.875% Senior Notes with the net cash proceeds of one or more public equity offerings at a redemption price of 107.875% 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 7,875% 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 7.875% 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 7.875% Senior Notes on the redemption date.

We do not account for early prepayment options embedded in the 7.875% Senior Notes because they are either closely related to the economic characteristics of the host contract or their fair value was accessed at a level close to nil.

Covenants

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

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

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

Events of Default

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

PLN Bonds

On June 23, 2008, we issued PLN denominated bonds with a nominal value of PLN 500,000 ("PLN Bonds"). 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 PLN Bonds is calculated and paid in cash semi-annually, on the PLN Bond nominal value, at a variable interest rate equal to 6 month WIBOR plus 2.75%.

On December 23, 2010 we acquired and redeemed our PLN Bonds with nominal value of PLN 359,000. In February 2011 we acquired and redeemed PLN Bonds with nominal value of PLN 135,400. On June 14, 2011 we acquired and redeemed PLN Bonds with nominal value of PLN 5,600. After this transaction all our PLN Bonds were redeemed.

Guarantee Facility

On December 17, 2010 we entered into PLN 200,000 revolving guarantee facility agreement with Bank Pekao S.A., which replaced and terminated the previous Loan Facility originally established on June 30, 2008. On May 17, 2011, on July 26, 2011 and on September 30, 2011 the Group amended the revolving guarantee facility agreement.

The amended agreement is a PLN 400,000 multicurrency facility available in EUR, USD and/or PLN, with a termination date on May 17, 2012 with an extension option for another year. It may be used in an amount of up to PLN 400,000 for guarantees and letters of credit with tenors not exceeding 36 months or 13 months from issuance respectively, and requires 50% cash collateral for guarantees with tenors greater than 18 months.

We entered into this agreement and terminated the previous Loan Facility as a part of the refinancing process using a portion of the proceeds received from the issuance of the 7.875% Senior Notes in November 2010.

As of September 30, 2011, the Guarantee Facility had been used for the following bank guarantees issued at 67,169:

- EUR 2,028 and PLN 5,731 in the form of guarantees issued on our behalf;
- EUR 11,900 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.

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, 2011 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,						
	2011	**2012**	**2013**	**2014**	**2015**	**thereafter**	**Total**
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases	4,037	79,179	78,964	78,964	63,823	138,966	443,933
Other technical leases………	15,031	15,031	15,031	15,031	15,031	-	75,155
Operating leases – other……	11,441	40,738	33,835	28,460	28,398	16,548	159,420
Programming rights……………	64,446	441,315	406,654	285,490	233,102	495,598	1,926,605
Total operating leases…….	**94,955**	**576,263**	**534,484**	**407,945**	**340,354**	**651,112**	**2,605,113**
Commitments to purchase equipment and software (2)…	37,181	-	-	-	-	-	37,181
Total cash commitments …	**132,136**	**576,263**	**534,484**	**407,945**	**340,354**	**651,112**	**2,642,294**
Barter commitments (1)……	3,711	-	-	-	-	-	3,711
Total cash commitments and other obligations ……	**135,847**	**576,263**	**534,484**	**407,945**	**340,354**	**651,112**	**2,646,005**

(1) As of September 30, 2011**,** pursuant to barter agreements, we had contractual commitments outstanding amounting to PLN 3,711, 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, 2011, the remaining commitment amounted to PLN 111,645 and should be fulfilled by December 31, 2013.

We have no other 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 and the 7.85% Senior Notes are denominated in Euro, and a large proportion of our programming costs are denominated in U.S. Dollar. In 2010 the Złoty has appreciated against the Euro while it has depreciated against the U.S. Dollar. We cannot exclude that volatility of Złoty exchange rates may continue in the market.

The annual inflation rate in Poland in September 2011 was 3.9% compared with 2.5% in September 2010, 4.2% in June 2011, 4.3% in March 2011, 3.7% in December 2010, 2.3% in June 2010 and 2.6% in March 2010. We do not believe that the current inflationary trends will have a material impact on our business. We cannot predict the likelihood that these trends will continue.

Dividend Policy

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

We paid a dividend of PLN 13,728 (or PLN 0.04 per share) in 2011, representing 30% of 2010 net profit. The intention is to maintain a dividend payout ratio at this ratio of net profit till ITI Neovision becomes cash flow positive.

PART II

ADDITIONAL INFORMATION

1. Our Comment on Previously Published Forecasts

We do not change our forecast of post paid subscribers of ‘n’ DTH platform for 2011, as published on February 22, 2011.

We change our forecast of full-year consolidated EBITDA for 2012, as published on August 11, 2011. According to updated data, we will target the full year consolidated EBITDA in the range of PLN 660-670 million (not in thousands) in 2011 with potential further impact of up to PLN 20 million (not in thousands) as a result of corporate projects (HQ costs of contemplated merger of ‘n’ platform with Cyfra+ and reorganization of TV segment). Previously we projected the full-year consolidated EBITDA of approximately PLN 680 million (not in thousands) in 2011.

2. TVN Group Organizational Structure

TVN Group comprises the following entities as of September 30, 2011:

Entity	Country of incorporation and residence	September 30, 2011 Ownership (%)	September 30, 2011 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
TVN Finance Corporation III AB	Sweden	100	100
Grupa Onet Poland Holding B.V. [1]	The Netherlands	100	100
Media Entertainment Ventures Int Ltd[1]	Malta	100	100
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
TVN Holding S.A.	Poland	100	100
Polski Operator Telewizyjny Sp. z o.o	Poland	50	50
MGM Channel Poland Ltd (joint venture) [2]	UK	45	45
Film Miasto Sp. z o.o.	Poland	34	34
Stavka Sp. z o.o.	Poland	25	25
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 August 29, 2011 we enter into strategic alliance with Stavka Sp. z o.o., holder of the licence for terrestrial broadcasting of the U-TV channel, acquiring 25% of its interest.

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 November 10, 2011:

Shareholder	Number of Shares	% of Share Capital	Number of Votes	% of votes
Polish Television Holding B.V. (1)	180,355,430	52.46	180,355,430	52.46
N-Vision B.V. (1)	3,963,095	1.15	3,963,095	1.15
Cadizin Trading&Investment (1)	6,952,686	2.02	6,952,686	2.02
ITI Impresario (1)	0,00	0.00	0,00	0.00
Other shareholders	152,503,900	44.36	152,503,900	44.36
TOTAL:	**343,775,111**	**100.00**	**343,775,111**	**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 November 10, 2011.

Name	Total number of options granted up to November 10, 2011 (not in thousands)	Total number of options vested up to November 10, 2011 (not in thousands)	Total number of options vested and held as of November 10, 2011 (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, November 10, 2011 and changes in their holdings since the date of publication of our previous quarterly report on August 11, 2011. 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 11, 2011	Increases	Decreases	Balances as of November 10, 2011
Markus Tellenbach	-	-	-	-
Piotr Walter	-	-	-	-
Łukasz Wejchert	763,666 (+3,549,805*)	-	-	763,666 (+3,549,805*)
John Driscoll	-		-	-

**Concerns TVN S.A. shares in estate of the late Jan Wejchert, where Łukasz Wejchert is one of the six heirs and co-owns fraction of these shares as their allocation was not completed yet.*

5.2 Supervisory Board Members

The following table presents TVN S.A. shares (not in thousands) held by the Supervisory Board members, as of November 10, 2011, and changes in their holdings since the date of publication of our previous quarterly report on August 11, 2011. 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 11, 2011	Increases	Decreases	Balances as of November 10, 2011
Wojciech Kostrzewa	120,000	-	-	120,000
Bruno Valsangiacomo	1,597,325	-	-	1,597,325
Arnold Bahlmann	-	-	-	-
Romano Fanconi	32,000	-	-	32,000
Paweł Gricuk	-	-	-	-
Wiesław Rozłucki	-	-	-	-
Andrzej Rybicki	-	-	-	-
Aldona Wejchert	3,549,805*	-	-	3,549,805*
Gabriel Wujek	-	-	-	-
Michał Broniatowski	-	-	-	-
Paul Lorenz	-	-	-	-
Total:	**1,749,325**	-	-	**1,749,325**

**Concerns TVN S.A. shares in estate of the late Jan Wejchert, where Aldona Wejchert is one of the six heirs and co-owns fraction of these shares as their allocation was not completed yet.*

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, 2011

During the three months ended September 30, 2011, 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, 2011

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.

TVN S.A. granted guarantees for ITI Neovision liabilities, our entity and the owner of DTH platform ‘n’, in total of PLN 265,983 as of September 30, 2011. The last guarantee expiries in 2015.

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, 2011

	Page
TVN Information	F-1
Interim Consolidated Income Statement	F-4
Interim Consolidated Statement of Comprehensive Income	F-5
Interim Consolidated Balance Sheet	F-6
Interim Consolidated Statement of Changes in Shareholders' Equity	F-7
Interim Consolidated Cash Flow Statement	F-9
Notes to the Interim Consolidated Financial Statements	F-10

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, 2011

	Page
TVN Information	SF-1
Interim Condensed Separate Income Statement	SF-4
Interim Condensed Separate Statement of Comprehensive Income	SF-5
Interim Condensed Separate Balance Sheet	SF-6
Interim Condensed Separate Statement of Changes in Shareholders' Equity	SF-7
Interim Condensed Separate Cash Flow Statement	SF-9
Notes to the Interim Condensed Separate Financial Statements	SF-10

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, 2011, 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, 2011 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 November 9, 2011.

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, November 9, 2011

TVN Group

Interim Condensed Consolidated Financial Statements
As of and for the three and nine months ended September 30, 2011

TVN Group

Contents **Page**

TVN Information	F-1
Interim Condensed Consolidated Income Statement	F-4
Interim Condensed Consolidated Statement of Comprehensive Income	F-5
Interim Condensed Consolidated Balance Sheet	F-6
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity	F-7
Interim Condensed Consolidated Cash Flow Statement	F-9
Notes to the Interim Condensed Consolidated Financial Statements	F-10

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 ten television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN CNBC, 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
- Paul H. Lorenz
- 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

TVN Information (CONTINUED)

5. Auditors

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa

6. Principal Solicitors

Weil, Gotshal & Manges
ul. Emilii Plater 53
00-113 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

- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warszawa
- 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

Digital satellite pay television

- ITI Neovision Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa
- Neovision UK Ltd.
  5 New Street Square
  London EC4A 3TW, UK
- Cyfrowy Dom Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa

On-line

- Grupa Onet.pl S.A.
  ul. G. Zapolskiej 44
  30-126 Kraków
- SunWeb Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków
- 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

Teleshopping

- Mango Media Sp. z o.o.
  ul. Hutnicza 59
  81-061 Gdynia

TVN Information (CONTINUED)

8. Subsidiaries (continued)

Corporate

- Grupa Onet Poland Holding B.V.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- DTH Poland Holding Coöperatief U.A.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- TVN Finance Corporation II AB
  Stureplan 4 c 4 tr
  114 35 Stockholm, Sweden
- TVN Finance Corporation III 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
- TVN Holding S.A.
  ul. Wiertnicza 166
  02-952 Warszawa

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. Associates

- Polskie Badania Internetu Sp. z o.o.
  Al. Jerozolimskie 65/79
  00-697 Warszawa
- Film Miasto Sp. z o.o.
  ul. Puławska 182
  02-670 Warszawa
- Stavka Sp. z o.o.
  ul. Ordynacka 14/5
  00-358 Warszawa

	Note	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Revenue	**6**	1,871,967	1,737,246	566,019	533,365
Cost of revenue	**7**	(1,217,643)	(1,122,653)	(393,433)	(367,390)
Selling expenses	**7**	(250,402)	(229,460)	(77,815)	(79,152)
General and administration expenses	**7**	(151,793)	(139,062)	(54,046)	(42,236)
Other operating (expenses)/ income, net	**7**	(1,250)	738	(599)	(986)
Operating profit		**250,879**	**246,809**	**40,126**	**43,601**
Interest income	**8**	18,851	10,939	8,054	4,967
Finance expense	**8**	(263,936)	(233,104)	(86,042)	(78,541)
Foreign exchange (losses)/ gains, net	**8**	(305,539)	52,976	(336,894)	105,223
Share of (loss)/ profit of associates		(646)	282	(844)	87
(Loss)/ profit before income tax		**(300,391)**	**77,902**	**(375,600)**	**75,337**
Income tax (charge)/ credit	**17**	(29,405)	(47,842)	18,386	(14,306)
(Loss)/ profit for the period		**(329,796)**	**30,060**	**(357,214)**	**61,031**
(Loss)/ profit attributable to:					
Owners of the parent		(329,796)	26,953	(357,214)	61,020
Non-controlling interests		-	3,107	-	11
		(329,796)	**30,060**	**(357,214)**	**61,031**
(Losses)/ earnings per share for (loss)/ profit attributable to the owners of TVN S.A. (not in thousands)					
- basic	**9**	(0.96)	0.08	(1.04)	0.18
- diluted	**9**	(0.96)	0.08	(1.04)	0.18

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

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

	Note	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
(Loss)/ profit for the period		**(329,796)**	**30,060**	**(357,214)**	**61,031**
Other comprehensive income/ (loss):					
Foreign exchange forward contracts	**11**	3,315	-	4,503	-
Available-for-sale financial assets		-	712	-	(58)
Income tax relating to components of other comprehensive income/ (loss)	**17**	(349)	(135)	(415)	11
Other comprehensive income/ (loss) for the period, net of tax		2,966	577	4,088	(47)
Total comprehensive (loss)/ income for the period		**(326,830)**	**30,637**	**(353,126)**	**60,984**
Total comprehensive (loss)/ income attributable to:					
Owners of the parent		(326,830)	27,530	(353,126)	60,973
Non-controlling interests		-	3,107	-	11
		(326,830)	**30,637**	**(353,126)**	**60,984**

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

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

	Note	As at September 30, 2011	As at December 31, 2010
ASSETS			
Non-current assets			
Property, plant and equipment		705,345	763,030
Goodwill		1,677,614	1,677,614
Brands		770,853	778,625
Other intangible assets		135,190	112,199
Non-current programming rights		149,826	155,345
Investments in associates		2,001	1,527
Available-for-sale financial assets		7,588	7,588
Deferred tax asset	**17**	42,556	46,505
Non-current restricted cash	**12**	-	84,172
Other non-current assets		6,470	5,787
		3,497,443	**3,632,392**
Current assets			
Current programming rights		279,316	247,004
Trade receivables		339,037	334,705
Derivative financial assets		5,304	-
Prepayments and other assets		115,386	135,400
Corporate income tax receivable		-	12,603
Current restricted cash	**12**	-	27,363
Bank deposits with maturity over three months	**12**	-	321,721
Cash and cash equivalents	**12**	785,613	480,294
		1,524,656	**1,559,090**
TOTAL ASSETS		**5,022,099**	**5,191,482**
EQUITY			
Shareholders' equity			
Share capital	**13**	68,758	68,471
Share premium		671,355	643,049
8% obligatory reserve		23,301	23,301
Other reserves		(448,302)	(438,036)
Accumulated profit		598,376	941,900
		913,488	**1,238,685**
LIABILITIES			
Non-current liabilities			
10.75% Senior Notes due 2017	**14**	2,536,895	2,263,055
7.875% Senior Notes due 2018	**14**	750,966	671,146
PLN Bonds due 2013	**14**	-	140,739
Deferred tax liability	**17**	151,151	168,255
Non-current trade payables		6,578	13,186
Other non-current liabilities		4,404	4,826
		3,449,994	**3,261,207**
Current liabilities			
Current trade payables		210,615	239,550
Accrued interest on borrowings	**14**	128,248	38,377
Corporate income tax payable		2,835	-
Other liabilities and accruals	**15**	316,919	413,663
		658,617	**691,590**
Total liabilities		**4,108,611**	**3,952,797**
TOTAL EQUITY AND LIABILITIES		**5,022,099**	**5,191,482**

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	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 [1]	-	-	-	-	(356,718)	-	(356,718)	356,610	(108)
Cost related to acquisition of non-controlling interest [1]	-	-	-	-	(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)
Credit for the period	-	712	-	712
Deferred tax on credit for the period	-	(135)	-	(135)
Derecognition of non-controlling interest [1]	-	-	(356,718)	(356,718)
Cost related to acquisition of non-controlling interest [1]	-	-	(6,859)	(6,859)
Balance at September 30, 2010	**117,684**	**8**	**(551,148)**	**(433,456)**

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

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves (*)	Accumulated profit	Total equity
Balance at January 1, 2011	**342,354,192**	**68,471**	**643,049**	**23,301**	**(438,036)**	**941,900**	**1,238,685**
Total comprehensive income/ (loss) for the period	-	-	-	-	2,966	(329,796)	(326,830)
Issue of shares [(2)]	1,434,509	287	28,396	-	(13,232)	-	15,451
Share issue cost	-	-	(90)	-	-	-	(90)
Dividend declared and paid [(3)]	-	-	-	-	-	(13,728)	(13,728)
Balance at September 30, 2011	**343,788,701**	**68,758**	**671,355**	**23,301**	**(448,302)**	**598,376**	**913,488**

(*) Other reserves

	Employee share option plan reserve	Hedging reserve	Other reserves related to acquisition of non-controlling interest	Total
Balance at January 1, 2011	**113,112**	**-**	**(551,148)**	**(438,036)**
Issue of shares	(13,232)	-	-	(13,232)
Charge for the period	-	3,315	-	3,315
Deferred tax on charge for the period	-	(349)	-	(349)
Balance at September 30, 2011	**99,880**	**2,966**	**(551,148)**	**(448,302)**

(1) On March 10, 2010 the Group completed the acquisition of the remaining shares in Neovision Holding B.V. (currently DTH Poland Holding Coöperatief U.A.) and derecognized non-controlling interest (see Note 19).

(2) During the nine months ended September 30, 2011 1,434,509 (not in thousands) of 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 (see Note 22).

(3) The dividend declared and paid in 2011 amounted to 0.04 per share (not in thousands). The dividend declared and paid in 2010 amounted to 0.31 per share (not in thousands).

Included in accumulated profit as of September 30, 2011 is an amount of 1,241,785 being the accumulated profit of TVN S.A. on a standalone basis which is distributable. The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 (see Note 14) impose certain restrictions on payment of dividends.

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, 2011	Nine months ended September 30, 2010
Operating activities			
Cash generated from operations	**16**	306,659	370,561
Tax paid		(25,273)	(46,498)
Net cash generated by operating activities		**281,386**	**324,063**
Investing activities			
Cost of acquisition of non-controlling interest		-	(6,859)
Payments to acquire property, plant and equipment		(126,220)	(186,148)
Proceeds from sale of property, plant and equipment		1,066	1,119
Payments to acquire intangible assets		(51,987)	(27,401)
Sale of available-for-sale financial assets		-	238,168
Bank deposits with maturity over three months	**12**	320,997	(192,823)
Interest received		21,441	8,584
Net cash generated by/ (used in) investing activities		**165,297**	**(165,360)**
Financing activities			
Issue of shares, net of issue cost		15,361	14,505
Dividend paid		(13,728)	(105,808)
Cost of issue of 7.875% Senior Notes due 2018	**14**	(1,416)	-
Repurchase of PLN Bonds due 2013	**14**	(144,971)	-
Cost of issue of 10.75% Senior Notes due 2017	**14**	-	(14,366)
Settlement of foreign exchange forward contracts	**11**	36,960	-
Restricted cash	**12**	111,535	-
Interest paid		(154,737)	(123,913)
Net cash used in financing activities		**(150,996)**	**(229,582)**
Increase/ (decrease) in cash and cash equivalents		**295,687**	**(70,879)**
Cash and cash equivalents at the start of the period		480,294	381,658
Effects of exchange rate changes		9,632	2,390
Cash and cash equivalents at the end of the period		**785,613**	**313,169**

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 the Supervisory Board of TVN S.A. on November 9, 2011.

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 Holdings is ultimately, jointly controlled by the members of the Wejchert, Walter, Valsangiacomo and Kostrzewa families. ITI Group has been active in Poland since 1984 and is the largest media and entertainment group in Poland.

The structure of the TVN Group is described in Note 20.

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.

<u>Seasonality of operations</u>

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.

<u>Recent significant transactions</u>

On December 22, 2010 the Group entered into an agreement with Bank Pekao S.A. to repurchase a portion of the Group’s PLN Bonds due 2013. As a result, on December 23, 2010 the Group redeemed 359,000 of the PLN Bonds due 2013. In February 2011 the Group acquired and redeemed PLN Bonds due 2013 with the total nominal value of 135,400. On June 14, 2011 the Group acquired and redeemed the remaining 5,600 of the PLN Bonds due 2013 (see Note 14).

On May 17, 2011, on July 26, 2011 and on September 30, 2011 the Group amended the revolving guarantee facility agreement with Bank Pekao S.A. (see Note 14).

In July 2011 the Group entered on market conditions into a long term license agreement with Twentieth Century Fox. Under the agreement the Group acquires rights to the content of the Twentieth Century Fox. The agreement becomes effective as of January 1, 2012.

Also in July 2011 the Group entered on market conditions into a license agreement with Union des Associations Européennes de Football (“UEFA”). Under the agreement the Group acquires rights to broadcast UEFA Champions League and Europa League, as well as to sublicense certain rights to Telewizja Polska S.A. (Polish Television). The agreement covers three football seasons: 2012/2013, 2013/2014 and 2014/2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed consolidated financial statements are prepared on a going concern basis and in accordance with 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, 2011 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2010 except for standards, amendments to standards and interpretations which became effective January 1, 2011.

In 2011 the Group adopted:

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

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

(ii) IFRS Improvements 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 amendments did not have a significant impact on the Group's consolidated financial statements.

(iii) Amendment to IAS 32 Classification of Rights Issues

The amendment clarifies the classification of instruments that give the holders the right to acquire an entity's own equity instruments at a fixed price (rights issues) when that price is stated in a currency other than the entity's functional currency. The amendment did not affect the Group's consolidated financial statements.

(iv) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address accounting by the creditor. The interpretation did not affect the Group's consolidated financial statements.

(v) Revised IAS 24 Related Party Disclosures

The revised standard simplifies the definition of a related party, clarifies its intended meaning, eliminates inconsistencies from the definition and provides a partial exemption from the disclosure requirements for government-related entities. The revised standard did not have a significant impact on the Group's consolidated financial statements, the Group has not identified any new related parties under the new definition of a related party.

(vi) Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendment removes an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendment applies in limited circumstances:

- when an entity is subject to minimum funding requirements, and
- makes an early payment of contributions to cover those requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment 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.

The Group's consolidated financial statements for the year ended December 31, 2010 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, amendments to 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, 2012. The Group's assessment of the impact of these new standards, amendments to standards and IFRIC interpretations on the Group's consolidated financial statements is set out below.

(i) IFRS 10 Consolidated Financial Statements

The standard was published on May 12, 2011 and it establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The standard requires an entity that is a parent to present consolidated financial statements, a limited exemption is available to some entities. The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The standard also sets out the accounting requirements for the preparation of consolidated financial statements. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Group's consolidated financial statements.

(ii) IFRS 11 Joint Arrangements

The standard was published on May 12, 2011 and it establishes principles for financial reporting by parties to a joint arrangement. The standard supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard classifies joint arrangements into two types – joint operations and joint ventures and establishes different principles for financial reporting for each type of joint arrangement. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) IFRS 12 Disclosure of Interests in Other Entities

The standard was published on May 12, 2011 and it applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard requires an entity to disclose information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities;
- the effects of those interests on its financial position, financial performance and cash flows.

The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Group's consolidated financial statements.

(iv) IFRS 13 Fair Value Measurement

The standard was published on May 12, 2011. The standard:

- defines fair value;
- sets out in a single standard a framework for measuring fair value;
- requires disclosures about fair value measurements.

The standard applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Group's consolidated financial statements.

(v) Amended IAS 27 Separate Financial Statements

The amended standard was published on May 12, 2011 and it contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amended standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The amended standard applies for annual periods beginning on or after January 1, 2013. The amended standard will not affect the Group's consolidated financial statements.

(vi) Amended IAS 28 Investments in Associates and Joint Ventures

The standard was published on May 12, 2011 and it prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard applies for annual periods beginning on or after January 1, 2013. Along with adoption of this amended standard the Group will have to change its accounting policy on joint ventures, as the proportionate consolidation will no longer be permitted. As the Group is not a party to any significant joint ventures the amended standard will not have significant impact on the Group's consolidated financial statements.

(vii) Amendments to IAS 19 Employee Benefits

The amendments were published on June 16, 2011 and they improve the accounting for pensions and other post-employment benefits. The amendments apply for annual periods beginning on or after January 1, 2013. The amendments will not affect the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(viii) Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments were published on June 16, 2011 and they require entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments apply for annual periods beginning on or after July 1, 2012. The amendments will not have significant impact on the Group's consolidated financial statements.

(ix) IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine

The interpretation was published on October 19, 2011 and it applies for annual periods beginning on or after January 1, 2013. The interpretation will not affect the Group's consolidated financial statements.

Additionally, the following standards and amendments to standards are applicable in future and were discussed in the Group's consolidated financial statements for the year ended December 31, 2010:

- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*
- *IFRS 9 Financial Instruments*
- *Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- *Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets*

At the date of preparation of these financial statements the following standards, amendments to standards and IFRIC interpretations were not adopted by the EU:

- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*
- *IFRS 9 Financial Instruments*
- *Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- *Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*
- *IFRS 13 Fair Value Measurement*
- *Amended IAS 27 Separate Financial Statements*
- *Amended IAS 28 Investments in Associates and Joint Ventures*
- *Amendments to IAS 19 Employee Benefits*
- *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*
- *IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine*

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 effective from cost and cash flow perspective.

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

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 and 7.875% Senior Notes due 2018

The 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 are listed on the Luxembourg Stock Exchange. The price of 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 depends on the Group's creditworthiness and on the relative performance of the bond market as a whole. The Group does not account for early prepayment options embedded in the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 because they are either closely related to the economic characteristics of the host contract or their fair value was assessed at a level close to nil. The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 are carried at amortized cost. The Group is therefore not exposed to changes in market price of the 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Group's revenue is primarily denominated in Polish zloty. Foreign exchange risk arises mainly from the Group's liabilities in respect of the 10.75% Senior Notes due 2017, 7.875% Senior Notes due 2018, 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 an efficient manner, both from cost and cash flow perspective, and that no trading in financial instruments is undertaken. Following evaluation of its exposures the Group enters into derivative financial instruments to manage these exposures. Call options, swaps and forward exchange agreements may be entered into to manage currency exposures. Regular and frequent reporting to management is required for all transactions and exposures.

The estimated (loss)/ profit for the period (post-tax) impact on balances as of September 30, 2011 and September 30, 2010 of a reasonably possible EUR appreciation of 5% against the zloty, with all other variables held constant amounts to a loss of 139,729 (a loss of 86,056 as of September 30, 2010) and is presented below:

	Nine months ended September 30, 2011	**Nine months ended September 30, 2010**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
10.75% Senior Notes due 2017 including accrued interest	(110,212)	(99,614)
7.875% Senior Notes due 2018 including accrued interest	(32,188)	-
Trade payables	(878)	(776)
Other	(1,457)	(1,127)
Assets:		
Cash and cash equivalents	4,681	5,160
Trade receivables	325	308
Available-for-sale financial assets	-	5,149
Bank deposits with maturity over three months	-	4,844
	(139,729)	**(86,056)**

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated (loss)/ profit for the period (post-tax) impact on balances as of September 30, 2011 and September 30, 2010 of a reasonably possible USD appreciation of 5% against the zloty, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to a loss of 2,976 (a loss of 3,435 as of September 30, 2010) and is presented below:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Assumed USD appreciation against PLN:	5%	5%
Liabilities		
Trade payables	(3,363)	(5,056)
Assets:		
Trade receivables	334	1,577
Cash and cash equivalents	53	44
	(2,976)	**(3,435)**

The net profit impact of possible foreign currency fluctuations is partially limited by derivative instruments entered into by the Group. Details of foreign exchange forward contracts which the Group had on September 30, 2011 are discussed in Note 11.

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 and the 7.875% Senior Notes due 2018 (see Note 14).

As the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 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 and the 7.875% Senior Notes due 2018 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 and the 7.875% Senior Notes due 2018 in the balance sheet.

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, 2011.

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, restricted cash and bank deposits with maturity over three months with financial institutions that the Group believes are credit worthy based on current credit ratings (see Note 12). 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 (62% of the total trade receivables as of September 30, 2011) 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 12% and the single largest advertiser accounted for 2% of sales for the nine months ended September 30, 2011. Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency.

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

Digital satellite pay television customers

The primary source of credit risk related to digital platform operations is the sale of services to subscribers to the pay TV service, who comprise a large group of individuals and companies with a relatively low individual value in their purchases from the Group. Credit risk is therefore dispersed and is additionally limited by the Group's policy of monitoring the collection of receivables and deactivating the service to customers who do not pay their subscription fees. The Group monitors the statistics related to late or non-payment of subscription fees and creates bad debt provisions based on the available statistics.

The Group performs ongoing credit evaluations of the financial condition of its distributors and in many cases requires certain collateral in the form of deposits, bills of exchange or bank guarantees. Collateral is provided in order to secure the Group's receivables arising from activation fees collected by distributors from subscribers on behalf of the Group, receivables from the sale of decoders and prepaid decoding cards to distributors, as well from the value of decoders and other devices provided to distributors for further distribution to the Group's subscribers.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables (net)	September 30, 2011	December 31, 2010
Receivables from advertising agencies	62%	64%
Receivables from individual customers	36%	34%
Receivables from related parties	2%	2%
	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, 2011	December 31, 2010 *
Agency A	9%	8%
Agency B	8%	9%
Agency C	8%	7%
Agency D	6%	7%
Agency E	4%	2%
Sub-total	**35%**	**33%**
Total other counterparties	65%	67%
	100%	**100%**

* 2010 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, 2011	December 31, 2010 *
Agency Group F	19%	20%
Agency Group G	15%	13%
Agency Group H	10%	12%
Agency Group I	4%	4%
Agency Group J	3%	3%
Sub-total	**51%**	**52%**
Total other counterparties	49%	48%
	100%	**100%**

* 2010 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, 2011.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk

The Group maintains sufficient cash to meet its obligations as they become due. Management monitors regularly expected cash flows. The Group expects that its principal future cash needs will be capital 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 7.875% Senior Notes due 2018 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, 2011 the Group had cash and cash equivalents totaling 785,613 at its disposal (cash and cash equivalents and bank deposits with maturity over three months totaling 802,015 at December 31, 2010).

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

	Within 1 year	**Between 1-2 years**	**Above 2 years**
At September 30, 2011			
10.75% Senior Notes due 2017	281,202	281,202	3,881,251
7.875% Senior Notes due 2018	60,792	60,792	1,106,316
Trade payables	210,615	6,578	-
Other liabilities and accruals	168,306	1,838	866
	720,915	**350,410**	**4,988,433**
At December 31, 2010			
10.75% Senior Notes due 2017	252,460	252,460	3,610,758
7.875% Senior Notes due 2018	54,123	54,578	1,020,521
PLN Bonds due 2013 **	9,701	9,728	145,837
Trade payables	239,550	13,186	-
Other liabilities and accruals	212,890	1,078	1,981
	768,724	**331,030**	**4,779,097**

* All of the non-trading Group's gross settled derivative financial instruments are in hedge relationships and are due to settle within twelve months of the balance sheet date (see Note 11). These contracts require undiscounted contractual cash inflows of 53,893 and undiscounted contractual cash outflows of 49,038.

** On December 23, 2010 the Group redeemed PLN Bonds due 2013 with the total nominal value of 359,000. In February 2011 the Group acquired and redeemed PLN Bonds due 2013 with the total nominal value of 135,400. On June 14, 2011 the Group acquired and redeemed the remaining PLN Bonds due 2013 with the total nominal value of 5,600 (see Note 14).

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2. Capital risk management

The Group's objectives when managing capital 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 14) payable at the reporting date including accrued interest 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, interest income, finance expense, 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, 2011	**December 31, 2010**
Net debt	2,730,437	2,418,873
EBITDA	632,453	610,696
Net debt/ EBITDA ratio	4.3	4.0

Subject to changes in EUR/ PLN foreign exchange rate, the Group's goal is to continue to lower its net debt/ EBITDA ratio.

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 banks that hold the instruments.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, 2011				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	5,304	-	5,304
	-	**5,304**	**-**	**5,304**

The Group did not have any financial instruments measured at fair value as of December 31, 2010.

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 ongoing sovereign debt issues in a few European countries and recent financial issues in the United States of America, 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.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(i) Estimated impairment of goodwill and brand allocated to on-line cash-generating unit

The Group classifies the Onet.pl brand acquired as an intangible asset with an indefinite useful life and allocates the brand and goodwill to the on-line cash-generating unit. The Group tests annually whether the on-line cash-generating unit, including goodwill and brand, have suffered any impairment. 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, 2011 the Group assessed that the operating and financial results of the on-line cash-generating unit do not indicate impairment.

The last impairment test was carried out as at December 31, 2010. The recoverable amount of the cash-generating unit was determined based on value-in-use calculations. In the annual impairment test performed by the Group as at December 31, 2010 the calculation of value-in-use was based on discounted free cash flows and involved the use of estimates related to cash flow projections based on actual financial business plans approved by management covering the period until 2015.

The key financial assumptions used for discounting free cash flows in 2010 were as follows:

Terminal growth	4%
Discount rate	8.86%

Other key assumptions included:

- annual growth rate of the Polish advertising market in 2011 to 2015,
- increase in the online advertising market as a percentage of the total Polish advertising market in 2011 to 2015,
- share of Onet in the online advertising market in 2011 to 2015,
- growth of free cash flows in 2016 to 2025

The Group believes that the key assumptions made in testing for impairment of the on-line cash generating unit as at December 31, 2010 were reasonable and were based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which on-line cash-generating unit' recoverable amount was based would not cause the impairment charge to be recognized as at December 31, 2010.

(ii) 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, 2011 the Group assessed that the operating and financial results of the digital satellite pay television cash-generating unit do not indicate impairment.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The last impairment test was carried out as at December 31, 2010. The recoverable amount of the cash-generating unit was determined based on value-in-use calculations. In the annual impairment test performed by the Group as at December 31, 2010 the calculation of value-in-use was based on discounted free cash flows and involved the use of estimates related to cash flow projections based on actual financial business plans approved by management covering the period until 2015.

The key financial assumptions used for discounting free cash flows in 2010 were as follows:

Terminal growth	3%
Discount rate	8.74%

Other key assumptions included:

- Compound annual growth rate of the Polish pay TV DTH market in 2011-2015
- Share of 'n' in the Polish pay TV DTH market in 2015

The Group believes that the key assumptions made in testing for impairment of the digital satellite pay television cash generating unit as at December 31, 2010 were reasonable and were based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which digital satellite pay television cash-generating unit' recoverable amount was based would not cause the impairment charge to be recognized as at December 31, 2010.

(iii) Estimated impairment of goodwill and brand allocated to teleshopping unit

The Group classifies the Mango brand acquired as an intangible asset with indefinite useful life and allocates brand and goodwill to the teleshopping cash-generating unit. The Group tests annually whether the teleshopping cash-generating unit, including goodwill and brand, have suffered any impairment. The Group tests the total carrying amount of the cash-generating unit and in case of impairment write-offs are made with respect to goodwill first. If goodwill is fully impaired the Group continues impairment testing of the brand with potential write-offs against the carrying value of brand and other assets allocated to the teleshopping cash-generating unit. During the year the Group monitors cash-generating units against impairment indicators through the review of actual financial and operating results.

As of June 30, 2011 the Group assessed that the operating and financial results of the teleshopping cash-generating unit indicate a possible risk of an impairment, as a result the Group performed an impairment test as at June 30, 2011. The recoverable amount of the cash-generating unit was determined based on value-in-use calculations. These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period. In the impairment test performed by the Group as at June 30, 2011 cash flows beyond the five year period were extrapolated as regards Mango Media using an estimated growth rate of 3%. Other key assumptions used for the Mango Media value-in-use calculations were the discount rate of 9.81%. The test performed as at June 30, 2011 indicated, that the teleshopping cash-generating unit, including goodwill and brand, did not suffer any impairment. The Group believes that the key assumptions made in testing for impairment of the teleshopping cash generating unit as at June 30, 2011 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which teleshopping cash-generating unit' recoverable amount is based would not cause the impairment charge to be recognised.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Since last impairment test performed as at June 30, 2011 the Group has not observed any further deterioration of the operating and financial results of the teleshopping cash-generating unit. As a result the Group assessed that there are no indicators of an impairment of the teleshopping cash-generating unit as at September 30, 2011.

(iv) Estimated useful life of Onet.pl brand

In accordance with IAS 38.90 the Group reviewed factors that need to be considered when assessing the useful life of the Onet.pl brand such as:

- the expected usage of the brand and whether the brand could be managed efficiently,
- technical, technological, commercial or other types of obsolescence,
- the stability of the industry in which the brand operates and changes in the market demand for media services,
- expected actions by competitors or potential competitions in the media via internet industry,
- the level of maintenance expenditure required to obtain the expected future economic benefits from the brand,
- whether the useful life of the brand is dependent on the useful life of other assets.

Having considered the above factors, the Group concluded that there is no foreseeable limit to the period over which the Onet.pl brand is expected to generate net cash flows for the Group, therefore the useful life of the Onet.pl brand was assessed as indefinite.

Each reporting period the Group reviews whether events and circumstances continue to support an indefinite useful life assessment of the Onet.pl brand. If the reviews result in a change in the useful life assessment from indefinite to finite, this change is accounted for as a change in an accounting estimate.

(v) Estimated useful life of Mango brand

In accordance with IAS 38.90 the Group reviewed factors that need to be considered when assessing the useful life of the Mango brand such as:

- the expected usage of the brand and whether the brand could be managed efficiently,
- technical, technological, commercial or other types of obsolescence,
- the stability of the industry in which the brand operates and changes in the market demand for teleshopping services,
- expected actions by competitors or potential competitions in the teleshopping industry,
- the level of maintenance expenditure required to obtain the expected future economic benefits from the brand,
- whether the useful life of the brand is dependent on the useful life of other assets.

Having considered the above factors, the Group concluded that there is no foreseeable limit to the period over which the Mango brand is expected to generate net cash flows for the Group, therefore the useful life of the Mango brand was assessed as indefinite.

Each reporting period the Group reviews whether events and circumstances continue to support an indefinite useful life assessment of the Mango brand. If the reviews result in a change in the useful life assessment from indefinite to finite, this change is accounted for as a change in an accounting estimate.

5. SEGMENT REPORTING

The Group's principal activities are television broadcasting and production, digital satellite pay television, on-line and teleshopping.

An operating segment is a distinguishable component of an enterprise that is engaged in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Management to make decisions about resources to be allocated and assess its performance.

The committee, which is composed of the Board Member responsible for the Group's financial reporting and heads of the teams within the Group's financial department, reviews regularly the Group's internal reporting. Management has determined the operating segments based on these reports. Following the changes in these internal reporting in 2011, the Group has changed the composition of its operating segments. The committee considers the business from a product and service perspective. The committee assesses the performance of TV channels and TV content sales and technical services business units aggregated into single television broadcasting and production segment, digital satellite pay television, on-line operations and teleshopping segment. Following the changes in the composition of operating segments the Group has restated the corresponding items of segment information for comparative periods. The changes in the composition of operating segments related mainly to the separation from "All other" segment the teleshopping segment and reallocation of the remaining part of this segment to Television, broadcasting and production segment.

The committee assesses the performance of the operating segments based on revenue and earnings before interest, tax, depreciation and amortization (EBITDA). For the Group's definition of EBITDA please refer to Note 3.2. Other information provided to the committee is measured in a manner consistent with that in the financial statements.

Operating segments are aggregated into a single 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. The teleshopping segment generates revenue mainly from sales of products offered on Telezakupy Mango 24, a dedicated teleshopping channel, on other TVN Group's television channels and on the Mango Media Internet site.

Sales between segments are carried out at arm's length. The revenue from external customers reported to the committee is measured in a manner consistent with that in the income statement.

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

5. SEGMENT REPORTING (CONTINUED)

Reconciliation of EBITDA to total profit before income tax:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
EBITDA	**447,190**	**425,433**
Depreciation of property, plant and equipment	(157,523)	(141,426)
Amortization of intangible assets	(38,788)	(37,198)
Operating profit	**250,879**	**246,809**
Interest income (see Note 8)	18,851	10,939
Finance expense (see Note 8)	(263,936)	(233,104)
Foreign exchange (losses)/ gains, net (see Note 8)	(305,539)	52,976
Share of (loss)/ profit of associates	(646)	282
(Loss)/ profit before income tax	**(300,391)**	**77,902**

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

5. SEGMENT REPORTING (CONTINUED)

Nine months ended September 30, 2010	**Television broadcasting and production**	**Digital satellite pay television**	**On-line**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	1,086,525	446,426	152,053	52,242	-		1,737,246
Inter-segment revenue	51,044	1,966	15,583	2	(68,595)		-
Total revenue	**1,137,569**	**448,392**	**167,636**	**52,244**	**(68,595)**		**1,737,246**
EBITDA	**442,309**	**(16,874)**	**50,501**	**(3,924)**	**(46,579)**	*	**425,433**
Operating profit/ (loss)	**395,757**	**(123,760)**	**26,118**	**(4,100)**	**(47,206)**		**246,809**
Additions to property, plant and equipment and other intangible assets	39,542	88,330	22,737	1,095	(863)		150,841
Depreciation of property, plant and equipment	39,455	88,858	12,465	133	515		141,426
Amortization of intangible assets	7,097	18,028	11,918	43	112		37,198
As at December 31, 2010							
Segment assets including:	**1,875,587**	**1,458,435**	**1,785,692**	**76,195**	**(4,427)**	**	**5,191,482**
Investment in associates	-	1,341	186	-	-		1,527

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

** Other reconciling items on assets level include: deferred tax assets (46,505), restricted cash (3,550) and other assets and consolidation adjustments (deficit of 54,482).

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

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

5. SEGMENT REPORTING (CONTINUED)

Nine months ended September 30, 2011	**Television broadcasting and production**	**Digital satellite pay television**	**On-line**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	1,119,957	539,395	177,961	34,654	-		1,871,967
Inter-segment revenue	48,511	1,780	16,599	-	(66,890)		-
Total revenue	**1,168,468**	**541,175**	**194,560**	**34,654**	**(66,890)**		**1,871,967**
EBITDA	**423,375**	**9,976**	**67,365**	**(302)**	**(53,224)**	*****	**447,190**
Operating profit/ (loss)	**376,771**	**(116,418)**	**44,736**	**(536)**	**(53,674)**		**250,879**
Additions to property, plant and equipment and other intangible assets	48,102	85,963	20,691	233	(54)		154,935
Depreciation of property, plant and equipment	39,858	103,926	13,182	201	356		157,523
Amortization of intangible assets	6,746	22,468	9,447	33	94		38,788
As at September 30, 2011							
Segment assets including:	**1,742,837**	**1,412,133**	**1,827,539**	**77,950**	**(38,360)**	******	**5,022,099**
Investment in associates	1,054	761	186	-	-		2,001

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

** Other reconciling items on assets level include: deferred tax assets (42,556) and other assets and consolidation adjustments (deficit of 80,916).

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

6. REVENUE

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Revenue from advertising spot sales	1,011,681	966,058	280,129	269,426
Subscription fees	653,167	560,201	224,684	193,687
Revenue from sponsoring	90,636	94,946	25,658	28,474
Revenue from sales of goods	38,397	49,736	13,030	14,361
Other revenue	78,086	66,305	22,518	27,417
	1,871,967	**1,737,246**	**566,019**	**533,365**

Subscription fees include subscriptions receivable by TVN and ‘n’ platform from DTH and cable operators, subscriptions receivable by ‘n’ platform from consumers and internet transaction based fees. Other revenue includes revenue generated from call television, text messages and sales of rights to programming content.

Included in revenues for the nine months ended September 30, 2011 are revenues from related parties in the amount of 9,319 (the nine months ended September 30, 2010: 9,793) and for the three months ended September 30, 2011 of 2,601 (the three months ended September 30, 2010: 3,749) (see Note 21 (i)).

7. OPERATING EXPENSES

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Amortization of locally produced content	355,697	334,880	103,509	103,215
Fees for broadcasting television channels and content	250,855	219,471	93,642	76,883
Amortization of acquired programming rights and co-production	143,482	139,171	40,648	43,678
Staff expenses	190,539	189,027	65,331	60,479
Depreciation and amortization	196,311	178,624	66,827	57,156
Broadcasting expenses	78,677	70,697	27,639	24,872
Marketing and research	75,782	68,499	23,283	27,256
Royalties	62,533	49,690	18,443	17,528
Rental	43,301	42,511	14,838	14,533
Cost of services and goods sold	41,857	42,701	13,988	13,091
Impaired accounts receivable	9,459	11,076	(60)	4,339
Other	172,595	144,090	57,805	46,734
	1,621,088	**1,490,437**	**525,893**	**489,764**

Included in the above operating expenses are operating lease expenses for the nine months ended September 30, 2011 of 125,278 (the nine months ended September 30, 2010: 112,138) and for the three months ended September 30, 2011 of 43,463 (the three months ended September 30, 2010: 39,391).

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

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

Interest income	**Nine months ended September 30, 2011**	**Nine months ended September 30, 2010**	**Three months ended September 30, 2011**	**Three months ended September 30, 2010**
Interest income from available-for-sale financial assets	-	725	-	303
Other interest income	18,851	10,214	8,054	4,664
	18,851	**10,939**	**8,054**	**4,967**
Finance expense				
Interest expense on 10.75% Senior Notes due 2017 (see Note 14)	(199,710)	(178,084)	(68,930)	(65,696)
Interest expense on 7.875% Senior Notes due 2018 (see Note 14)	(43,124)	-	(14,825)	-
Interest expense on Promissory Notes	-	(2,326)	-	-
Interest expense on PLN Bonds due 2013 (see Note 14)	(1,389)	(26,004)	-	(8,570)
Interest expenses on loans from related parties	-	(10,452)	-	-
Interest on foreign exchange forward contracts – fair value and cash flow hedges (see Note 11)	(11,675)	-	(659)	-
Fair value losses on foreign exchange forward contracts – fair value hedges	-	(1,864)	-	(1,864)
Premium on early repayment of PLN Bonds due 2013	(3,971)	-	-	-
Pre-issuance costs written off *	(217)	-		-
Guarantee fees to related party (see Note 21 (vi))	(1,227)	(1,604)	(409)	(535)
Bank and other charges	(2,623)	(5,753)	(1,219)	(1,876)
Loss on the settlement of liabilities due to the acquisition of non-controlling interest (see Note 19)	-	(3,268)	-	-
Unwinding of interest on financial liability related to acquisition of non-controlling interest	-	(2,680)	-	-
Unwinding of interest on contingent consideration	-	(1,069)	-	-
	(263,936)	**(233,104)**	**(86,042)**	**(78,541)**

* The 2011 cost includes the amount of the unamortized debt issuance costs of PLN Bonds due 2013 written off on early repayment.

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

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

Foreign exchange gains/ (losses), net	**Nine months ended September 30, 2011**	**Nine months ended September 30, 2010**	**Three months ended September 30, 2011**	**Three months ended September 30, 2010**
Foreign exchange (losses)/ gains on 10.75% Senior Notes due 2017, including:	(237,197)	31,832	(258,706)	95,634
- unrealized foreign exchange (losses)/ gains on 10.75% Senior Notes due 2017	*(274,381)*	*32,301*	*(258,706)*	*95,634*
- realized foreign exchange gains/ (losses) on 10.75% Senior Notes due 2017	*1,214*	*(469)*	-	-
- fair value hedge impact (see Note 11)	*35,970*	-	-	-
Foreign exchange (losses)/ gains on 7.875% Senior Notes due 2018, including:	(69,549)	-	(75,801)	-
- unrealized foreign exchange losses on 7.875% Senior Notes due 2018	*(80,421)*	-	*(75,801)*	-
- realized foreign exchange gains on 7.875% Senior Notes due 2018	*257*	-	-	-
- fair value hedge impact (see Note 11)	*10,615*	-	-	-
Foreign exchange losses on Promissory Notes	-	(1,357)	-	-
Foreign exchange gains on loans from related parties	-	30,098	-	-
Foreign exchange gains on contingent consideration	-	4,315	-	-
Foreign exchange gains on financial liability related to acquisition of non-controlling interest	-	7,255	-	-
Foreign exchange losses on available-for-sale financial assets	-	(13,635)	-	(5,054)
Other foreign exchange gains/ (losses), net	1,207	(5,532)	(2,387)	14,643
	(305,539)	**52,976**	**(336,894)**	**105,223**

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

9. BASIC AND DILUTED (LOSSES)/ EARNINGS PER SHARE (NOT IN THOUSANDS)

Basic

Basic (losses)/ earnings per share are calculated by dividing the net (loss)/ 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, 2011	**Nine months ended September 30, 2010**	**Three months ended September 30, 2011**	**Three months ended September 30, 2010**
(Loss)/ profit attributable to the owners of TVN S.A. (in thousands)	(329,796)	26,953	(357,214)	61,020
Weighted average number of ordinary shares in issue	343,161,778	341,016,368	343,733,779	341,495,659
Basic (losses)/ earnings per share	**(0.96)**	**0.08**	**(1.04)**	**0.18**

Diluted

Diluted (losses)/ earnings per share are 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 for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	Nine months ended September 30, 2011	**Nine months ended September 30, 2010**	**Three months ended September 30, 2011**	**Three months ended September 30, 2010**
(Loss)/ profit attributable to the owners of TVN S.A. (in thousands)	(329,796)	26,953	(357,214)	61,020
Weighted average number of ordinary shares in issue	343,161,778	341,016,368	343,733,779	341,495,659
Adjustment for share options	-	4,236,962	-	4,324,582
Weighted average number of potential ordinary shares for diluted earnings per share	343,161,778	345,253,330	343,733,779	345,820,241
Diluted (losses)/ earnings per share	**(0.96)**	**0.08**	**(1.04)**	**0.18**

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

10. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	**Derivatives used for hedging**	**Loans and receivables**	**Financial assets available-for-sale**	**Total**
September 30, 2011				
Available-for-sale financial assets	-	-	7,588	7,588
Trade receivables	-	339,037	-	339,037
Derivative financial assets	5,304	-	-	5,304
Cash and cash equivalents	-	785,613	-	785,613
	5,304	**1,124,650**	**7,588**	**1,137,542**
December 31, 2010				
Available-for-sale financial assets	-	-	7,588	7,588
Trade receivables	-	334,705	-	334,705
Restricted cash	-	111,535	-	111,535
Bank deposits with maturity over three months	-	321,721	-	321,721
Cash and cash equivalents	-	480,294	-	480,294
	-	**1,248,255**	**7,588**	**1,255,843**

Liabilities as per balance sheet	**Other financial liabilities**	**Total**
September 30, 2011		
10.75% Senior Notes due 2017	2,536,895	2,536,895
7.875% Senior Notes due 2018	750,966	750,966
Accrued interest on borrowings	128,248	128,248
Non-current trade payables	6,578	6,578
Current trade payables	210,615	210,615
Other liabilities and accruals*	171,010	171,010
	3,804,312	**3,804,312**
December 31, 2010		
10.75% Senior Notes due 2017	2,263,055	2,263,055
7.875% Senior Notes due 2018	671,146	671,146
PLN Bonds due 2013	140,739	140,739
Accrued interest on borrowings	38,377	38,377
Non-current trade payables	13,186	13,186
Current trade payables	239,550	239,550
Other liabilities and accruals*	215,949	215,949
	3,582,002	**3,582,002**

* This amount includes financial liabilities presented as other non-current liabilities and other liabilities and accruals excluding the following items which are not financial liabilities: VAT and other taxes payable, employee benefits, deferred income.

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

11. DERIVATIVE FINANCIAL INSTRUMENTS

	September 30, 2011	December 31, 2010
Derivative financial assets		
Foreign exchange forward contracts	5,304	-
	5,304	**-**

On January 12, 2011 the Group entered into EUR foreign exchange forward contract in order to limit the impact on the Group's net results of PLN/EUR exchange rate movements in relation to the 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 balance. The hedging strategy based on EUR foreign exchange forward contract had in total a notional value of EUR 350,000, settlement date on March 31, 2011 and PLN/EUR foreign exchange forward rate of 3.89. The Group has designated this EUR foreign exchange forward contract for fair value hedge accounting. The Group recognized a gain on realization of this foreign exchange forward contract in the amount of 46,585 and an interest expense on this foreign exchange forward contract in the amount of 9,625 (see Note 8).

On January 19, 2011 the Group entered into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on firm commitments relating to the acquisition of programming rights assets. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 18,536, settlement dates between January 31, 2011 and March 30, 2012 and PLN/USD foreign exchange forward rates between 2.87 and 2.98. The periods when the cash flows relating to the firm commitments are expected to occur are the same as the maturity dates of the USD foreign exchange forwards. The Group has designated these USD foreign exchange forward contracts for cash flow hedge accounting.

On January 19, 2011 the Group entered also into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on payments for broadcasting television channels and content. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 15,700, settlement dates between March 25, 2011 and January 20, 2012 and PLN/USD foreign exchange forward rates between 2.89 and 2.99. The periods when the cash flows relating to the fees for broadcasting television channels and content are expected to occur are the same as the maturity dates of the USD foreign exchange forwards. The Group has designated these USD foreign exchange forward contracts for cash flow hedge accounting.

The fair value of foreign exchange forward contracts as at September 30, 2011 was based on valuations performed by the Group's banks. When designating a hedging relationship the interest elements and the spot prices of the forwards were split. The interest element is recognized in income statement in the period until maturity date of each foreign exchange forward contract (see Note 8).

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

	September 30, 2011	December 31, 2010
Derivative financial assets		
Bank rated A+	3,475	-
Bank rated A-	1,829	-
	5,304	**-**

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

12. CASH AND CASH EQUIVALENTS, BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND RESTRICTED CASH

	September 30, 2011	December 31, 2010
Cash at bank and in hand	785,613	480,294
	785,613	**480,294**
Bank deposits with maturity over three months	-	321,721
	-	**321,721**
Restricted cash	-	111,535
	-	**111,535**
Less: current portion of restricted cash	**-**	**(27,363)**
Non-current portion of restricted cash	**-**	**84,172**

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

	September 30, 2011	December 31, 2010
Bank rated AAA	355,846	200,784
Bank rated A-	330,300	253,375
Banks rated BBB and other	99,467	26,135
	785,613	**480,294**

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

	September 30, 2011	December 31, 2010
Bank rated A-	-	243,558
Bank rated AAA	-	47,735
Bank rated BBB	-	30,428
	-	**321,721**

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

	September 30, 2011	December 31, 2010
EUR	-	243,558
PLN	-	78,163
	-	**321,721**

Restricted cash (credit rating – Standard and Poor's)**:**

	September 30, 2011	December 31, 2010
Bank rated A- *	-	107,985
Other	-	3,550
	-	**111,535**

* Cash held as collateral for bank guarantees issued (see Note 14)

13. 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, 2011 was 343,788,701 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, 2011:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polish Television Holding B.V. [1] [2]	180,355,430	52.46%	180,355,430	52.46%
Cadizin Trading&Investment [1]	6,952,686	2.02%	6,952,686	2.02%
N-Vision B.V. [1]	3,963,095	1.15%	3,963,095	1.15%
Other shareholders	152,517,490	44.37%	152,517,490	44.37%
Total	**343,788,701**	**100.00%**	**343,788,701**	**100.00%**

[1] Entities controlled by ITI Group.

[2] Polish Television Holding B.V. has pledged the majority of the Company's shares.

Included in the total number of shares in issue as at September 30, 2011 held by other shareholders are 41,186 shares of C3 and E4 series not registered by the Court.

During the nine months ended September 30, 2011 1,434,509 shares of C2, C3, E1, E2, E3 and E4 series were issued under the stock option plan for an amount of 15,451 (in thousands).

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

14. BORROWINGS

	September 30, 2011	December 31, 2010
10.75% Senior Notes due 2017	2,536,895	2,263,055
Interest accrued on 10.75% Senior Notes due 2017	105,451	31,558
7.875% Senior Notes due 2018	750,966	671,146
Interest accrued on 7.875% Senior Notes due 2018	22,797	6,367
PLN Bonds due 2013	-	140,739
Interest accrued on PLN Bonds due 2013	-	452
	3,416,109	**3,113,317**
Less: current portion of borrowings	(128,248)	(38,377)
Non-current portion of borrowings	**3,287,861**	**3,074,940**

10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018

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 (PLN 1,635,209). The 10.75% Senior Notes due 2017 issued in November 2009 are carried at amortized cost using an effective interest rate of 12%.

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 B.V. (currently DTH Poland Holding Coöperatief U.A.). Additional 10.75% Senior Notes due 2017 were issued to ITI Media Group at a purchase price of 100.000%. The 10.75% Senior Notes due 2017 issued in March 2010 are carried at amortized cost using an effective interest rate of 11.5%.

On April 30, 2010 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued to ITI Media Group EUR 40,000 of additional 10.75% Senior Notes due 2017 as the remaining part of the purchase price for the 49% equity interest in Neovision Holding B.V. The 10.75% Senior Notes due 2017 issued in April 2010 are carried at amortized cost using an effective interest rate of 11.3%.

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.

On November 19, 2010 the Group via its wholly owned subsidiary, TVN Finance Corporation III AB, issued EUR 175,000 Senior Notes with an annual interest rate of 7.875% ("7.875% Senior Notes due 2018"). The 7.875% Senior Notes due 2018 were issued at a purchase price of 100.000% for a total consideration of PLN 689,255. The 7.875% Senior Notes due 2018 are carried at amortized cost using an effective interest rate of 8.6%, they pay interest semi-annually (on May 15 and November 15) beginning May 15, 2011 and mature on November 15, 2018.

14. BORROWINGS (CONTINUED)

The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 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 and 7.875% Senior Notes due 2018 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., DTH Poland Holding Coöperatief U.A. and Mango Media Sp. z o.o.

The fair value of the 10.75% Senior Notes due 2017, excluding accrued interest, as at September 30, 2011 was estimated to be PLN 2,792,413 or EUR 633,028. The fair value of the 7.875% Senior Notes due 2018, excluding accrued interest, as at September 30, 2011 was estimated to be PLN 748,364 or EUR 169,651. Fair values of 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 reflect their market price quoted by Reuters based on the last value date on September 30, 2011. The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 are quoted on the Luxembourg Stock Exchange.

The following early prepayment options are included in 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018:

- 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% and all or part of the 7.875% Senior Notes due 2018 on or after November 15, 2013 at a redemption price ranging from 105.906% to 100.000%
- the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 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 and rating decline occur, each registered holder of the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 will have the right to require the Group to repurchase all or any part of such holder's Notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase
- prior to 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
- prior to November 15, 2013, the Group may on any one or more occasions redeem up to 35% of the original principal amount of the 7.875% Senior Notes due 2018 with the net cash proceeds of one or more public equity offerings at a redemption price of 107.875% of the principal amount plus accrued and unpaid interest, if any, up to the redemption date

14. BORROWINGS (CONTINUED)

- at any time prior to November 15, 2013, the Group has also an option to redeem the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 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 or the 7.875% Senior Notes due 2018 on the redemption date.

The Group does not account for early prepayment options embedded in the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 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.

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.

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 was payable semi-annually starting December 14, 2008. The PLN Bonds due 2013 were due for repayment on June 14, 2013. The PLN Bonds due 2013 were unsecured obligations and were governed by a number of covenants including restrictions on disposal or inadequate use of assets. The PLN Bonds due 2013 were carried at amortized cost using an effective interest rate of 7.1%.

On December 23, 2010 the Group acquired and redeemed PLN Bonds due 2013 with nominal value of 359,000. These PLN Bonds due 2013 were purchased at a price of 102% of the principal amount plus the aggregate amount of accrued interest on the these PLN Bonds due 2013 between December 15, 2010 up to December 23, 2010.

In February 2011 the Group acquired and redeemed PLN Bonds due 2013 with total nominal value of 135,400. These PLN Bonds due 2013 were purchased at a price of 102.85% of the principal amount plus the aggregate amount of accrued interest on these PLN Bonds due 2013 between December 15, 2010 up to the redemption date.

On June 14, 2011 the Group acquired and redeemed the remaining PLN Bonds due 2013 with total nominal value of 5,600. These PLN Bonds due 2013 were purchased at a price of 102% of the principal amount plus the aggregate amount of accrued interest on these PLN Bonds due 2013 between December 15, 2010 up to the redemption date.

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

14. BORROWINGS (CONTINUED)

Revolving guarantee facility

On December 17, 2010 the Group entered into revolving guarantee facility agreement with Bank Pekao S.A. On May 17, 2011, on July 26, 2011 and on September 30, 2011 the Group amended the revolving guarantee facility agreement. The amended agreement is a PLN 400,000 multicurrency guarantee facility available in EUR, USD and/ or PLN, valid until May 16, 2012 with an extension option for another year. It may be used in an amount of up to PLN 400,000 for guarantees and letters of credit with tenors not exceeding thirty-six and thirteen months from issuance, respectively, and requires 50% cash collateral for guarantees with tenors greater than eighteen months.

As of September 30, 2011 the revolving guarantee facility had been used for the bank guarantees issued at 67,169 (December 31, 2010: 107,285).

15. OTHER LIABILITIES AND ACCRUALS

	September 30, 2011	**December 31, 2010**
Deferred income	60,370	61,397
Accrued production and programming costs	46,634	35,771
Employee benefits	44,996	61,744
VAT and other taxes payable	43,247	77,632
Sales and marketing related costs	13,928	23,816
Satellites	4,037	7,071
Other liabilities and accrued costs	103,707	146,232
	316,919	**413,663**

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

16. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Note	Nine months ended September 30, 2011	Nine months ended September 30, 2010
(Loss)/ profit for the period		(329,796)	30,060
Tax charge		29,405	47,842
Depreciation and amortization	7	196,311	178,624
Amortization of acquired programming rights and co-production	7	143,482	139,171
Impaired accounts receivable	7	9,459	11,076
Loss on sale of property, plant and equipment		788	153
Interest income	8	(18,851)	(10,939)
Finance expense	8	263,936	233,104
Foreign exchange losses/ (gains), net	8	305,539	(52,976)
Share of loss/ (profit) of associates		646	(282)
Guarantee fee	8	(1,273)	(1,707)
Payments to acquire programming rights		(148,470)	(159,256)
Change in local production balance		(19,540)	(3,501)
Changes in working capital:			
Trade receivables		(13,791)	(20,633)
Prepayments and other assets		15,208	(45,152)
Trade payables		(28,154)	23,694
Other short term liabilities and accruals		(98,240)	1,283
		(124,977)	(40,808)
Cash generated from operations		**306,659**	**370,561**

Non-cash transactions

Barter revenue, net		757	855

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

17. TAXATION

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Current tax charge	(42,909)	(42,222)	(9,894)	(3,470)
Deferred tax credit/ (charge)	13,504	(5,620)	28,280	(10,836)
	(29,405)	**(47,842)**	**18,386**	**(14,306)**
Reconciliation of accounting (loss)/ profit to tax (charge)/ credit				
(Loss)/ profit before income tax	**(300,391)**	**77,902**	**(375,600)**	**75,337**
Income tax credit/ (charge) at the enacted statutory rate of 19%	57,074	(14,801)	71,364	(14,314)
Impact of tax deduction claimed and deferred and other adjustments in relation to operations in special economic zone	3,843	3,317	4,485	62
Losses carry-forwards and other temporary differences on which deferred tax asset was not recognized	(84,517)	(32,420)	(53,575)	214
Impact of settlement of contingent consideration	-	(1,832)	-	-
Impact of non-taxable gains and losses related to acquisition of non-controlling interest, net	-	248	-	-
Net tax impact of other expenses and losses not deductible for tax purposes and revenue not taxable	(5,805)	(2,354)	(3,888)	(268)
Tax for the period	**(29,405)**	**(47,842)**	**18,386**	**(14,306)**

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Movements in deferred tax asset		
Balance at beginning of period	46,505	58,111
Charge to the income statement	(3,949)	(9,403)
Balance at end of period	**42,556**	**48,708**
Movements in deferred tax liability		
Balance at beginning of period	(168,255)	(156,506)
Deferred tax charged to other comprehensive income, net	(349)	(135)
Credit to the income statement	17,453	3,783
Balance at end of period	**(151,151)**	**(152,858)**

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

17. TAXATION (CONTINUED)

The Group operates partially in a special economic zone in Kraków and was granted a tax credit equal to 40% and 50% of investments undertaken and certain categories of staff expenses incurred in the zone. The tax credits are available until December 31, 2017 and are subject to minimum investment commitments and the creation and maintenance of a certain number of jobs. As at September 30, 2011 the remaining committed investment amounted to 111,645 (December 31, 2010: 111,645). In the nine months ended September 30, 2011 the Group claimed tax reductions in the amount of 5,912 with respect to its costs incurred in the special economic zone (the nine months ended September 30, 2010: 7,879) and in the amount of 2,193 in the three months ended September 30, 2011 (the three months ended September 30, 2010: 2,529). The balance of 27,825 with respect to this tax credit is deferred for future tax reduction. The possibility to utilize 22,073 of the tax credits is dependent on meeting the minimum investment level by December 31, 2013. If the investment level is not met by that date or the Group is unsuccessful in obtaining consent for extension of the period, the Group will lose right to this tax credit and recognize its amount as tax expense in the income statement.

18. 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, 2011. These commitments are scheduled to be paid as follows:

Due in 2011	64,446
Due in 2012	441,315
Due in 2013	406,654
Due in 2014	285,490
Due in 2015	233,102
Due in 2016 and thereafter	495,598
	1,926,605

(ii) Total future minimum payments relating to operating lease agreements signed as at September 30, 2011:

	Related parties	Non-related parties	Total
Due in 2011	5,105	6,336	11,441
Due in 2012	20,190	20,548	40,738
Due in 2013	19,520	14,315	33,835
Due in 2014	19,520	8,940	28,460
Due in 2015	19,520	8,878	28,398
Due in 2016 and thereafter	11,125	5,423	16,548
	94,980	**64,440**	**159,420**

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 MBC Real Estate Sp. z o.o. Spółka komandytowo-akcyjna (“MBC Real Estate”, previously Diverti Sp. z o.o.). MBC Real Estate is a subsidiary of ITI Group.

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

18. COMMITMENTS (CONTINUED)

Commitments in foreign currencies were calculated using exchange rates as at September 30, 2011.

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 2011	4,037
Due in 2012	79,179
Due in 2013	78,964
Due in 2014	78,964
Due in 2015	63,823
Due in 2016 and thereafter	138,966
	443,933

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 3,711 to settle sundry amounts payable recorded as of September 30, 2011 (2,401 at December 31, 2010). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at September 30, 2011, the Group assumed contractual commitments of 37,181 to acquire property, plant and equipment and intangible assets (39,610 at December 31, 2010).

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, 2011 the remaining commitment amounted to 111,645 and should be fulfilled by December 31, 2013.

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

In 2008 the Group acquired 25% of the share capital plus 1 share of Neovision Holding (currently DTH Poland Holding Coöperatief U.A.) from ITI Media Group, an entity under common control.

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.

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 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 into an escrow account. 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 November 30, 2010 10.75% Senior Notes due 2017 issued in April 2010 were released from the escrow account.

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 strengthened the competitive position of the Group on the attractive Polish DTH and cable market which is likely to consolidate in the future and will provide the Group with revenue diversification.

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

20. GROUP COMPANIES

These consolidated financial statements as at September 30, 2011 comprised the Company and the following subsidiaries (the Group), joint ventures and associates:

	Country of incorporation	September 30, 2011 Ownership %	December 31, 2010 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	100
TVN Finance Corporation plc in members' voluntary liquidation	UK	100	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	100
Grupa Onet Poland Holding B.V.	The Netherlands	100	100
Media Entertainment Ventures Int Ltd	Malta	100	100
DTH Poland Holding Coöperatief U.A.	The Netherlands	100	100
ITI Neovision Sp. z o.o.	Poland	100	100
Cyfrowy Dom Sp. z o.o.	Poland	100	100
Neovision UK Ltd	UK	100	100
TVN Holding S.A.	Poland	100	-
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (joint venture)	UK	45	45
Film Miasto Sp. z o.o.	Poland	34	-
Stavka Sp. z o.o.	Poland	25	-
Polskie Badania Internetu Sp. z o.o.	Poland	20	20

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

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

21. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
MGM Channel Poland	4,734	4,598	1,734	1,553
ITI Group	4,579	5,182	865	2,194
Poland Media Properties	6	13	2	2
	9,319	**9,793**	**2,601**	**3,749**

Revenue from the ITI Group and MGM Channel Poland 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, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
ITI Group	36,230	34,771	13,999	11,008
MGM Channel Poland	8,941	9,043	4,868	3,054
Poland Media Properties	3,652	3,654	1,230	1,224
Sieger & Sieger Ltd	2,199	1,195	1,005	298
	51,022	**48,663**	**21,102**	**15,584**

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.

Operating expenses from Sieger & Sieger Ltd comprise direct consulting services provided to the Group by an ITI Group Director.

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

	September 30, 2011	December 31, 2010
Receivables:		
ITI Group	5,216	2,491
MGM Channel Poland	2,191	3,119
	7,407	**5,610**

	September 30, 2011	December 31, 2010
Payables:		
ITI Group	16,807	21,380
Sieger & Sieger Ltd	726	931
MGM Channel Poland	317	1,886
Poland Media Properties	9	191
	17,859	**24,388**

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) 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.

(v) Lease commitments with related parties

See Note 18 for further details.

(vi) Other

ITI Holdings has provided guarantees in the amount of USD 3,000 to Warner Bros. International Television Distribution, USD 17,301 to Universal Studios International and USD 4,203 to MGM in respect of programming rights purchased and broadcasted by the Group. During the nine months ended September 30, 2011, the Group recorded finance costs related to ITI Holdings guarantees of 1,227 (the nine months ended September 30, 2010: 1,604) and during the three months ended September 30, 2011 of 409 (the three months ended September 30, 2010: 535).

22. 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, 2011		Nine months ended September 30, 2010	
	Weighted average exercise price	**Outstanding options**	**Weighted average exercise price**	**Outstanding options**
At 1 January	PLN 10.86	**10,648,831**	PLN 10.80	**12,562,495**
Exercised	PLN 10.77	(1,434,509)	PLN 10.57	(1,381,474)
At 30 September	PLN 10.87	**9,214,322**	PLN 10.83	**11,181,021**

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.

22. SHARE-BASED PAYMENTS (CONTINUED)

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	252,490	PLN 8.66	Vested
C2	921,639	PLN 9.58	Vested
C3	2,076,346	PLN 10.58	Vested
	3,250,475		

Series	Number of options	Exercise price	Service vesting period
E1	210,180	PLN 8.66	Vested
E2	260,500	PLN 9.58	Vested
E3	1,150,698	PLN 10.58	Vested
E4	4,342,469	PLN 11.68	Vested
	5,963,847		

The TVN Incentive Schemes expire on December 31, 2014.

Between October 1, 2011 and the date when these financial statements were prepared 87,720 (not in thousands) of C2, C3 and E4 series options were exercised and as a result 87,720 (not in thousands) new ordinary shares were issued.

23. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	PLN Exchange Rate to EUR
September 30, 2011	3.2574	4.4112
December 31, 2010	2.9641	3.9603
September 30, 2010	2.9250	3.9870

The movement in the consumer price index for the nine months ended September 30, 2011 amounted to 2.8% (the nine months ended September 30, 2010: 2.1%).

24. EVENTS AFTER THE REPORTING PERIOD

On October 3, 2011 the Group acquired 100% of the share capital of Highgate Capital Investments Sp. z o.o. for a consideration of 110.

On October 6, 2011 the Group sold its share in the share capital of Polskie Media S.A. for a consideration of 8,002. The Group recognized a gain on this transaction in the amount of 414.

MANAGEMENT REPRESENTATIONS

These interim condensed separate financial statements of TVN S.A. (the “Company”) as of and for three and nine months ended September 30, 2011, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed separate financial statements of TVN S.A. as of and for three and nine months ended September 30, 2011 include: interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate balance sheet, interim condensed separate statement of changes in shareholders’ equity, interim condensed separate cash flow statement and notes to the interim condensed separate financial statements.

These interim condensed separate financial statements were authorized for issuance by the Management Board of TVN S.A. on November 9, 2011.

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, November 9, 2011

TVN S.A.

Interim Condensed Separate Financial Statements
As of and for the three and nine months ended September 30, 2011

TVN S.A.

Contents **Page**

TVN Information	SF-1
Interim Condensed Separate Income Statement	SF-4
Interim Condensed Separate Statement of Comprehensive Income	SF-5
Interim Condensed Separate Balance Sheet	SF-6
Interim Condensed Separate Statement of Changes in Shareholders' Equity	SF-7
Interim Condensed Separate Cash Flow Statement	SF-9
Notes to the Interim Condensed Separate Financial Statements	SF-10

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 ten television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN CNBC, 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 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
- Paul H. Lorenz
- 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

TVN Information (continued)

5. Auditors

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa

6. Principal Solicitors

Weil, Gotshal & Manges
ul. Emilii Plater 53
00-113 Warszawa

TVN Information (continued)

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

- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warszawa
- 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

Digital satellite pay television

- ITI Neovision Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa
- Neovision UK Ltd.
  5 New Street Square
  London EC4A 3TW, UK
- Cyfrowy Dom Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa

On-line

- Grupa Onet.pl S.A.
  ul. G. Zapolskiej 44
  30-126 Kraków
- SunWeb Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków
- 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

Teleshopping

- Mango Media Sp. z o.o.
  ul. Hutnicza 59
  81-061 Gdynia

TVN Information (continued)

8. Subsidiaries (continued)

Corporate

- Grupa Onet Poland Holding B.V.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- DTH Poland Holding Coöperatief U.A.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- TVN Finance Corporation II AB
  Stureplan 4 c 4 tr
  114 35 Stockholm, Sweden
- TVN Finance Corporation III 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
- TVN Holding S.A.
  ul. Wiertnicza 166
  02-952 Warszawa

2. 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

3. Associates

- Polskie Badania Internetu Sp. z o.o.
  Al. Jerozolimskie 65/79
  00-697 Warszawa
- Film Miasto Sp. z o.o.
  ul. Puławska 182
  02-670 Warszawa
- Stavka Sp. z o.o.
  ul. Ordynacka 14/5
  00-358 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, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Revenue	**5**	1,168,013	1,137,068	327,147	325,824
Cost of revenue	**6**	(650,543)	(606,005)	(198,605)	(191,787)
Selling expenses	**6**	(87,143)	(82,491)	(25,368)	(36,139)
General and administration expenses	**6**	(104,650)	(97,830)	(37,167)	(32,504)
Other operating income/ (expenses), net	**6**	1,440	853	604	(248)
Operating profit		**327,117**	**351,595**	**66,611**	**65,146**
Interest income	**7**	140,539	84,123	52,159	35,243
Finance expense	**7**	(274,639)	(224,830)	(89,369)	(80,435)
Foreign exchange (losses)/ gains, net	**7**	(87,102)	5,870	(129,916)	42,848
Profit/ (loss) before income tax		**105,915**	**216,758**	**(100,515)**	**62,802**
Income tax (charge)/ credit	**18**	(24,566)	(45,931)	17,732	(13,312)
Profit/ (loss) for the period		**81,349**	**170,827**	**(82,783)**	**49,490**
Earnings/ (losses) per share (not in thousands)					
- basic	**8**	0.24	0.50	(0.24)	0.14
- diluted	**8**	0.23	0.49	(0.24)	0.14

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

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

	Note	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Profit/(loss) for the period		**81,349**	**170,827**	**(82,783)**	**49,490**
Other comprehensive income/ (loss):					
Foreign exchange forward contracts	**12**	1,837	-	2,181	-
Available-for-sale financial assets		-	712	-	(58)
Income tax relating to components of other comprehensive income	**18**	(349)	(135)	(415)	11
Other comprehensive (loss)/ income for the period, net of tax		1,488	577	1,766	(47)
Total comprehensive income/(loss) for the period		**82,837**	**171,404**	**(81,017)**	**49,443**

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, 2011	As at December 31, 2010
ASSETS			
Non-current assets			
Property, plant and equipment		210,250	212,434
Goodwill		144,127	144,127
Other intangible assets		26,214	23,974
Non-current programming rights		149,825	155,214
Investments in subsidiaries and joint ventures	**9,10**	2,081,518	2,086,883
Available-for-sale financial assets		7,255	7,255
Non-current related party loans	**20 (v)**	2,048,588	1,559,903
Non-current restricted cash	**13**	-	84,172
Other non-current assets		6,033	5,280
		4,673,810	**4,279,242**
Current assets			
Current programming rights		261,008	230,783
Trade receivables		307,115	294,266
Derivative financial assets		3,475	-
Prepayments and other assets		33,368	26,344
Corporate income tax receivable		-	12,610
Current restricted cash	**13**	-	23,814
Bank deposits with maturity over three months	**13**	-	243,558
Cash and cash equivalents	**13**	597,396	425,653
		1,202,362	**1,257,028**
TOTAL ASSETS		**5,876,172**	**5,536,270**
EQUITY			
Shareholders' equity			
Share capital	**14**	68,758	68,471
Share premium		671,355	643,049
8% obligatory reserve		23,301	23,301
Other reserves		99,925	111,667
Accumulated profit		1,243,615	1,175,994
		2,106,954	**2,022,482**
LIABILITIES			
Non-current liabilities			
Loans from related parties	**15, 20 (iii)**	3,288,719	2,941,131
PLN Bonds due 2013	**15**	-	140,739
Deferred tax liability	**18**	2,364	16,427
Non-current trade payables		6,578	13,186
Other non-current liabilities		1,913	1,979
		3,299,574	**3,113,462**
Current liabilities			
Current trade payables		173,226	131,668
Accrued interest on borrowings	**15, 20 (iii)**	142,858	42,787
Corporate income tax payable	**12**	2,218	-
Other liabilities and accruals	**16**	151,342	225,871
		469,644	**400,326**
Total liabilities		**3,769,218**	**3,513,788**
TOTAL EQUITY AND LIABILITIES		**5,876,172**	**5,536,270**

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	Other reserves- other	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	**1,381,474**	276	26,189	-	(11,930)	-	-	14,535
Share issue cost	-	-	(90)	-	-	-	-	(90)
Dividend declared [(2)]	-	-	-	-	-	-	(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**

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

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves-employee share option plan	Other reserves -other	Accumulated Profit	Shareholders' equity
Balance at January 1, 2011	**342,354,192**	**68,471**	**643,049**	**23,301**	**111,667**	**-**	**1,175,994**	**2,022,482**
Total comprehensive (loss)/income for the period	-	-	-	-	-	1,488	81,349	82,837
Issue of shares (1)	1,434,509	287	28,396	-	(13,230)	-	-	15,453
Share issue cost	-	-	(90)	-	-	-	-	(90)
Dividend declared and paid (2)	-	-	-	-	-	-	(13,728)	(13,728)
Balance at September 30, 2011	**343,788,701**	**68,758**	**671,355**	**23,301**	**98,437**	**1,488**	**1,243,615**	**2,106,954**

(1) During the nine months ended September 30, 2011 1,434,509 (not in thousands) of C2, C3, 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 scheme.

(2) The dividend declared and paid in 2011 amounted to 0.04 per share (not in thousands). The dividend declared and paid in 2010 amounted to 0.31 per share (not in thousands).

Included in accumulated profit as of September 30, 2011 is an amount of 1,241,785 being the accumulated profit of TVN S.A. on a stand-alone basis which is distributable. The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 impose certain restrictions on payment of dividends (see the consolidated financial statements).

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

	Note	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Operating activities			
Cash generated from operations	**17**	288,112	405,891
Tax paid		(26,367)	(42,606)
Net cash generated by operating activities		**261,745**	**363,285**
Investment in subsidiaries		-	(6,663)
Payments to acquire property, plant and equipment		(38,423)	(29,121)
Proceeds from sale of property, plant and equipment		902	6,523
Payments to acquire intangible assets		(10,947)	(6,730)
Sale of available for sales financial assets		-	238,168
Bank deposits with maturity over three months		243,558	(120,243)
Loans granted to subsidiary	**10, 20 (v)**	(144,909)	(255,033)
Repayment of loans		-	12,254
Interest received		14,128	8,295
Net cash generated by/(used) in investing activities		**64,309**	**(152,550)**
Financing activities			
Issue of shares, net of issue cost		15,361	14,505
Dividend paid		(13,728)	(105,808)
Issuance costs of TVN Finance Corporation II AB and TVN Finance Corporation III AB loans	**20 (iii)**	(1,561)	(13,228)
Repurchase of PLN Bonds due 2013	**15**	(144,927)	-
Settlement of foreign exchange forward contracts		36,960	-
Restricted cash		107,986	-
Interest paid		(163,628)	(126,100)
Net cash used in financing activities		**(163,537)**	**(230,631)**
Increase/(decrease) in cash and cash equivalents		**162,517**	**(19,896)**
Cash and cash equivalents at the start of the period		425,653	290,585
Effects of exchange rates changes		9,226	5,210
Cash and cash equivalents at the end of the period		**597,396**	**275,899**

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 the Supervisory Board of TVN S.A. on November 9, 2011.

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"). The ITI Holdings is ultimately, jointly controlled by the members of the Wejchert, Walter, Valsangiacomo and Kostrzewa families. ITI Group has been active in Poland since 1984 and is the largest media and entertainment group in Poland.

The Company wholly owns the following subsidiaries: Grupa Onet Poland Holding B.V.,Grupa Onet.pl S.A., DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.), Tivien Sp. z o.o., TVN Finance Corporation plc in members' voluntary liquidation, TVN Finance Corporation II AB, TVN Finance Corporation III AB, El-Trade Sp. z o.o., Thema Film Sp. z o.o., NTL Radomsko Sp. z o.o., Mango Media Sp. z o.o., TVN Holding S.A. and through Grupa Onet.pl S.A.: DreamLab Sp. z o. o., Media Entertainment Ventures International Limited and SunWeb Sp. z o.o. and through DTH Poland Holding Coöperatief U.A., ITI Neovision Sp. z o.o., Cyfrowy Dom Sp. z o.o. and Neovision UK Ltd. 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 October 6, 2011 the Company sold its share in the share capital of Polskie Media S.A. (see Note 23).

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.

<u>Seasonality of operations</u>

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.

<u>Recent significant transactions</u>

On December 22, 2010 the Company entered into an agreement with Bank Pekao S.A. to repurchase a portion of the Company's PLN Bonds due 2013. As a result, on December 23, 2010 the Company redeemed 359,000 of the PLN Bonds due 2013 (see Note 15). In February 2011 the Company acquired and redeemed PLN Bonds due 2013 with the total nominal value of 135,400 (see Note 15). On June 14, 2011 the Company acquired and redeemed the remaining 5,600 of the PLN Bonds due 2013 (see Note 15).

On May 17, 2011 and on July 26, 2011 and on September 30, 2011 the Company amended the revolving guarantee facility agreement with Bank Pekao S.A. (see Note 15).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed separate financial statements are prepared on a going concern basis and in accordance with IAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed separate financial statements as of and for three and nine months ended September 30, 2011 are consistent with those used in the separate financial statements as of and for the year ended December 31, 2010 except for standards, amendments to standards and interpretations which became effective January 1, 2011.

In 2011 the Company adopted:

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

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

(ii) IFRS Improvements 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 amendments did not have a significant impact on the Company's separate financial statements.

(iii) Amendment to IAS 32 Classification of Rights Issues

The amendment clarifies the classification of instruments that give the holders the right to acquire an entity's own equity instruments at a fixed price (rights issues) when that price is stated in a currency other than the entity's functional currency. The amendment did not affect the Company's separate financial statements.

(iv) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address accounting by the creditor. The interpretation did not affect the Company's separate financial statements.

(v) Revised IAS 24 Related Party Disclosures

The revised standard simplifies the definition of a related party, clarifies its intended meaning, eliminates inconsistencies from the definition and provides a partial exemption from the disclosure requirements for government-related entities. The revised standard did not have a significant impact on the Company's separate financial statements, the Company has not identified any new related parties under the new definition of a related party.

(vi) Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendment removes an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendment applies in limited circumstances:

- when an entity is subject to minimum funding requirements, and
- makes an early payment of contributions to cover those requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment 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.

The Company's separate and consolidated financial statements for the year ended December 31, 2010 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 amendments to standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations have been published by IASB since the publication of the annual financial statements that are mandatory for accounting periods beginning on or after January 1, 2012. The Company's assessment of the impact of these new standards and amendments to standards on the Company's separate financial statements is set out below.

(i) IFRS 10 Consolidated Financial Statements

The standard was published on May 12, 2011 and it establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The standard requires an entity that is a parent to present consolidated financial statements, a limited exemption is available to some entities. The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The standard also sets out the accounting requirements for the preparation of consolidated financial statements. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Company's separate financial statements.

(ii) IFRS 11 Joint Arrangements

The standard was published on May 12, 2011 and it establishes principles for financial reporting by parties to a joint arrangement. The standard supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard classifies joint arrangements into two types – joint operations and joint ventures and establishes different principles for financial reporting for each type of joint arrangement. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Company's separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) IFRS 12 Disclosure of Interests in Other Entities

The standard was published on May 12, 2011 and it applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard requires an entity to disclose information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities; and
- the effects of those interests on its financial position, financial performance and cash flows.

The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Company's separate financial statements.

(iv) IFRS 13 Fair Value Measurement

The standard was published on May 12, 2011. The standard:

- defines fair value;
- sets out in a single standard a framework for measuring fair value; and
- requires disclosures about fair value measurements.

The standard applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Company's separate financial statements.

(v) Amended IAS 27 Separate Financial Statements

The amended standard was published on May 12, 2011 and it contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amended standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The amended standard applies for annual periods beginning on or after January 1, 2013. The amended standard will not affect the Company's separate financial statements.

(vi) Amended IAS 28 Investments in Associates and Joint Ventures

The standard was published on May 12, 2011 and it prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard applies for annual periods beginning on or after January 1, 2013. Along with adoption of this amended standard the Company will have to change its accounting policy on joint ventures, as the proportionate consolidation will no longer be permitted. As the Company is not a party to any significant joint ventures the amended standard will not have significant impact on the Company's separate financial statements.

(vii) Amendments to IAS 19 Employee Benefits

The amendments were published on June 16, 2011 and they improve the accounting for pensions and other post-employment benefits. The amendments apply for annual periods beginning on or after January 1, 2013. The amendments will not affect the Company's separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(viii) Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments were published on June 16, 2011 and they require entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments apply for annual periods beginning on or after July 1, 2012. The amendments will not have significant impact on the Company's separate financial statements.

(ix) IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine

The interpretation was published on October 19, 2011 and it applies for annual periods beginning on or after January 1, 2013. The interpretation will not affect the Company's separate financial statements.

Additionally, the following standards and amendments to standards are applicable in future and were discussed in the Company's separate financial statements for the year ended December 31, 2010:

- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets,*
- *IFRS 9 Financial Instruments,*
- *Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters,*
- *Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets.*

At the date of preparation of these separate financial statements the following standards amendments to standards and IFRIC interpretations were not adopted by the EU:

- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets,*
- *IFRS 9 Financial Instruments,*
- *Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters,*
- *Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets,*
- *IFRS 10 Consolidated Financial Statements,*
- *IFRS 11 Joint Arrangements,*
- *IFRS 12 Disclosure of Interests in Other Entities,*
- *IFRS 13 Fair Value Measurement,*
- *Amended IAS 27 Separate Financial Statements,*
- *Amended IAS 28 Investments in Associates and Joint Ventures,*
- *Amendments to IAS 19 Employee Benefits,*
- *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income.*
- *IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine*

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 effective from cost and cash flow perspective.

Financial risk management is carried out by the Company under policies approved by the Management Board and Supervisory Board. The 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 Company's 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 analyzing team measures and identifies financial risk exposure based on information reported by operating units generating exposure. The liquidity management team performs analysis of the Company's risk factors, forecasts the Company's cash flows and market and macroeconomic conditions and proposes cost-effective hedging strategies. The accounting and reporting team monitors the accounting implications of hedging strategies and verifies the settlement of the transactions.

(i) Market risk

Market risk related to bonds issued

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 account for the early prepayment options embedded in the 10.75% Senior Notes due 2017 and therefore the Company is not exposed to price risk in relation to embedded derivative instruments.

On November 19, 2010 the Company via its wholly owned subsidiary, TVN Finance Corporation III AB, issued EUR 175,000 Senior Notes with an annual interest rate of 7.875% ("7.875% Senior Notes due 2018") which are listed on the Luxembourg Stock Exchange (see Note 20) The Company does not account for the early prepayment options embedded in the 7.875% Senior Notes due 2018 and therefore the Company is not exposed to price risk in relation to embedded derivative instruments.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Company's revenue is primarily denominated in Polish zloty. 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, bank deposits with maturity over three months, cash and cash equivalents, all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Other assets, liabilities and costs are predominantly denominated in PLN.

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

The estimated net profit for the period (post-tax) impact on balances as of September 30, 2011 and September 30, 2010 of a reasonably possible EUR appreciation of 5% against the zloty, with all other variables held constant amounts to a loss of 57,295 (a loss of 26,467 as of September 30, 2010) and is presented below:

	Nine months ended September 30, 2011	**Nine months ended September 30, 2010**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
11.90% loans from subsidiary due 2017 including accrued interest	(110,669)	(100,027)
9.025% loan from subsidiary due 2018 including accrued interest	(32,322)	-
Trade payables	(282)	(205)
Other	(652)	(719)
Assets:		
Loans to subsidiaries	82,011	59,118
Bank deposits with maturity over three months	-	4,844
Cash and cash equivalents	4,533	5,153
Available for sale financial assets	-	5,149
Trade receivables	86	220
	(57,295)	**(26,467)**

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated net profit for the period (post-tax) impact on balances as of September 30, 2011 and September 30, 2010 of a reasonably possible USD appreciation of 5% against the zloty, with all other variables held constant, and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to a loss of 2,619 (a loss of 3,334 as of September 30, 2010) and is presented below:

	Nine months ended September 30, 2011	**Nine months ended September 30, 2010**
Assumed USD appreciation against PLN:	5%	5%
Liabilities:		
Trade payables	(2,876)	(3,529)
Assets:		
Trade receivables	248	188
Cash and cash equivalents	9	7
	(2,619)	**(3,334)**

The net profit impact of possible foreign currency fluctuations is partially limited by derivative instruments entered into by the Company. Details of foreign exchange forward contracts which the Company had on September 30, 2011 are discussed in Note 12.

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, 9.025% loans from related party due 2018, and the loans to subsidiaries.

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.

As 9.025% loan from related party due 2018 are at a fixed interest rate, the Company is exposed to fair value interest rate risk in this respect. Since 9.025% loan from related party due 2018 are carried at amortised cost, the changes in fair value of these instruments do not have a direct impact on valuation of 9.025% loan from related party due 2018 in the balance sheet.

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 a direct impact on valuation of the instruments in the balance sheet.

The Company did not consider cost effective to hedge or otherwise seek to reduce interest rate or cash flow risk as of September 30, 2011.

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

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 and restricted cash with financial institutions that the Company believes are credit worthy based on current credit ratings (see Note 13). The Company expects that loans granted to subsidiaries will be repaid from future cash flows of the controlled entities (see Note 20 (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 apart from loans granted to subsidiaries.

Television broadcasting, production and on-line advertising customers

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 (63% of the total trade receivables as of September 30, 2011) who manage advertising campaigns for advertisers and pay the Company once payment has been received from the customer.

The Company's top ten advertisers accounted for 18% of sales and the single largest advertiser accounted for 3% of sales for the nine months ended September 30, 2011. 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, 2011	December 31, 2010
Receivables from advertising agencies	63%	65%
Receivables from individual customers	17%	17%
Receivables from related parties	20%	18%
	100%	**100%**

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables (net)	**September 30, 2011**	**December 31, 2010***
Agency A	9%	9%
Agency B	9%	9%
Agency C	8%	7%
Agency D	7%	8%
Agency E	4%	2%
Sub-total	**37%**	**35%**
Total other counterparties	63%	65%
	100%	**100%**

* 2010 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 Company aggregated by international agency groups, measured as a percentage of the Company's total trade receivables is presented below:

Trade receivables (net)	**September 30, 2011**	**December 31, 2010***
Agency Group F	20%	21%
Agency Group G	15%	13%
Agency Group H	10%	13%
Agency Group I	4%	4%
Agency Group J	3%	3%
Sub-total	**52%**	**54%**
Total other counterparties	48%	46%
	100%	**100%**

* 2010 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 Company's customers as at September 30, 2011.

(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 through its subsidiaries on 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018, the launch of new thematic channels, investment in its subsidiaries. The Company 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 Company are negatively affected by a prolonged 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, 2011 the Company had cash and cash equivalent totaling 597,396 at its disposal (cash and cash equivalents and bank deposits with maturity over three months totaling 669,211 at December 31, 2010).

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Within 1 year	Between 1-2 years	Above 2 years
At September 30, 2011			
11.90% loans from subsidiary due 2017	311,286	311,286	4,016,629
9.025% loan from subsidiary due 2018	69,670	69,670	1,155,145
Trade payables	172,494	6,578	-
Other liabilities and accruals	81,215	212	-
Guarantees	71,993	-	193,990
	706,658	**387,746**	**5,365,764**
At December 31, 2010			
11.90% loan from subsidiary due 2017	279,466	279,466	3,745,788
9.025% loan from subsidiary due 2018	62,021	62,548	1,068,341
9.95% loan from subsidiary due 2013	585	586	6,382
PLN Bonds**	9,701	9,728	145,837
Trade payables	131,668	13,186	-
Other liabilities and accruals	106,836	212	-
Guarantees	16,925	79,206	1,000
	607,202	**444,932**	**4,967,348**

* All of the non-trading Company's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date (see Note 12). These contracts require undiscounted contractual cash inflows of 35,000 and undiscounted contractual cash outflows of 31,853.

** On December 23, 2010 the Company redeemed PLN Bonds due 2013 with the total nominal value of 359,000. In February 2011 the Company acquired and redeemed PLN Bonds due 2013 with the total nominal value of 135,400 (see Note 15).On June 14, 2011 the Company acquired and redeemed the remaining PLN Bonds due 2013 with the total nominal value of 5,600 (see Note 15).

3.2. Capital risk management

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

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

The Company monitors capital on the basis of the net debt to EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 15) payable at the reporting date including accrued interest 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 Company defines EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, interest income, finance expenses, foreign exchange gains and losses and income tax.

	September 30, 2011	December 31, 2010
Net debt	2,933,264	2,561,884
EBITDA	592,447	616,905
Net debt/EBITDA ratio	5.0	4.2

Subject to changes in EUR/ PLN foreign exchange rate, the Company's goal is to lower its net debt/ EBITDA ratio.

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 banks that hold the instruments.

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, 2011				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	3,475	-	3,475
	-	**3,475**	**-**	**3,475**

The Company did not have any financial instruments measured at fair value as of December 31, 2010.

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

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 ongoing sovereign debt issues in a few European countries and recent financial issues in the United States of America, 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 judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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) 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, 2011 the Company assessed that the operating and financial results of Grupa Onet.pl do not indicate impairment.

The last impairment test was carried out as at December 31, 2010. The recoverable amount of investment has been determined based on value-in-use calculations. In the annual impairment test performed by the Company as at December 31, 2010 the calculation of value-in-use, was based on discounted free cash flows and involved the use of estimates related to cash flow projections based on actual financial business plans approved by management covering the period until 2015.

The key financial assumptions used for discounting free cash flows in 2010 were as follows:

Terminal growth	4%
Discount rate	8.86%

Other key assumptions included:

- annual growth rate of the Polish advertising market in 2011-2015,
- increase in the on-line advertising market as a percentage of the total Polish advertising market in 2011-2015,
- share of Onet in the on-line advertising market in 2011-2015,
- growth of free cash flows in 2016-2025.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The Company believes that the key assumptions made in testing for impairment of investment in Grupa Onet Poland Holding and Grupa Onet.pl. as at December 31, 2010 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which investment in Grupa Onet Poland Holding and Grupa Onet.pl. recoverable amount is based would not cause the impairment charge to be recognized as at December 31, 2010.

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

The Company tests annually whether the investment in Neovision Holding (including loans granted to subsidiary) 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, 2011 the Company assessed that the operating and financial results of Neovision Holding do not indicate impairment.

The last impairment test was carried out as at December 31, 2010. The recoverable amount of the investment is determined based on value-in-use calculations. In the annual impairment test performed by the Company as at December 31, 2010 the calculation of value-in-use was based on discounted free cash flows and involved the use of estimates related to cash flow projections based on actual financial business plans approved by management covering the period until 2015.

The key financial assumptions used for discounting free cash flows in 2010 were as follows:

Terminal growth	3%
Discount rate	8.74%

Other key assumptions included:

- compound annual growth rate of the Polish pay TV DTH market in 2011-2015,
- share of ‘n’ in the Polish pay TV DTH market in 2015

The Company believes that the key assumptions made in testing for impairment of investment in Neovision Holding as at December 31, 2010 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which investment in Neovision Holding recoverable amount is based would not cause the impairment charge to be recognized as at December 31, 2010.

(iii) Estimated impairment of investment in Mango Media

The Company tests annually whether investment in Mango Media has suffered any impairment. During the year the Company monitors investment in Mango Media against impairment indicators through the review of actual financial and operating results. As of June 30, 2011 the Company assessed that the operating and financial results of Mango Media indicate a possible risk of an impairment, as a result the Company performed an impairment test as at June 30, 2011.

The recoverable amount of the investment in Mango Media was determined based on value-in-use calculations. These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period. In the impairment test performed by the Company as at June 30, 2011 cash flows beyond the five year period were extrapolated as regards Mango Media using an estimated growth rate of 3%.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Other key assumptions used for the Mango Media value-in-use calculations were the discount rate of 9.81%. The test performed as at June 30, 2011 indicated, that the investment in Mango Media did not suffer any impairment. The Company believes that the key assumptions made in testing for impairment of the investment in Mango Media as at June 30, 2011 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which the investment's recoverable amount is based would not cause the impairment charge to be recognised.

Since last impairment test performed as at June 30, 2011 the Company has not observed any further deterioration of the operating and financial results of the investment in Mango Media. As a result the Company assessed that there are no indicators of an impairment of the investment in Mango Media as at September 30, 2011

5. REVENUE

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Revenue from advertising spot sales	852,152	836,967	229,711	224,639
Subscription fees	146,355	134,480	50,664	44,655
Revenue from sponsoring	90,925	95,876	25,658	28,937
Revenue from sales of goods and services	30,054	24,826	10,345	8,787
Other revenue	48,527	44,919	10,169	18,806
	1,168,013	**1,137,068**	**326,547**	**325,824**

Subscription fees include subscriptions receivable from DTH and cable operators. Other revenue includes mainly audiotele revenues and sales of licenses. Included in revenues for the nine months ended September 30 , 2011 are revenues from related parties in the amount of 52,159 (nine months ended September 30, 2010: 49,880) and for three months ended September 30, 2011 of 14,089 (three months ended September 30, 2010: 16,195) (see Note 20 (i)).

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

6. OPERATING EXPENSES

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Amortization of locally produced content	308,281	296,133	87,983	92,846
Amortization of acquired programming rights and co-production	108,038	99,904	31,503	31,677
Staff expenses	113,780	119,470	38,850	36,989
Royalties	45,291	43,119	12,560	12,353
Marketing and research	43,314	45,432	12,557	23,653
Depreciation and amortization	46,331	46,311	15,644	15,507
Broadcasting expenses	35,903	32,511	12,682	11,147
Rental	28,808	28,002	10,186	9,490
Cost of services and goods sold	14,792	11,922	5,084	3,699
Impaired accounts receivable	477	2,583	(961)	2,041
Other	95,881	60,086	33,848	21,276
	840,896	**785,473**	**259,936**	**260,678**

Included in the above operating expenses are operating lease expenses for the nine months ended September 30, 2011 of 79,599 (nine months ended September 30, 2010: 70,839) and for the three months ended September 30, 2011 of 27,534 (three months ended September 30, 2010: 24,258).

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

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

Interest income	**Nine months ended September 30, 2011**	**Nine months ended September 30, 2010**	**Three months ended September 30, 2011**	**Three months ended September 30, 2010**
Interest income on loans to related parties	127,282	76,820	46,593	31,245
Interest income from available for sale financial assets	-	725	-	303
Other interest income	13,257	6,578	5,566	3,695
	140,539	**84,123**	**52,159**	**35,243**

Finance expense				
Interest expense on 11.90% loans from related party (see Note 20 (iii))	(219,742)	(196,848)	(75,982)	(72,853)
Interest expense on 9.95% loan from related party (see Note 20(iii))	(202)	-	-	-
Interest expense on 9.025% loan from related party (see Note 20(iii))	(49,044)	-	(17,043)	-
Interest expense on Promissory Notes (see Note 20 (iii))	-	(2,326)	-	-
Interest expense on PLN Bonds due 2013 (see Note 15)	(1,389)	(26,004)	-	(8,570)
Interest on foreign exchange forward contracts – fair value and cash flow hedges (see Note 12)	(10,741)	-	(335)	-
Premium on early repayment of PLN Bonds due 2013 (see Note 15)	(3,971)	-	-	-
Pre-issuance costs written off *	(217)	-	-	-
Income from guarantee fees from related parties (see Note 20 (viii))	12,508	9,479	4,662	3,658
Guarantee fees to related parties (see Note 20 (viii))	(955)	(4,212)	(319)	(1,404)
Unwinding of interest on contingent consideration	-	(1,069)	-	-
Bank and other charges	(886)	(3,850)	(352)	(1,266)
	(274,639)	**(224,830)**	**(89,369)**	**(80,435)**

* The 2011 cost includes the amount of the unamortized debt issuance costs of PLN Bonds due 2013 written off on early repayment (see Note 15).

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

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

Foreign exchange gains/(losses), net	**Nine months ended September 30, 2011**	**Nine months ended September 30, 2010**	**Three months ended September 30, 2011**	**Three months ended September 30, 2010**
Foreign exchange (losses)/ gains on 11.90% loan from related party, including:	(237,816)	30,624	(259,462)	94,476
- unrealized foreign exchange(losses)/ gains on 11.90% loan from related party	*(275,130)*	*31,939*	*(259,462)*	*95,791*
- realized foreign exchange gains on 11.90% loan from related party	*1,344*	*-*	*-*	*-*
- fair value hedge impact (see Note 12)	*35,970*	*(1,315)*	*-*	*(1,315)*
Foreign exchange losses on 9.025% loan from related party, including:	(69,725)	-	(63,110)	-
-unrealized foreign exchange losses on 9.025% loan from related party	*(80,641)*	*-*	*(63,110)*	*-*
- realized foreign exchange gains on 9.025% loan from related party	*301*	*-*	*-*	*-*
- fair value hedge impact (see Note 12)	*10,615*	*-*	*-*	*-*
Foreign exchange losses on Promissory Notes	-	(1,357)	-	-
Foreign exchange gains on contingent consideration	-	4,315	-	-
Foreign exchange losses on available for sale financial assets	-	(13,635)	-	(5,054)
Other foreign exchange gains/ (losses) net	220,439	(14,077)	192,656	(46,574)
	(87,102)	**5,870**	**(129,916)**	**42,848**

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

Basic

Basic earnings/ (losses) per share is calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the period, less the weighted average effect of treasury shares.

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Profit/ (Loss) for the period (in thousands)	81,349	170,827	(82,783)	49,490
Weighted average number of ordinary shares in issue	343,161,778	341,016,368	343,733,779	341,495,659
Basic earnings/ (losses) per share	**0.24**	**0.50**	**(0.24)**	**0.14**

Diluted

Diluted earnings/ (losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of potential ordinary shares: share options. For the share options a calculation was done to determine the number of shares that could have been acquired at fair value (determined as average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Profit/ (Loss) for the period (in thousands)	81,349	170,827	(82,783)	49,490
Weighted average number of ordinary shares in issue	343,161,778	341,016,368	343,733,779	341,495,659
Adjustment for share options	3,210,158	4,236,962	(437,722)	4,324,582
Weighted average number of potential ordinary shares for diluted earnings per share	346,371,936	345,253,330	(146,981)	345,820,241
Diluted earnings/(losses) per share	**0.23**	**0.49**	**(0.24)**	**0.14**

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

9. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	September 30, 2011	December 31, 2010
Grupa Onet Poland Holding B.V.	1,102,500	1,102,500
DTH Poland Holding Coöperatief U.A.	647,184	647,184
Grupa Onet.pl S.A.	271,874	271,874
Mango Media Sp. z o.o.	54,861	54,861
TVN Finance Corporation plc in members' voluntary liquidation	-	6,572
NTL Radomsko Sp. z o.o.	2,800	2,800
Stavka Sp. z o.o.	1,106	-
Polski Operator Telewizyjny Sp. z o.o.	400	400
TVN Finance Corporation III AB	219	219
TVN Finance Corporation II AB	209	209
El-Trade Sp. z o.o.	156	156
TVN Holding S.A.	100	-
Thema Film Sp. z o.o.	58	58
Tivien Sp. z o.o.	50	50
Film Miasto Sp. z .o.	1	-
Total	**2,081,518**	**2,086,883**

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

9 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

	Country of incorporation	September 30, 2011 Ownership %	December 31, 2010 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
TVN Finance Corporation III 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	100
Media Entertainment Ventures Int Ltd (2)	Malta	100	100
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.	The Netherlands	100	100
ITI Neovision Sp. z o.o. (3)	Poland	100	100
Cyfrowy Dom Sp. z o.o. (3)	Poland	100	100
Neovision UK Ltd (3)	UK	100	100
TVN Holding S.A.	Poland	100	100
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (4)	UK	45	45
Film Miasto Sp. z o.o.	Poland	34	-
Stavka Sp. z o.o.	Poland	25	-

(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.

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

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

Investment in subsidiary	**Nine months ended September 30, 2011**	**Year ended December 31, 2010**
Beginning of the period	647,184	494,558
Investment in Neovision Holding *	-	151,044
Other direct costs	-	1,582
End of the period	**647,184**	**647,184**

* 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, 2011**	**Year ended December 31, 2010**
Beginning of the period	1,466,551	560,541
Loans extended during the period	145,482	817,886
Repayment of loans	-	(8,548)
Other direct costs	-	5,278
Interest accrued	122,674	105,461
Foreign exchange gains/(losses)	205,019	(14,067)
End of the period	**1,939,726**	**1,466,551**

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.

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 an investment in subsidiary. The agreement was completed on March 31, 2009.

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 (PLN 730,136).

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, Polish Television Holding B.V. (formerly Strateurop International B.V.), 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 in the aggregate amount of EUR 135,172 (PLN 524,968). 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's shareholder loans liability to 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.

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

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

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 strengthened 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	Derivatives used for hedging	Loans and receivables	Financial assets available-for-sale	Total
September 30, 2011				
Available-for-sale financial assets	-	-	7,255	7,255
Non-current related party loans	-	2,048,588	-	2,048,588
Trade receivables	-	307,115	-	307,115
Derivative financial assets	3,475	-	-	3,475
Cash and cash equivalents	-	597,396	-	597,396
	3,475	**2,953,099**	**7,255**	**2,963,829**
December 31, 2010				
Available-for-sale financial assets	-	-	7,255	7,255
Non-current related party loans	-	1,559,903	-	1,559,903
Trade receivables	-	294,266	-	294,266
Restricted cash	-	107,986	-	107,986
Bank deposits with maturity over three months	-	243,558	-	243,558
Cash and cash equivalents	-	425,653	-	425,653
	-	**2,631,366**	**7,255**	**2,638,621**

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

11. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Liabilities as per balance sheet	**Other financial liabilities**	**Total**
September 30, 2011		
Loans from related parties	3,288,719	3,288,719
Accrued interest on borrowings	142,858	142,858
Non-current trade payables	6,578	6,578
Current trade payables	172,494	172,494
Other liabilities and accruals*	81,427	81,427
	3,692,076	**3,692,076**
December 31, 2010		
Loans from related parties	2,941,131	2,941,131
PLN Bonds due 2013	140,739	140,739
Accrued interest on borrowings	42,787	42,787
Non-current trade payables	13,186	13,186
Current trade payables	131,668	131,668
Other liabilities and accruals*	107,048	107,048
	3,376,559	**3,376,559**

* This amount includes financial liabilities presented as other non-current liabilities and other liabilities and accruals excluding the following items which are not financial liabilities: VAT and other taxes payable, employee benefits, deferred income.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	September 30, 2011	**December 31, 2010**
Derivative financial assets		
Foreign exchange forward contracts	3,475	-
	3,475	**-**

On January 12, 2011 the Company entered into EUR foreign exchange forward contract in order to limit the impact on the Company's net results of PLN/EUR exchange rate movements in relation to the 11.90% loans from related party due 2017 and 9.025% loan from related party due 2018 balance. The hedging strategy based on EUR foreign exchange forward contract had in total a notional value of EUR 350,000, settlement date on March 31, 2011 and PLN/EUR foreign exchange forward rate of 3.89. The Company has designated this EUR foreign exchange forward contract for fair value hedge accounting. The Company recognized a gain on realization of this foreign exchange forward contract in the total amount of 46,585 and an interest expense on the foreign exchange forward contract in the amount of 9,625.(see Note 7).

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

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

On January 19, 2011 the Company entered into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on firm commitments relating to the acquisition of programming rights assets. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 18,536, settlement dates between January 31, 2011 and March 30, 2012 and PLN/USD foreign exchange forward rates between 2.87 and 2.98. The periods when the cash flows relating to the firm commitments are expected to occur are the same as the maturity dates of the USD foreign exchange forwards. The Company has designated these USD foreign exchange forward contracts for cash flow hedge accounting.

The fair value of foreign exchange forward contracts as at September 30, 2011 was based on valuations performed by the Company's banks. When designating a hedging relationship the interest elements and the spot prices of the forwards were split. The interest element is recognized in income statement in the period until maturity date of each foreign exchange forward contract (see Note 7).

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

	September 30, 2011	**December 31, 2010**
Derivative financial assets		
Bank rated A+	3,475	-
	3,475	**-**

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

	September 30, 2011	**December 31, 2010**
Cash at bank and in hand	597,396	425,653
	597,396	**425,653**
Bank deposits with maturity over three months	-	243,558
	-	**243,558**

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

	September 30, 2011	**December 31, 2010**
Bank rated A-	228,491	245,049
Bank rated AAA	320,031	180,128
Banks rated BBB and other	48,874	476
	597,396	**425,653**

13. CASH AND CASH EQUIVALENTS, BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND RESTRICTED CASH (CONTINUED)

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

	September 30, 2011	December 31, 2010
Bank rated A-	-	243,558
	-	**243,558**

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

	September 30, 2011	December 31, 2010
EUR	-	243,558
	-	**243,558**

Restricted cash (credit rating – Standard and Poor's)**:**

	September 30, 2011	December 31, 2010
Bank rated A-*	-	107,986
	-	**107,986**

* Cash held as collateral for bank guarantees issued (see Note 15)

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, 2011 was 343,788,701 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, 2011:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polish Television Holding B.V [(1) (2)]	180,355,430	52.46%	180,355,430	52.46%
Cadizin Trading&Investment [(1)]	6,952,686	2.02%	6,952,686	2.02%
N-Vision B.V. [(1)]	3,963,095	1.15%	3,963,095	1.15%
Other shareholders	152,517,490	44.37%	152,517,490	44.37%
Total	**343,788,701**	**100.00%**	**343,788,701**	**100.00%**

[(1)] Entities controlled by ITI Group.

[(2] Polish Television Holding B.V. has pledged the majority of the Company's shares.

Included in the total number of shares in issue as at September 30, 2011 held by other shareholders are 41,186 shares of C3 and E4 series not registered by the Court.

During the nine months ended September 30, 2011 1,434,509 shares of C2, C3, E1, E2, E3 and E4 series were issued under the stock option plan for an amount of 15,451.

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

15. BORROWINGS

	September 30, 2011	December 31, 2010
Loans from related parties (see Note 20 (iii))	3,288,719	2,941,131
Interest accrued on loans from related parties (see Note 20 (iii))	142,858	42,335
PLN Bonds due 2013	-	140,739
Interest accrued on PLN Bonds due 2013	-	452
	3,431,577	**3,124,657**
Less: current portion of borrowings	(142,858)	(42,787)
Non-current portion of borrowings	**3,288,719**	**3,081,870**

PLN Bonds due 2013

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 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.

On June 23, 2008 the Company 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 was payable semi-annually starting December 14, 2008. The PLN Bonds due 2013 were due for repayment on June 14, 2013. The PLN Bonds due 2013 were unsecured obligations and were governed by a number of covenants including restrictions on disposal or inadequate use of assets. The PLN Bonds due 2013 were carried at amortized cost using an effective interest rate of 7.1%.

On December 23, 2010 the Company acquired and redeemed PLN Bonds due 2013 with nominal value of 359,000. These PLN Bonds due 2013 were purchased at a price of 102% of the principal amount plus the aggregate amount of accrued interest on the these PLN Bonds due 2013 between December 15, 2010 up to December 23, 2010.

In February 2011 the Company acquired and redeemed PLN Bonds due 2013 with total nominal value of 135,400. These PLN Bonds due 2013 were purchased at a price of 102.85% of the principal amount plus the aggregate amount of accrued interest on these PLN Bonds due 2013 between December 15, 2010 up to the redemption date.

On June 14, 2011 the Company acquired and redeemed the remaining PLN Bonds due 2013 with total nominal value of 5,600. These PLN Bonds due 2013 were purchased at a price of 102% of the principal amount plus the aggregate amount of accrued interest on these PLN Bonds due 2013 between December 15, 2010 up to the redemption date.

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

15. BORROWINGS (CONTINUED)

Revolving guarantee facility

On December 17, 2010 the Company entered into revolving guarantee facility agreement with Bank Pekao S.A. On May 17, 2011, on July 26, 2011 and on September 30, 2011 the Company amended the revolving guarantee facility agreement. The amended agreement is a PLN 400,000 multicurrency guarantee facility available in EUR, USD and/ or PLN, valid until May 16, 2012 with an extension option for another year. It may be used in an amount of up to PLN 400,000 for guarantees and letters of credit with tenors not exceeding thirty-six and thirteen months from issuance, respectively, and requires 50% cash collateral for guarantees with tenors greater than eighteen months.

As of September 30, 2011 the revolving guarantee facility had been used for the bank guarantees issued at 67,169 (December 31, 2010: 107,285)

16. OTHER LIABILITIES AND ACCRUALS

	September 30, 2011	**December 31, 2010**
VAT and other taxes payable	31,615	65,341
Employee benefits	29,878	46,353
Sales and marketing related costs	10,865	4,111
Accrued production costs	9,845	9,246
Deferred income	9,366	7,531
Satellites	4,037	3,258
Other liabilities and accrued costs	55,736	90,031
	151,342	**225,871**

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

17. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of profit for the period to cash generated from operations

	Note	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Profit for the period		81,349	170,827
Tax charge	**18**	24,566	45,931
Depreciation, amortization and impairment	**6**	46,331	46,311
Amortization of acquired program rights and co-production	**6**	108,038	99,904
Payments to acquire programming rights		126,756	(123,261)
Impaired accounts receivable	**6**	477	2,583
Loss/(gain) on sale of property, plant and equipment		808	(599)
Interest income	**7**	(140,539)	
Finance expense	**7**	274,639	134,837
Foreign exchange gains, net		87,102	
Guarantee fee		(955)	(1,566)
Change in local production balance		(269,228)	(4,294)
Changes in working capital:			
Trade receivables		(13,326)	31,174
Prepayments and other assets		(13,839)	(9,130)
Trade payables		28,632	16,568
Other short term liabilities and accruals		(52,699)	(3,394)
		(51,232)	35,218
Cash generated from operations		**288,112**	**405,891**

Non-cash transactions

Barter revenue, net		1,766	(1,422)

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

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

18. TAXATION

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
Current tax charge	(38,978)	(38,596)	(8,205)	(1,982)
Deferred tax credit / (charge)	14,412	(7,335)	25,937	(11,330)
	(24,566)	**(45,931)**	**17,732**	**(13,312)**

Reconciliation of accounting profit to tax charge

Profit before income tax	105,915	216,758	(100,515)	62,802
Income tax charge at the enacted statutory rate of 19%	(20,124)	(41,184)	19,098	(11,932)
Impact of non-taxable gain recognized on valuation of contingent consideration, net	-	(1,832)	-	-
Net tax impact of other net expenses and losses not deductible for tax purposes and revenue not taxable	(4,442)	(2,915)	(1,366)	(1,380)
Tax for the period	**(24,566)**	**(45,931)**	**17,732**	**(13,312)**

19. 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, 2011. These commitments are scheduled to be paid as follows:

Due in 2011	42,548
Due in 2012	189,636
Due in 2013	200,896
Due in 2014	89,689
Due in 2015	74,636
Due in 2016 and thereafter	141,338
	738,743

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

19. COMMITMENTS (CONTINUED)

(ii) Total future minimum payments relating to operating lease agreements signed as at September 30, 2011:

	Related parties	Non-related parties	Total
Due in 2011	3,887	4,475	8,362
Due in 2012	15,319	17,795	33,114
Due in 2013	14,649	12,183	26,832
Due in 2014	14,596	7,264	21,860
Due in 2015	14,543	7,203	21,746
Due in 2016 and thereafter	9,695	5,231	14,926
	72,689	**54,151**	**126,840**

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, 2011.

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:

Due in 2011	4,026
Due in 2012	33,740
Due in 2013	33,525
Due in 2014	33,525
Due in 2015	33,525
Due in 2016 and thereafter	82,788
	221,129

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 970 to settle sundry amounts payable recorded as of September 30, 2011 (781 at December 31, 2010). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at September 30, 2011, the Company assumed contractual commitments of 1,771 to acquire property, plant and equipment and intangible assets (5,215 at December 31, 2010).

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

20. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
ITI Neovision	31,758	31,917	10,922	10,641
Grupa Onet Poland Holding	6,557	8,278	1,786	2,680
TVN Finance Corporation plc in members' voluntary liquidation	6,023	28,278	-	-
Mango Media	4,725	6,828	1,103	1,601
ITI Group	2,932	2,729	235	1,231
El-Trade	92	92	31	31
NTL Radomsko	31	-	(1)	-
Tivien	35	34	11	11
Poland Media Properties	6	-	2	-
	52,159	**78,156**	**14,089**	**16,195**

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

Additionally the Company recognized revenue of 5,230 for the nine months ended September 30, 2011 (nine months ended September 30, 2010: 3,116) and for the three months ended September 30, 2010 1,407 (three months ended September 30, 2010: 387) 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.

Additionally the Company recognized revenue of 127,282 for the nine months ended September 30, 2011 from interest on loans granted to subsidiaries (nine months ended September 30, 2010:76,820) and for the three months ended September 30, 2011 of 46,593 (three months ended September 30, 2010 31,246) (see Note 7).

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

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Operating expenses:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Three months ended September 30, 2011	Three months ended September 30, 2010
ITI Group	30,804	29,796	12,328	9,285
Grupa Onet Poland Holding Group	12,404	12,132	4,370	5,078
Tivien	11,921	10,758	3,989	3,886
Sieger & Sieger Ltd	2,199	1,195	1,005	298
ITI Neovision	1,531	1,489	(1,892)	466
Poland Media Properties	1,530	1,531	523	516
NTL Radomsko	1,104	1,049	356	352
El-Trade	378	324	143	103
Mango Media	(31)	(49)	-	2
	61,840	**58,225**	**20,822**	**19,986**

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.

Operating expenses from Sieger & Sieger Ltd comprise direct consulting services provided to the Company by an ITI Group Director.

Additionally the Company recognized finance expense of 268,988 for the nine months ended September 30, 2011 from interest on loans from related parties subsidiaries (nine months ended September 30, 2010:196,848) and for the three months ended September 30, 2011 of 93,025 (three months ended September 30, 2010 72,853) (see Note 7).

(iii) Loans from related parties

	September 30, 2011	December 31, 2010
Loans from TVN Finance Corporation II AB	2,537,549	2,247,026
Loan from TVN Finance Corporation III AB	751,170	688,307
Loan from TVN Finance Corporation plc in members' voluntary liquidation	-	5,798
Interest accrued	142,858	42,335
	3,431,577	**2,983,466**

20. RELATED PARTY TRANSACTIONS (CONTINUED)

On March 10, 2010, as part of the purchase price for acquisition by the Company of the 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 an 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 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 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.

On November 19, 2010, TVN Finance Corporation III AB, the Company's subsidiary, issued 7.875% Senior Notes due 2018 in the aggregate principal amount of EUR 175,000. Following the issue of 7.875% Senior Notes due 2018, TVN Finance Corporation III AB granted to the Company a loan with the nominal of EUR 175,000, bearing interest at 9.025% p.a. and due for repayment on November 15, 2018. Interest on this loan is paid semi-annually. The loan is carried at amortized cost using an effective interest rate of 9.85%.

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

20. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	September 30, 2011	December 31, 2010
Receivables:		
ITI Neovision Group	46,616	46,789
Grupa Onet Poland Holding	3,462	1,665
Mango Media	6,884	4,191
ITI Group	4,520	1,480
El-Trade	25	-
Tivien	4	-
Poland Media Properties	1	-
TVN Finance Corporation III AB	-	38
	61,512	**54,163**
Payables:		
Grupa Onet Poland Holding	15,226	7,740
ITI Group	16,014	18,514
ITI Neovision Group	10,496	-
Sieger & Sieger Ltd	726	931
Tivien	1,124	386
NTL-Radomsko	7	49
El-Trade	43	11
Poland Media Properties	1	188
	43,637	**27,819**

(v) Related party loans

	September 30, 2011	December 31, 2010
ITI Neovision (see Note 10)	1,761,248	1,306,200
DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.) (see Note 10)	178,478	160,351
Grupa Onet Poland Holding	108,340	92,847
Thema Film	522	505
Non-current portion	**2,048,588**	**1,559,903**

The loans to Grupa Onet Poland Holding consist mainly of the loan for a principal amount of EUR 16,886, bears interest of 8.63% per annum, due for repayment on December 31, 2016. Further loans are for the total amount of PLN 160, bears interest of 7.80% per annum, EUR 28, bears interest of 8.63% per annum and 16,8 bears interest of 11,90% per annum.

The loans to ITI Neovision and DTH Poland Holding Coöperatief U.A. consist of an aggregate principal amount of EUR 383,236, bear effective interest rates between 7.86% and 12.18% per annum, and are due for repayment between December 31, 2014 and June 30, 2017.

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

20. RELATED PARTY TRANSACTIONS (CONTINUED)

On September 30, 2011 the following loans were receivable from Neovision Holding Group:

Nominal value (EUR)	Effective interest rate	Maturity dates	Carrying value
ITI Neovision			
56,386	7.86% - 10.26%	December 31, 2015	307,510
145,000	8.95% - 12.18%	June 30, 2015	731,065
14,520	7.86% - 7.88%	June 30, 2016	65,405
133,158	9.36%	June 30, 2017	657,268
			1,761,248
DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.)			
34,053	10.07% - 10.22%	December 31, 2015	177,879
118	9.24% - 10.49%	December 31, 2014	599
			178,478
			1,939,726

(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 19 (ii) for further details.

(viii) Other

ITI Holdings has provided guarantees in the amount of USD 3,000 to Warner Bros. International Television Distribution, USD 17,301 to Universal Studios International in respect of programming rights purchased and broadcasted by the Company. During the nine months ended September 30, 2011, the Company recorded finance costs relating to ITI Holdings guarantees of 955 (during the nine months ended September 30, 2010: 1,175) and during the three months ended September 30, 2011 319 (during the three months ended September 30, 2010: 392).

As of September 30, 2011 the Company issued guarantees in the total amount of 264,983 on the Company's behalf relating to the liabilities of ITI Neovision.

As of September 30, 2011 the Company has provided guarantee in the amount of 1,000 to IBM in respect of services provided to ITI Neovision.

During the nine months ended September 30, 2011 the Company recorded the revenue of 8,939 from TVN Finance Corporation II AB, 2,630 from TVN Finance Corporation III AB and 867 from ITI Neovision relating to the guarantees provided (during the nine months ended September 30, 2010: TVN Finance Corporation II AB 8,028, TVN Finance Corporation III AB nil and ITI Neovision 1,451)

As of September 30, 2011 the Company had an outstanding commitment to provide loans to ITI Neovision in a total amount of EUR 10,480 (EUR 8,537 as at September 30, 2010).

21. 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.

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, 2011		Nine months ended September 30, 2010	
	Weighted average exercise price	Outstanding options	Weighted average exercise price	Outstanding options
At 1 January	PLN 10.86	**10,648,831**	PLN 10.80	**12,562,495**
• **Exercised**	PLN 10.77	(1,434,509)	PLN 10.57	(1,381,474)
At 30 September	PLN 10.87	**9,214,322**	PLN 10.83	**11,181,021**

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	252,490	PLN 8.66	Vested
C2	921,639	PLN 9.58	Vested
C3	2,076,346	PLN 10.58	Vested
	3,250,475		

Series	Number of options	Exercise price	Service vesting period
E1	210,180	PLN 8.66	Vested
E2	260,500	PLN 9.58	Vested
E3	1,150,698	PLN 10.58	Vested
E4	4,342,469	PLN 11.68	Vested
	5,963,847		

The TVN Incentive Schemes expire on December 31, 2014.

Between October 1, 2011 and the date when these financial statements were prepared 87,720 (not in thousands) of C2, C3 and E4 series options were exercised and as a result 87,720 (not in thousands) new ordinary shares were issued.

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

22. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	PLN Exchange Rate to EUR
September 30, 2011	3.2574	4.4112
December 31, 2010	2.9641	3.9603
September 30, 2010	2.9250	3.9870

The movement in the consumer price index for the nine months ended September 30, 2011 amounted to 2.8% (nine months ended September 30, 2010: 2.1%).

23. EVENTS AFTER THE REPORTING PERIOD

On October 3, 2011 the Company acquired 100% of the share capital of Highgate Capital Investments Sp. z o.o. for a consideration of 110.

On October 6, 2011 the Company sold its share in the share capital of Polskie Media S.A. for a consideration of 8,002. The Company recognized a gain on this transaction in the amount of 414.