TVN S.A.

INTERIM REPORT
FOR THE THREE AND SIX MONTHS
ENDED JUNE 30, 2012

TABLE OF CONTENTS

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 interim report "**we**", "**us**", "**our**", the "**TVN Group**" and the "**Group**" refer, as the context requires, to TVN S.A. and its consolidated subsidiaries; the "**Company**" refers to TVN S.A.; "**Grupa Onet**" refers to Grupa Onet.pl S.A., owner of the leading Polish Internet portal Onet.pl, which we acquired in July 2006; "**Mango Media**" refers to Mango Media Sp. z o.o., a teleshopping company, which we acquired in May 2007; "**ITI Neovision**" refers to ITI Neovision Sp. z o.o., owner and operator of the 'n' DTH platform, which we control since March 11, 2009, "**guarantors**" refers collectively to the Company, Grupa Onet Poland Holding B.V, Grupa Onet.pl S.A., DTH Poland Holding, ITI Neovision, Mango Media and TVN 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; "**TTV**" refers to an interactive social-intervention channel co-owned and co-produced by TVN was launched on January 2, 2012; "**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 (currently DTH Poland Holding Coöperatief U.A.); "**TNK**" refers to a pre-paid digital television service in standard definition, "Telewizja na kartę", owned and operated by ITI Neovision, launched in October 2008; "**TNK HD**" refers to a pre-paid digital television service in high definition launched on May 17, 2010 by ITI Neovision; "**NNK**", refers to "n na kartę", rebranded in June 2011 version of TNK HD; "**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 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.; **"TVN Media"** refers to TVN Media Sp. z o.o., a company which was created through the separation of Sales, Marketing and Brand Management departments from the organizational structure of TVN S.A.; **"Stavka"** refers to Stavka Sp. z o.o. holder of the license for terrestrial broadcasting of the TTV channel. We acquired 25% shares of the company in September 2011 and additional 26% in December 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 ten television channels: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, NTL Radomsko, TVN CNBC and TTV. 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. TTV is an interactive social-intervention channel co-owned and co-produced by TVN and was launched on January 2, 2012. Our channels maximize their operational efficiencies by sharing programming content, infrastructure and know-how. In March 2007, we launched tvn24.pl, the first news vortal in Poland, which combines text, voice and video services. Additionally we launched TVN Player which is our ad-supported internet VOD service, which allows viewing of both video content produced by our company (or in our name), and other movies that were shown previously in our TV channels.

- **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 June 30, 2012, the 'n' DTH platform had over 983,000 (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 329,000 (not in thousands) active customers (including TNK HD) as of June 30, 2012. On December 18, 2011 we signed an agreement with Canal+ Group (“Canal+ Group”) concerning merger of ‘n’ platform and Canal+ DTH platform “Cyfra+” (“Combination Agreement”) resulting in creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in ‘n’ for a 32% stake in the combined operation.

- **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. 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. On June 4, 2012, we reached an agreement with Ringier Axel Springer Media AG, with its registered office in Zurich, Switzerland to form a strategic partnership for Grupa Onet.pl S.A. In implementation of the partnership we will contribute 100% in Onet to a newly formed Holdco in return for a cash consideration of PLN 956 million (approx. EUR 217 million) and a 25% direct interest in Holdco with 75% held by Ringier Axel Springer.

- **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 condensed consolidated financial statements, including the notes thereto. The following discussion focuses on material trends, risks and uncertainties affecting our results of operations and financial condition.

Executive Summary

Impact of Changes in Our Structure on the Reported Results

On August 29, 2011 we entered into a cooperation agreement with Stavka. Stavka holds the license for terrestrial broadcasting of the TTV channel (previously named 'U-TV'). The agreement covers the areas of technology, advertising and programming. The TTV is one of the channels broadcasted via the first DTT multiplex. As part of the agreement, we acquired 25% of the shares in Stavka.

On November 28, 2011, we concluded an agreement with TVN Media Sp. z o.o. ("TVN Media", previously Highgate Capital Investments Sp. z o.o.). The agreement regarded the disposal of an organized part of the enterprise as a contribution in kind in exchange for newly created shares in TVN Media. TVN Media is our subsidiary in which we hold a 100% stake. On December 13, 2011 we entered into another agreement with TVN Media. Under the agreement, TVN Media is responsible for acquisition and conclusions of contracts for advertising, sponsorship, product placement and classifieds by TVN Media on our behalf. The agreement is valid from November 29, 2011 until December 31, 2012. The reorganization represents a strategic repositioning of the sales and marketing functions to provide services both to TVN and third party clients. The spin-off of the functions target third party client focus, increasing the efficiency and flexibility of the Group's structure, and opening the functions to new independent product implementations. The Group assessed that as a result of the reorganization the post-tax cash flows expected from the sales and marketing functions will improve mainly due to expected increase in revenue from services provided to external customers and expected selling expenses savings and certain tax benefits resulting in additional positive margin generated by the Group.

On December 18, 2011 we signed an agreement with Group Canal+ concerning merger of 'n' platform and Canal+ DTH platform "Cyfra+" resulting in creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in 'n' for a 32% stake in the combined operation.

On December 21, 2011 we acquired additional 25.55% of the Stavka shares. As a result, we obtained control over Stavka.

On June 4, 2012, we reached an agreement with Ringier Axel Springer Media AG, with its registered office in Zurich, Switzerland to form a strategic partnership for Grupa Onet.pl S.A. To form the partnership we will contribute our 100% stake in Onet to a newly formed Holdco in return for a cash consideration of PLN 956 million (approximately EUR 217 million) and a 25% direct interest in Holdco with 75% held by Ringier Axel Springer.

The principal events of the three months ended June 30, 2012

Operational results:

- According to TVN estimates based on Starlink data the television advertising market in Poland in the three months ended June 30, 2012 decreased by 11.4% compared to the corresponding period of 2011.

- Our share in the net television advertising market, according to TVN estimates based on Starlink data, decreased to 34.6% in three months ended June 30, 2012 from 35.4% in the corresponding period of 2011.

- Our TVN Style increased its audience share in all categories. All-day nationwide audience share increased to 0.6%, from 0.4%, all-day basic commercial target group audience share increased to 0.8%, from 0.5%, all-day key target group audience share increased to 1.3%, from 0.9%, *prime time* basic commercial target group audience share increased to 0.6%, from 0.4%, *prime time* key target group audience share increased to 0.9%, from 0.7%, *peak time* basic commercial target group audience share increased to 0.6%, from 0.5% and *peak time* target group audience share increased to 1.0%, from 0.7% in the corresponding period of 2011 according to NAM.

- Our TVN 7 increased its audience share in six out of seven categories. All-day nationwide audience share increased to 2.3%, from 1.7%, all-day basic commercial target group audience share increased to 2.6%, from 2.1%, all-day key target group audience share increased to 2.6%, from 2.2%, *prime time* key target group audience share increased to 2.6%, from 2.2%, *peak time* basic commercial target group audience share increased to 2.4%, from 2.3% and *peak time* target group audience share increased to 2.8%, from 2.2% in the corresponding period of 2011 according to NAM.

- Our Internet portal Onet.pl had 12.4 million real users and 2.4 billion page views in June 2012. Average monthly time spent per real user on Onet.pl portal in June 2012 was 5 hours and 30 minutes, according to Megapanel PBI/Gemius.

- Our ‘n’ DTH platform’s post-paid net subscriber number increased by almost 17,000 (not in thousands) during three months ended June 30, 2012. As of June 30, 2012, the ‘n’ DTH platform had over 983,000 (not in thousands) active subscribers. As of June 30, 2012, the ‘n’ DTH platform recorded monthly average revenue per subscriber (“ARPU”) of PLN 61.1 (not in thousands), compared to PLN 60.9 (not in thousands) in the corresponding period of 2011.

- TNK active pre-paid net customer base contracted by over 1,000 (not in thousands) during three months ended June 30, 2012. As of June 30, 2012, TNK had a total customer base (active and inactive) of over 329,000 (not in thousands). As of June 30, 2012, TNK HD had almost 90,000 active customers. The ‘n’ DTH platform including TNK and TNK HD, had reached a total active clients number of over 1,312,000 (not in thousands) as of June 30, 2012, compared to 1,122,000 (not in thousands) as of June 30, 2011.

Principal events:

- On June 4, 2012, we reached an agreement with Ringier Axel Springer Media AG, with its registered office in Zurich, Switzerland to form a strategic partnership for Grupa Onet.pl S.A. In implementation of the partnership we will contribute 100% in Onet to a newly formed Holdco in return for a cash consideration of PLN 956 million (approx. EUR 217 million) and a 25% direct interest in Holdco with 75% held by Ringier Axel Springer.

Financial results:

- Our Group reported revenue decreased by PLN 39,234, or 8.0% to PLN 451,800, from PLN 491,034 in the corresponding period of 2011. Including ‘n’ platform and Onet results our Group revenue would have decreased by PLN 5,990, or 0.8% to PLN 717,559, from PLN 723,549 in the corresponding period of 2011.

- Our TV segment decreased its revenue by PLN 39,712, or 8.2% to PLN 443,645, from PLN 483,357 in the corresponding period of 2011.

- Our Digital satellite pay television segment increased its revenue by PLN 34,818, or 19.4%, to PLN 214,637, from PLN 179,819 in the corresponding period of 2011.

- Our Online segment decreased its revenue by PLN 3,143, or 4.4%, to PLN 69,031, from PLN 72,174 in the corresponding period of 2011.

- Our operating profit decreased by PLN 48,383, or 27.8% to PLN 125,699, from PLN 174,082 in the corresponding period of 2011. Including ‘n’ platform and Onet results our operating profit would have decreased by PLN 237,725 or 150.4% to loss of PLN 79,625 from profit PLN 158,100 in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill of PLN 216,029.

- Our EBITDA decreased by PLN 46,562, or 24,6% to PLN 143,041, from PLN 189,603 in the corresponding period of 2011. Our EBITDA margin decreased to 31.7% from 38.6% in the corresponding period of 2011. Including ‘n’ platform and Onet results our Group EBITDA would have decreased by PLN 280,571, or 124% to negative level of PLN 56,842, from PLN 223,729 in the corresponding period of 2011.

- We recorded loss for the period from continuing operations of PLN 3,816 compared to the profit for the period from continuing operations of PLN 92,235 in the corresponding period of 2011.

- We recorded loss for the period from discontinued operations of PLN 230,276 compared to the loss for the period from discontinued operations of PLN 24,358 in the corresponding period of 2011. This increase results mainly from recognition of impairment of Onet goodwill.

- We recorded a loss for the period of PLN 234,094 compared to a profit for the period of PLN 67,877 in the corresponding period of 2011. Consequently, we recorded a loss attributable to the owners of TVN S.A., of PLN 230,603, compared to a profit attributable to the owners of TVN S.A. of PLN 67,877 in 2011. This decrease results mainly from recognition of impairment of Onet goodwill.

- Our Net debt to EBITDA ratio before impairment as of June 30, 2012 was 4.8. As of June 30, 2012 we held in total PLN 421,520 of cash and cash equivalents resulting from continuing operations and PLN 113,389 from discontinued operations.

The principal events of the six months ended June 30, 2012

Operational results:

- According to TVN estimates based on Starlink data the television advertising market in Poland in the six months ended June 30, 2012 decreased by 7.5% compared to the corresponding period of 2011.

- Our share in the net television advertising market, according to TVN estimates based on Starlink data, did not change and accounted for 34.1% in six months ended June 30, 2012 and in the corresponding period of 2011.

- Our TVN 7 increased its audience share in all categories. All-day nationwide audience share increased to 2.2%, from 1.7%, all-day basic commercial target group audience share increased to 2.6%, from 2.1%, all-day key target group audience share increased to 2.9%, from 2.2%, *prime time* basic commercial target group audience share increased to 2.5%, from 2.2%, *prime time* key target group audience share increased to 2.7%, from 1.9%, *peak time* basic commercial target group audience share increased to 2.5%, from 2.1% and *peak time* target group audience share increased to 2.9%, from 1.8% in the corresponding period of 2011 according to NAM.

- Our TVN Style increased its audience share in all categories. All-day nationwide audience share increased to 0.5%, from 0.4%, all-day basic commercial target group audience share increased to 0.7%, from 0.5%, all-day key target group audience share increased to 1.1%, from 0.8%, *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* target group audience share increased to 0.9%, from 0.6% in the corresponding period of 2011 according to NAM.

- Our Internet portal Onet.pl had 12.4 million real users and 2.4 billion page views in June 2012. Average monthly time spent per real user on Onet.pl portal in June 2012 was 5 hours and 30 minutes, according to Megapanel PBI/Gemius.

- Our ‘n’ DTH platform’s post-paid net subscriber number increased by almost 54,000 (not in thousands) during six months ended June 30, 2012. As of June 30, 2012, the ‘n’ DTH platform had over 983,000 (not in thousands) active subscribers. As of June 30, 2012, the ‘n’ DTH platform recorded monthly average revenue per subscriber (“ARPU”) of PLN 61.1 (not in thousands), compared to PLN 60.9 (not in thousands) in the corresponding period of 2011.

- TNK active pre-paid net customer base contracted by over 26,000 (not in thousands) during six months ended June 30, 2012. As of June 30, 2012, TNK had a total customer base (active and inactive) of over 329,000 (not in thousands). As of June 30, 2012, TNK HD had almost 90,000 active customers. The ‘n’ DTH platform including TNK and TNK HD, had reached a total active clients number of over 1,312,000 (not in thousands) as of June 30, 2012, compared to 1,122,000 (not in thousands) as of June 30, 2011.

Principal events:

- On January 9, 2012, our Supervisory Board of TVN S.A. appointed Robert Bednarski as the Management Board Member.

- On April 13, 2012 we announced that, as part of its comprehensive strategy review, we decided to enter into exclusive negotiations with Ringier Axel Springer Media AG. The process envisages entry into a strategic partnership in Onet.pl. We have granted Ringier Axel Springer Media AG exclusivity to negotiate the terms and conditions of the partnership for a definite period until May 31, 2012 and approved the preliminary terms of the partnership.

Financial results:

- Our Group reported revenue decreased by PLN 40,789, or 4.8% to PLN 816,656, from PLN 857,445 in the corresponding period of 2011. Including ‘n’ platform and Onet results our Group revenue would have increased by PLN 21,760, or 1.7% to PLN 1,327,708, from PLN 1,305,948 in the corresponding period of 2011.

- Our TV segment decreased its revenue by PLN 42,109, or 5.0% to PLN 799,681, from PLN 841,790 in the corresponding period of 2011.

- Our Digital satellite pay television segment increased its revenue by PLN 63,306, or 17.8%, to PLN 419,251, from PLN 355,945 in the corresponding period of 2011.

- Our Online segment decreased its revenue by PLN 4,688, or 3.6%, to PLN 125,794, from PLN 130,482 in the corresponding period of 2011.

- Our operating profit decreased by PLN 59,739, or 23.2% to PLN 197,802, from PLN 257,541 in the corresponding period of 2011. Including ‘n’ platform and Onet results our operating profit would have decreased by PLN 202,502 or 96.1% to PLN 8,251 from PLN 210,753 in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill of PLN 216,029.

- Our EBITDA decreased by PLN 55,723, or 19.3% to PLN 232,846, from PLN 288,569 in the corresponding period of 2011. Our EBITDA margin decreased to 28.5% from 33.7% in the in the corresponding period of 2011. Including ‘n’ platform and Onet results our Group EBITDA would have decreased by PLN 286,109, or 83.2% to PLN 57,128, from PLN 340,237 in the corresponding period of 2011.

- We recorded profit for the period from continuing operations of PLN 162,143 compared to the profit for the period from continuing operations of PLN 94,046 in the corresponding period of 2011.

- We recorded loss for the period from discontinued operations of PLN 215,126 compared to the loss for the period from discontinued operations of PLN 66,628 in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill of PLN 216,029.

- We recorded a loss for the period of PLN 52,983 compared to a profit for the period of PLN 27,418 in the corresponding period of 2011. Consequently, we recorded a loss attributable to the owners of TVN S.A., of PLN 45,675, compared to a profit attributable to the owners of TVN S.A. of PLN 27,418 in 2011. This decrease results mainly from recognition of impairment of Onet goodwill.

- Our Net debt to EBITDA ratio before impairment as of June 30, 2012 was 4.8. As of June 30, 2012 we held in total PLN 421,520 of cash and cash equivalents resulting from continuing operations and PLN 113,389 from discontinued operations.

Summary Historical Financial Data

The following table sets out our unaudited consolidated financial information as of and for the three and six months ended June 30, 2012, for the three and six months ended June 30, 2011 and our audited consolidated financial information as of December 31, 2011. You should read the information in conjunction with the interim condensed consolidated financial statements and Operating and Financial Review presented in this interim report.

For your convenience, Złoty amounts as of June 30, 2012 have been converted into Euro at a rate of PLN 4.2613 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on June 30, 2012). Złoty amounts for the three months ended June 30, 2012 have been converted into Euro at a rate of PLN 4.2741 per €1.00 (arithmetic average of the effective NBP exchange rates on April 30, 2012, May 31, 2012 and June 30, 2012). Złoty amounts for the six months ended June 30, 2012 have been converted into Euro at a rate of PLN 4.2246 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2012, February 29, 2012, March 31, 2012, April 30, 2012, May 31, 2012 and June 30, 2012). Złoty amounts as of December 31, 2011 have been converted into Euro at a rate of PLN 4.4168 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2011).

Złoty amounts as of June 30, 2011 have been converted into Euro at a rate of PLN 3.9866 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on June 30, 2011). Złoty amounts for the three months ended June 30, 2011 have been converted into Euro at a rate of PLN 3.9604 per €1.00 (arithmetic average of the effective NBP exchange rates on April 30, 2011, May 31,2011 and June 30, 2011). Złoty amounts for the six months ended June 30, 2011 have been converted into Euro at a rate of PLN 3.9673 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 and June 30, 2011). 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.

	2011 PLN	2011 €	2012 PLN	2012 €	2011 PLN	2011 €	2012 PLN	2012 €
			Three months ended June 30,				Six months ended June 30,	
Income Statement data								
Revenue	491,034	123,986	451,800	105,706	857,445	216,128	816,656	193,310
Operating profit	174,082	43,956	125,699	29,409	257,541	64,916	197,802	46,821
(Loss)/profit before income tax	115,276	29,107	(21,055	(4,926)	119,173	30,039	182,130	43,111
(Loss)/ profit attributable to the owners of TVN S.A.	67,877	17,138	(230,603)	(53,953)	27,418	6,911	(45,675)	(10,811)
Cash Flow Data								
Net cash generated by operating activities	130,358	32,915	116,982	27,370	164,003	41,339	130,835	30,970
Net cash generated by/ (used in) investing activities	(2,671)	(674)	968	226	221,474	55,815	(52,036)	(12,317)
Net cash (used in) financing activities	(51,333)	(12,961)	(197,626)	(46,238)	(152,798)	(38,514)	(197,789)	(46,818)
(Decrease)/ Increase in cash and cash equivalents	(76,354)	(19,280)	(79,676)	(18,641)	232,679	58,640	(118,990)	(28,166)
Weighted average number of ordinary shares in issue (not in thousands)	343,291,483	343,291,483	343,876,421	343,876,421	342,871,037	342,871,037	343,876,421	343,876,421
Weighted average number of potential ordinary shares in issue (not in thousands)	343,291,483	343,291,483	343,889,504	343,889,504	346,518,917	346,518,917	343,969,061	343,969,061
Earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	0.08	0.02	(0.13)	(0.03)	0.08	0.02	(0.13)	(0.03)
Diluted earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	0.08	0.02	(0.13)	(0.03)	0.08	0.02	(0.13)	(0.03)
Dividend paid or declared per share (not in thousands)	0.04	0.01	0.1	0.02	0.04	0.01	0.1	0.02
Other data								
EBITDA*	189,603	47,875	143,041	33,467	288,569	72,737	232,846	55,117
EBITDA margin	38.6%	38.6%	31.7%	31.7%	33.7%	33.7%	28.5%	28.5%
Operating margin	50.1%	50.1%	43.4%	43.4%	30.0%	30.0%	24.2%	24.2%

Balance Sheet data	**As at December 31, 2011 PLN**	**As at December 31, 2011 €**	**As at June 30, 2012 PLN**	**As at June 30, 2012 €**	**As at December 31, 2011 PLN**	**As at December 31, 2011 €**	**As at June 30, 2012 PLN**	**As at June 30, 2012 €**
Total assets	5,111,959	1,157,390	4,896,413	1,149,042	5,111,959	1,157,390	4,896,413	1,149,042
Current assets	1,357,701	307,395	1,157,088	271,534	1,357,701	307,395	1,157,088	271,534
Non-current liabilities	3,478,473	787,555	3,278,601	769,390	3,478,473	787,555	3,278,601	769,390
Current liabilities	456,414	103,335	388,500	91,169	456,414	103,335	388,500	91,169
Shareholders equity**	924,029	209,208	843,422	197,926	924,029	209,208	843,422	197,926
Share capital	68,775	15,571	68,775	16,139	68,775	15,571	68,775	16,139
Non-controlling interest	(558)	(126)	(7,866)	(1,846)	(558)	(126)	(7,866)	(1,846)

*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 of net results of associates. The reconciling item between EBITDA and reported operating profit/ (loss) 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

** Shareholders equity attributed to the owners of TVNS.A

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 June 30, 2012, 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 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., DTH Poland Holding and Stavka Sp. z o.o. 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.

Our fiscal year ends on December 31.

Television broadcasting and production

Revenue

This segment primarily derives revenue from commercial advertising. During the three and six months ended June 30 2012, we derived 43.7% and 50.5%, respectively, of our total Group revenue from commercial television advertising, compared to 50.5% and 47.7% in the corresponding periods of 2011, including revenue from both continuing and discontinued operations.

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 June 30,			**Six months ended June 30,**		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
Our Rate-card pricing	55%	47%	41%	59%	52%	40%
Our Cost per GRP pricing	45%	53%	59%	41%	48%	60%

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 six months ended June 30, 2012, we tended to sell over 99.2% and 99.2%, respectively, of peak time advertising spots on our TVN channel and over 71.8% and 73.9%, respectively, of non-peak time advertising spots. We record our advertising revenue at the time the relevant advertisement is broadcast. As is common in the television broadcasting industry, we provide advertising agencies and advertisers with an incentive rebate. We recognize advertising revenue net of discounts and rebates.

Carriage fees from satellite and cable operators

We also generate revenue from the sale of licenses granting digital satellite platform and cable operators the right to distribute our channels' programming content to subscribers to their respective services. During the three and six months ended June 30, 2012, 7.7% and 8.2%, respectively, of our total Group revenue came from such fees compared with 6.6% and 7.3% in the corresponding periods of 2011, including revenue from both continuing and discontinued operations. 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.

Expenses

Programming costs

Operating expenses of our television broadcasting and production segment consist primarily of amortization of television programming costs. These costs accounted for 29.3% and 27.8%, of our Group operating expenses in the three and six months ended June 30, 2012, respectively, compared with 27.8% and 27.2% in the corresponding periods of 2011, including costs of both continuing and discontinued operations. 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 six months ended June 30, 2012, we commissioned and produced locally through third parties 77.9% and 78.8%, respectively, of programming content on our TVN channel, compared with 76.9% and 76.6% in the corresponding periods of 2011. During the three and six months ended June 30, 2012, we acquired 22.1% and 21.2%, respectively, of our programming content from third parties, compared with 23.1% and 23.4% in the corresponding periods of 2011. 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

Revenue

This segment derives the majority of its revenue from post-paid subscription fees and pre-paid recharges. During the three and six months ended June 30 2012, we derived 27.5% and 29.2%, respectively of our total Group revenue from ‘n’ DTH platform subscription fees and recharges compared with 23.1% and 25.4% in the corresponding periods of 2011 including revenue from both continuing and discontinued operations.

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.

Expenses

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 24.0% and 17.8%, respectively, of our Group operating expenses in the three and six months ended June 30, 2012, compared with 18% and 18.3% in the corresponding periods of 2011, including costs of both continuing and discontinued operations.

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. In consolidated financial statement our 'n' platform is reported as asset of disposal group classified as held for sale and due to this fact amortization was stopped.

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

Revenue

Our online segment derives a substantial portion of its revenue from online advertising. During the three and six months ended June 30 2012, we derived 8.7% and 8.4%, respectively of our total Group revenue from online advertising, compared with 8.8% and 8.7% in the corresponding periods of 2011, including revenue from both continuing and discontinued operations.

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.

Expenses

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 segment's costs are depreciation of Internet equipment, rent and maintenance costs of our premises and other costs.

Teleshopping

Revenue

Revenue in teleshopping primarily includes the sale of goods/teleshopping which accounted for approximately 1.1% and 1.2%, respectively, of our Group revenue in the three and six months ended June 30, 2012, compared with 1.2% and 1.4% in the corresponding periods of 2011, including revenue from both continuing and discontinued operations. 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.

Expenses

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

Key factors affecting our results of operations

Cyclicality of Polish advertising market

Advertising sales in Poland historically have responded to changes in general business and economic conditions, generally growing at a faster rate in times of economic expansion and at a slower or negative rate in times of recession. We cannot predict the likelihood that these trends will continue. In particular, we cannot predict what effect the global economic crisis may continue to have on the growth rate of the Polish economy or on us. Apart from seasonality as discussed below, since future levels of advertising spending are not predictable with any certainty more than one month in advance, we cannot predict with certainty our future levels of advertising sales. The Polish economy is expected to experience 2.9% GDP growth in 2012, according to the most recent view of the World Bank expressed in June, 2012. Net television advertising expenditure in Poland was flat in 2011 despite of 4.3% GDP growth reported by Polish Central Statistical Office.

Polish advertising market is dominated by spending on television advertising, which, according to Starlink, accounted for about 51.6% of total advertising expenditure in the second quarter 2012.

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, 2011, we generated approximately 21.0% of our television segment total advertising revenue in the first quarter, 29.8% in the second quarter, 18.8% in the third quarter and 30.4% 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 20.6% and 20.5%, respectively, of Poland's nationwide all-day audience in the three and six months ended June 30, 2012, and our TVN channel achieved 19.8% and 19.7%, respectively, of our key target audience during *peak* *time* in the three and six months ended June 30, 2012. We believe our substantial market share of Poland's television viewing audience results from offering attractive programming, which enables us to obtain a larger total audience, as measured by the higher number of gross rating points ("GRPs") in a more efficient manner. This in turn maximizes the use of advertising airtime. While we believe we have been successful in producing and acquiring programming content that appeals to our key target audience, we continue to compete with other television broadcasters for programming content and to seek to air programming that addresses evolving audience tastes and trends in television broadcasting. Further, while we believe that we are able to produce and source programming content at attractive cost levels, increased competition may require higher levels of expenditure in order to maintain or grow our audience share.

Launch of new channels. The success of our thematic channels depends in large part on their ability to profile and target specific audiences that are attractive to advertisers. Accordingly, from time to time, we have launched new channels and disposed of existing channels in response to demand from advertisers. Since January 1, 2006, we have acquired the Telezakupy Mango 24 channel, launched the TVN CNBC channel, disposed of our interest in the Discovery Historia channel and ceased operating the TVN Med, TVN Lingua and TVN Warszawa channels. On January 2, 2012 we launched TTV an interactive social-intervention channel co-owned and co-produced by TVN. 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 (PVR) 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, 2011, we generated approximately 21.3% of our total online advertising revenue in the first quarter of 2011, 26.9% in the second quarter, 23.0% in the third quarter and 28.8% 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 loss (post-tax) impact on the major Euro and U.S. dollar denominated balance sheet items as of June 30, 2012 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 136,404 loss from continuing operations.

On March 9 and March 13, 2012 we entered into EUR foreign exchange forward contracts in order to limit the impact on our 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 has in total a notional value of EUR 200,000, settlement date on October 2, 2012 and PLN/EUR foreign exchange forward rate of 4.20.

On May 10, 2012 we entered into EUR foreign exchange forward contracts in order to limit the impact on our subscription revenue from DTH and cable operators of PLN/EUR exchange rate movements. The hedging strategy based on EUR foreign exchange forward contracts has in total a notional value of EUR 6,742, settlement dates between October 31, 2012 and December 31, 2012 and PLN/EUR foreign exchange forward rates between 4.31 and 4.34.

Acquisitions and disposals

On August 29, 2011 together with Stavka, holder of the license for terrestrial broadcasting of the TTV channel (previously ‘U-TV’), we entered into a cooperation agreement covering the areas of technology, advertising and programming. The TTV is one of the channels included in the first DTT multiplex. As part of the agreement, we acquired 25% of the shares of Stavka.

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 our 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 28, 2011, we concluded an agreement with TVN Media Sp. z o.o. ("TVN Media", previously Highgate Capital Investments Sp. z o.o.) regarding the disposal of an organized part of the enterprise as a contribution in kind in exchange for acquisition of increased share capital in TVN Media, our 100% owned subsidiary.

On December 18, 2011 we signed an agreement with Group Canal+ concerning merger of ‘n’ platform and Canal+ DTH platform “Cyfra+” resulting in creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in ‘n’ for a 32% stake in the combined operation. See “Material Contract” for “Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group”.

On December 21, 2011 we acquired additional 25.55% of the Stavka shares. As a result, we obtained control over Stavka on December 21, 2011.

On June 4, 2012, we reached an agreement with Ringier Axel Springer Media AG, with its registered office in Zurich, Switzerland to form a strategic partnership for Grupa Onet.pl S.A. In implementation of the partnership we will contribute 100% in Onet to a newly formed Holdco in return for a cash consideration of PLN 956 million (approx. EUR 217 million) and a 25% direct interest in Holdco with 75% held by Ringier Axel Springer.

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 tax value of brands recognized by TVN Media 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

Our property, plant and equipment decreased by PLN 93,182 or 27.4% to PLN 247,137 as of June 30, 2012, from PLN 340,319 as of December 31, 2011. The decrease results primarily from the reclassification of Onet assets and liabilities, which are now presented under single balance sheet line “Assets of disposal group classified as held for sale”.

Our goodwill decreased by PLN 802,205 or by 84.2% to PLN 150,452 as of June 30, 2012 from PLN 952,657 as of December 31, 2011. Our brand decreased by PLN 643,427 to PLN 50,260 as of June 30, 2012 from PLN 693,687 as of December 31, 2011. This decrease results primarily from the reclassification of Onet’s assets, which are now presented under single balance sheet line “Assets of disposal group classified as held for sale”.

Our other intangible assets decreased by PLN 22,557, or 30.0%, to PLN 52,670 as of June 30, 2012, from PLN 75,227 as of December 31, 2011. The decrease results primarily from the transfer reclassification of Onet assets and liabilities, which are now presented under single balance sheet line “Assets of disposal group classified as held for sale”.

Our current and non-current programming rights inventory decreased by PLN 10,496, or 2.5%, to PLN 410,211 as of June 30, 2012, from PLN 420,707 as of December 31, 2011. The decrease is mainly due to lower acquired programming rights and capitalised local production cost.

Our derivative financial assets increased by PLN 19,924 to PLN 21,504 as of June 30, 2012, from PLN 1,580 as of December 31, 2011. The increase results primarily from new forward foreign currency transactions we entered into on March 13, 2012 with notional value of EUR 200,000 and May 10, 2012 with a notional value of EUR 6,742.

Our prepayments and other assets increased by PLN 61,007, or 105,9%, to PLN 118,612 as of June 30, 2012, from PLN 57,605 as of December 31, 2011. The increase results partly from the increase of VAT and other non-CIT taxes recoverable by PLN 28,126, partly from an increase of prepaid and deferred expenses by PLN 22,846, and partly from an increase of other assets by PLN 7,000.

Our bank deposits with maturity over three months decreased to PLN 34,090 as of June 30, 2012, compared to 75,000 as of December 31, 2011. This decrease results mainly from the fact that most these deposits matured before June 30, 2012.

Our assets of disposal group classified as held for sale increased to PLN 3,015,911 as of June 30, 2012 from PLN 1,463,368 as of December 31, 2011. This increase results mainly from an agreement with Ringier Axel Springer Media AG to form a strategic partnership for Grupa Onet.pl S.A. In implementation of the partnership we will contribute 100% in Onet to a newly formed Holdco in return for a cash consideration of PLN 956 million (approximately EUR 217 million) and a 25% direct interest in Holdco with 75% held by Ringier Axel Springer.

Our share capital was maintained at the level of PLN 68,775 as of June 30, 2012. Our share premium was PLN 672,906 as of June 30, 2012 compared to PLN 672,931 as of December 31, 2011.

Our 10.75% Senior Notes, excluding accrued interest, amounted to PLN 2,454,842 as of June 30, 2012, compared to PLN 2,542,476 as of December 31, 2011. Our 7.875% Senior Notes, excluding accrued interest, amounted to PLN 726,526 as of June 30, 2012, compared to PLN 752,490 as of December 31, 2011. These decreases result primarily from lower PLN/EUR exchange rate as of June 30, 2012 in comparison to PLN/EUR exchange rate on December 31, 2011.

Our deferred tax liabilities decreased by PLN 80,304 or by 50.7% to PLN 77,997 as of June 30, 2012, from PLN 158,301 as of December 31, 2011. This decrease results primarily from the reclassification of Onet's assets and liabilities, which are now presented under single balance sheet line "Liabilities of disposal group classified as held for sale", partly offset by an increase of charge to the income statement.

Our current trade payables decreased by PLN 19,475 or by 11.9% to PLN 144,164 as of June 30, 2012, from PLN 163,639 as of December 31, 2011. This decrease results primarily from the reclassification of Onet liabilities, which are now presented under single balance sheet line "Liabilities of disposal group classified as held for sale".

Our other liabilities and accruals decreased by PLN 47,030, or 18.8%, to PLN 202,941 as of June 30, 2012, from PLN 249,971 as of December 31, 2011. The decrease results mainly from decrease of VAT and other taxes payable by PLN 45,747.

Results of Operations

Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Revenue. Our revenue decreased by PLN 39,234, or 8.0%, to PLN 451,800 in the three months ended June 30, 2012, from PLN 491,034 in the corresponding period of 2011. This decrease resulted mainly from an decrease in advertising revenue of PLN 50,361 and from decrease in call TV by PLN 2,111. These decreases were partly offset by an increase in carriage fees from satellite and cable operators of PLN 7,201 and by an increase in sponsoring of PLN 6,852. Including 'n' and Onet results our revenue would have decreased by PLN 5,990 or 0.8% to PLN 717,559 from PLN 723,549 in the corresponding period of 2011.

Our advertising revenue decreased by PLN 50,361, or 13.8%, to PLN 314,283 during the three months ended June 30, 2012, from PLN 364,644 in the corresponding period of 2011. This decrease results mainly from the decreasing of advertising revenue from our TVN channel due to weaker advertising market.

Our call TV revenue decreased by PLN 2,111, or 40.7% to PLN 3,082 in the three months ended June 30, 2012 from PLN 5,193 in the corresponding period of 2011. This decrease results mainly from adjustment to the change in the regulatory framework, which took place in 2011.

Our carriage fees increased by PLN 7,200, or 15.0% to PLN 55,135 in the three months ended June 30, 2012 from PLN 47,934 in the corresponding period of 2011. This increase results partly from increase in subscriber bases of thematic channels and partly from a year-on-year depreciation of Zloty in 2012.

Our sponsoring revenue increased by PLN 6,852, or 17.5% to PLN 46,116 in the three months ended June 30, 2012 from PLN 39,264 in the corresponding period of 2011. This increase results mainly from the increase in the sponsoring revenue of our main channel TVN.

Cost of revenue. Cost of revenue increased by PLN 10,922, or 4.5%, to PLN 255,886 in the three months ended June 30, 2012, from PLN 244,964 in the corresponding period of 2011. The increase results mainly from an increase of TVN local production costs by PLN 13,556, or 16.7%. This increase was partly offset by decrease of amortisation of programming rights by PLN 1,768, or 4.2%. Including 'n' and Onet results our cost of revenue would have increased by PLN 9,866, or 2.3%, to PLN 435,312 from PLN 425,446 in the corresponding period of 2011.

As a percentage of revenue, our cost of revenue increased in the three months ended June 30, 2012, to 56.6%, compared to 49.9% in the corresponding period of 2011. Including 'n' and Onet results, our cost of revenue as a percentage of revenue increased in the three months ended June 30, 2012, to 60.7%, compared to 58.8% in the corresponding period of 2011.

Selling expenses. Our selling expenses increased by PLN 61 to PLN 31,614 for the three months ended June 30, 2012, from PLN 31,553 in the corresponding period of 2011. Including 'n' and Onet results our selling expenses would have decreased by PLN 5,961, or 7.0%, to PLN 79,027 from PLN 84,988 in the corresponding period of 2011.

As a percentage of revenue, our selling expenses increased to 7.0% in the three months ended June 30, 2012, from 6.4% in the corresponding period of 2011. Including 'n' and Onet results, our selling expenses as a percentage of revenue would have decreased to 11.0% in the three months ended June 30, 2012, from 11.7% in the corresponding period of 2011.

General and administration expenses. Our general and administration expenses decreased by PLN 1,841, or 4.6%, to PLN 37,967 in the three months ended June 30, 2012, compared with PLN 39,808 in the corresponding period of 2011. Including ‘n’ and Onet results our general and administration expenses would have increased by PLN 11,434 or 21.1% to PLN 65,631 from PLN 54,197 in the corresponding period of 2011.

As a percentage of revenue, our general and administration expenses increased to 8.4% in the three months ended June 30, 2012 from 8.1% in the corresponding period of 2011. Including ‘n’ and Onet results, our general and administration expenses as a percentage of revenue increased to 9.1% in the three months ended June 30, 2012 from 7.5% in the corresponding period of 2011.

Operating profit. Operating profit decreased by PLN 48,383, or 27.8%, to PLN 125,699 in the three months ended June 30, 2012, from an operating profit of PLN 174,082 in the corresponding period of 2011. Including ‘n’ and Onet results our operating profit decreased by PLN 237,725, or 150.4%, to loss of PLN 79,625 from profit of PLN 158,100 in the corresponding period of 2011. Our operating margin decreased to 27.8% from 35.5% in the corresponding period of 2011.

Interest income. We recorded an interest income of PLN 5,448 in the three months ended June 30, 2012, compared to an interest income of PLN 2,981 in the corresponding period of 2011. Including ‘n’ and Onet results we recorded interest income of PLN 6,319 for the three months ended June 30, 2012, compared to interest income of PLN 4,617 in the corresponding period of 2011.

Finance expense. We recorded finance expense of PLN 95,274 for the three months ended June 30, 2012, compared to finance expense of PLN 80,513 in the corresponding period of 2011. The increase is partly due to an increase of interest expense on foreign exchange forward contracts by PLN 7,673 and partly due to an increase in interest expense on 10.75% and 7.875% Senior Notes of PLN 6,445 we recognized in the three months ended June 30, 2012. The latter change results from a year-on-year depreciation of Zloty in the second quarter of 2012. Including ‘n’ and Onet results we recorded finance expense of PLN 96,025 for the three months ended June 30, 2012, compared to finance expense of PLN 81,166 in the corresponding period of 2011.

Foreign exchange losses, net. We recorded foreign exchange losses, net of PLN 56,921 for the three months ended June 30, 2012, compared to foreign exchange gains, net of PLN 18,777 in the corresponding period of 2011. We recorded foreign exchange losses on our 10.75% Senior Notes and fair value hedge impact of PLN 40,948 in the three months ended June 30, 2012, compared to foreign exchange gains on our 10.75% Senior Notes and fair value hedge impact of PLN 17,149 in the corresponding period of 2011. We recorded foreign exchange losses on our 7.875% Senior Notes and fair value hedge impact of PLN 12,035 in the three months ended June 30, 2012, compared to foreign exchange gains on our 7.875% Senior Notes of PLN 4,880 in the corresponding period of 2011. Including ‘n’ and Onet results we would have recorded foreign exchanges losses, net of PLN 57,101 for the three months ended June 30, 2012, compared to foreign exchanges gains, net of PLN 19,177 in the corresponding period of 2011.

Loss before income tax. Our loss before income tax for the three months ended June 30, 2012 was PLN 21,055 compared to a profit before income tax of PLN 115,276, in the corresponding period of 2011. This decrease was primarily due to foreign exchange losses, net that we recognized in the three months ended June 30, 2012, as compared with foreign exchange gains recognized in the three months ended June 30, 2011. This decrease results also from lower operating profit by PLN 48,383 we recognized in the three months ended June 30, 2012 compared to profit we had in the three months ended June 30, 2011. Including ‘n’ and Onet results our loss before income tax would have been PLN 226,231 for the three months ended June 30, 2012, compared to profit before income tax of PLN 101,072 in the corresponding period of 2011.

Income tax benefit. For the three months ended June 30, 2012, we recorded a total income tax benefit of PLN 17,240, compared to an income tax charge of PLN 23,041 in the corresponding period of 2011. This increase is mostly due to the loss before income tax we recognized in the three months ended June 30, 2012 compared to profit before income tax we recognized in the corresponding period of 2011. Including 'n' and Onet results we would have recorded a total income tax charge of PLN 7,861 for the three months ended June 30, 2012, compared to a total income tax charge of PLN 33,196 in the corresponding period of 2011.

Loss for the period from continuing operations. Our loss from continuing operations amounted to PLN 3,816 in the three months ended June 30, 2012 compared to the profit from continued operations of PLN 92,235 in the corresponding period of 2011.

Loss for the period from discontinued operations. Our loss from discontinued operations amounted to PLN 230,276 in the three months ended June 30, 2012 compared to the loss from discontinued operations of PLN 24,358 in the corresponding period of 2011. This change results mainly from recognition of impairment of Onet goodwill.

Loss for the period. Our loss amounted to PLN 234,092 in the three months ended June 30, 2012, compared to a profit of PLN 67,877 in the corresponding period of 2011. This change results mainly from recognition of impairment of Onet goodwill.

Loss attributable to the owners of TVN S.A. Consequently, our loss attributable to the owners of TVN S.A. was PLN 230,603 in the three months ended June 30, 2012, compared to a profit of PLN 67,877 in the corresponding period of 2011.

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.

The table below sets forth the summarized financial results by segment for the three months ended June 30, 2012 and 2011:

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items**		Total	
	Three months ended June 30, 2012	Three months ended June 30, 2011	Three months ended June 30, 2012	Three months ended June 30, 2011	Three months ended June 30, 2012	Three months ended June 30, 2011	Three months ended June 30, 2012	Three months ended June 30, 2011	Three months ended June 30, 2012	Three months ended June 30, 2011	Three months ended June 30, 2012	Three months ended June 30, 2011
Revenue from external customers	428,290	466,699	214,100	179,205	65,715	66,756	9,454	10,899	(265,759)	(232,515)	451,800	491,034
Inter-segment revenue	15,355	16,658	537	614	3,316	5,418	172	-	(19,380)	(22,690)	-	-
Total revenue	**443,645**	**483,357**	**214,637**	**179,819**	**69,031**	**72,174**	**9,626**	**10,889**	**(285,139)**	**(255,205)**	**451,800**	**491,034**
Operating profit/(loss)	140,342	193,658	(38,989)	(35,210)	**(184,872)**	19,030	(969)	(107)	210,186	(3,289)	125,698	174,082
EBITDA*	**157,631**	**209,101**	**4,485**	**7,205**	**27,381**	**26,590**	**(910)**	**(30)**	**(45,547)**	**(53,263)**	**143,040**	**189,603**
EBITDA* margin	**35.5%**	**43.3%**	**2.1%**	**4.0%**	**39.7%**	**36.8%**	**-**	**-**	**-**	**-**	**31.7%**	**38.6%**

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

**Other reconciling items expenses include head-office expenses that arise at the Group level and are not directly allocated to segment expenses and elimination of intersegment expenses. Such expenses include cost of functions such as: financial reporting and budgeting, internal audit, investor relations, legal, administration, IT and central management. Allocation is based on estimated time investment of each function individually in non-segment activities. Other reconciling items also comprise consolidation eliminations between business segments and reflect the fact that our digital satellite pay television segment and online segment are now reclassified as "Discontinued operation" as per IFRS 5.

The following table provides reconciliation of each segment result to EBITDA for the three months ended June 30, 2012 and 2011.

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items		Total	
	Three months ended June 30, 2012	Three months ended June 30, 2011	Three months ended June 30, 2012	Three months ended June 30, 2011	Three months ended June 30, 2012	Three months ended June 30, 2011	Three months ended June 30, 2012	Three months ended June 30, 2011	Three months ended June 30, 2012	Three months ended June 30, 2011	Three months ended June 30, 2012	Three months ended June 30, 2011
Operating profit/(loss)	140,342	193,658	(38,989)	(35,210)	(184,872)	19,030	(969)	(107)	210,186	(3,289)	125,698	174,082
Depreciation, amortization and impairment charges	17,289	15,443	43,474	42,415	223,973	7,560	59	77	(245,013)	(49,974)	17,342	15,521
EBITDA	157,631	209,101	4,485	7,205	39,101	26,590	(910)	(30)	(34,827)	(53,263)	143,040	189,603

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 June 30, 2012 and 2011:

	Three months ended June 30,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
TVN channel	294,231	107,248	36.5	344,076	163,079	47.4
TVN 24 channel	60,935	30,806	50.6	60,432	30,703	50.8
Other	88,479	19,577	22.1	78,849	15,309	19.4
Total segment	**443,645**	**157,631**	**35.5**	**483,357**	**209,091**	**43.3**

Television broadcasting and production revenue in the three months ended June 30, 2012, decreased by PLN 39,712 to PLN 443,645, compared to PLN 483,357 in the corresponding period of 2011.

Our TVN channel revenue decreased by PLN 49,845, or 14.5%, in the three months ended June 30, 2012. This decrease was primarily due to weaker advertising sales revenue.

TVN 24 increased its revenue by PLN 503 in the three months ended June 30, 2012 partly due to an increase in subscription revenue.

Our other revenue in the television, broadcasting and production segment mainly consists of revenue of our thematic channels, services to group companies and increased by PLN 9,630, or 12.2%, in the three months ended June 30, 2012, mainly due to higher advertising sales and sponsoring revenue of our thematic channels and partly due to an increase in subscriptions revenue.

Our TVN channel's EBITDA decreased by PLN 55,831, or 34.2%, to PLN 107,248 in the three months ended June 30, 2012, from PLN 163,079 in the corresponding period of 2011. TVN channel's EBITDA margin decreased to 36.5% from 47.4% in the corresponding period of 2011. Our TVN 24 channel's EBITDA increased by PLN 103, to PLN 30,806 in the three months ended June 30, 2012 from PLN 30,703 in the corresponding period of 2011, and its EBITDA margin was 50.6%.

EBITDA of television, broadcasting and production segment presented as 'Other' mainly consists of EBITDA of our other channels. It increased by PLN 4,268, or 27,9% mostly due to higher advertising revenue.

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the three months ended June 30, 2012 and 2011.

	Three months ended June 30,					
	2012			2011		
	Revenue	**EBITDA**	**EBITDA %**	**Revenue**	**EBITDA**	**EBITDA %**
‘n’ post-paid subscribers*	195,672	(2,489)	-	165,889	7,135	4.3
‘n’ pre-paid customers (Telewizja na kartę)	18,965	6,974	36.8	13,930	70	-
Total segment	**214,637**	**4,485**	**2.1**	**179,819**	**7,205**	**4.0**

* Includes revenue from other services

‘n’ DTH platform revenue increased by PLN 34,819, or 19.4%, to PLN 214,637 in the three months ended June 30, 2012 from PLN 179,819 in corresponding period of 2011. This increase is mainly due to an increase in subscription fee revenue and to smaller extent due to ARPU increase.

This increase in revenue is primarily due to a higher average number of subscribers. The ‘n’ DTH platform’s subscribers increased net by 152,277 (not in thousands) to an average of 976,442 (not in thousands) in the three month period ended June 30, 2012, from an average of 824,165 (not in thousands) subscribers in the corresponding period of 2011. The ‘n’ DTH platform recorded average ARPU of PLN 61.1 (not in thousands) in the three months ended June 30, 2012, compared to the ARPU of PLN 60.9 (not in thousands) in the corresponding period of 2011. The ‘n’ DTH platform recorded 49,328 (not in thousands) post-paid subscriber gross additions during the three months ended June 30 2012, compared to 38,970 (not in thousands) during the three months ended June 30, 2011.

TNK active pre-paid net customer base contracted by over 1,000 (not in thousands) during three months ended June 30, 2012. As of June 30, 2012, TNK had a total customer base (active and inactive) of over 329,000 (not in thousands). As of June 30, 2012, TNK HD had almost 90,000 active customers. In the three months ended June 30, 2012, TNK recorded average ARPU for combined SD and HD offerings of PLN 14.5 (not in thousands).

The ‘n’ DTH platform recorded a profit at the EBITDA level of PLN 4,485 in the three months ended June 30, 2012, compared to a profit at EBITDA level of PLN 7,205 in the corresponding period of 2011. This decrease results mostly from the increase of programming expenses.

Online

The table below sets forth the summarized financial results for our Online segment for the three months ended June 30, 2012 and 2011:

	Three months ended June 30,							
	2012				2011			
	Revenue	EBITDA	EBITDA %	Cash EBITDA %	Revenue	EBITDA	EBITDA %	Cash EBITDA %
Onet.pl	62,968	28,876	45.9	50.7	60,519	23,890	39.5	45.7
Other	6,063	(1,495)	-	-	11,655	2,700	23.2	23.2
Total segment	**69,031**	**27,381**	**39.7**	**43.3**	**72,174**	**26,590**	**36.8**	**41.8**

Online revenue decreased by PLN 3,143, or 4.4%, to PLN 69,031 in the three months ended June 30, 2012, from PLN 72,174 in the corresponding period of 2011. This decrease results mostly from weaker performance of display advertising market. Onet.pl revenue increased by PLN 2,449 to PLN 62,968 in the three months ended June 30, 2012, from PLN 60,519 in the corresponding period of 2011. Revenue of our Internet vortals, presented in the table above as 'Other', decreased by PLN 5,592, or 48.0%, to PLN 6,063 in the three months ended June 30, 2012, from PLN 11,655 in the corresponding period of 2011, mainly due to decrease in Zumi and Onet VOD advertising revenue.

Segment EBITDA increased by PLN 791, or 3.0%, to PLN 27,381 in the three months ended June 30, 2012, from PLN 26,590 in corresponding period of 2011. EBITDA margin increased to 39.7% in the three months ended June 30, 2012 from 36.8% in the corresponding period of 2011. Onet.pl EBITDA increased by PLN 4,986, or 20.9%. EBITDA of our Internet vortals presented in the table above as 'Other' decreased by PLN 4,195 to a negative level of 1,495 PLN in the three months ended June 30, 2012, due to a decrease in Zumi.pl and Onet VOD profitability.

Teleshopping

The table below sets forth the summarized financial results of our “Teleshopping” segment for the three months ended June 30, 2012 and 2011.

	Three months ended June 30,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	9,626	(910)	-	10,889	(30)	-
Total segment	**9,626**	**(910)**	**-**	**10,889**	**(30)**	**-**

“Teleshopping” revenue decreased by PLN 1,263, or 11.6%, to PLN 9,626 in the three months ended June 30, 2012, from PLN 10,889 in the corresponding period of 2011 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 880, to a loss at EBITDA level of PLN 910 in the three months ended June 30, 2012 from a loss at EBITDA level of PLN 30 in the corresponding period of 2011.

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. However, the key item for the three months ended June 30, 2012 was elimination of Digital Satellite Pay Television and Online segments results due to their reclassification as “Discontinued operation”. Other reconciling items had a negative impact on our revenue of PLN 285,139 in the three months ended June 30, 2012, compared to a negative impact of PLN 255,205 in the corresponding period of 2011.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Revenue. Our revenue decreased by PLN 40,789, or 4.8%, to PLN 816,656 in the six months ended June 30, 2012, from PLN 857,445 in the corresponding period of 2011. This decrease resulted mainly from an decrease in advertising revenue of PLN 46,364 and from decrease in call TV by PLN 9,149. These decreases were partly offset by an increase in carriage fees from satellite and cable operators of PLN 13,319 and by an increase in sponsoring of PLN 5,582. Including 'n' and Onet results our revenue would have increased by PLN 21,760 or 1.7% to PLN 1,327,708 from PLN 1,305,948 in the corresponding period of 2011.

Our advertising revenue decreased by PLN 46,364, or 7.5%, to PLN 574,202 during the six months ended June 30, 2012, from PLN 620,566 in the corresponding period of 2011. This decrease results mainly from the decreasing of advertising revenue from our TVN channel due to weaker advertising market.

Our call TV revenue decreased by PLN 9,149, or 66.2% to PLN 4,661 in the six months ended June 30, 2012 from PLN 13,810 in the corresponding period of 2011. This decrease results mainly from adjustment to the change in the regulatory framework, which took place in 2011.

Our carriage fees increased by PLN 13,319, or 13.9% to PLN 109,010 in the six months ended June 30, 2012 from PLN 95,691 in the corresponding period of 2011. This increase results partly from increase in subscriber bases of thematic channels and partly from a year-on-year depreciation of Zloty in 2012.

Our sponsoring revenue increased by PLN 5,582, or 8.6% to PLN 70,680 in the six months ended June 30, 2012 from PLN 65,098 in the corresponding period of 2011. This increase results mainly from the increase in the sponsoring revenue of our main channel TVN.

Cost of revenue. Cost of revenue increased by PLN 15,286, or 3.3%, to PLN 481,080 in the six months ended June 30, 2012, from PLN 465,794 in the corresponding period of 2011. The increase results mostly from an increase TVN local production costs by PLN 13,984, or 6.3%. Including 'n' and Onet results our cost of revenue would have increased by PLN 14,215, or 1.7%, to PLN 838,424 from PLN 824,209 in the corresponding period of 2011.

As a percentage of revenue, our cost of revenue increased in the six months ended June 30, 2012, to 58.9%, compared to 54.3% in the corresponding period of 2011. Including 'n' and Onet results, our cost of revenue as a percentage of revenue would have not changed and accounted to 63.1% in the six months ended June 30, 2012 and in the corresponding period of 2011.

Selling expenses. Our selling expenses increased by PLN 551, or 0.9%, to PLN 62,516 for the six months ended June 30, 2012, from PLN 61,965 in the corresponding period of 2011. Including 'n' and Onet results our selling expenses would have decreased by PLN 11,787, or 6.8%, to PLN 160,800 from PLN 172,587 in the corresponding period of 2011.

As a percentage of revenue, our selling expenses increased to 7.7% in the six months ended June 30, 2012, from 7.2% in the corresponding period of 2011. Including 'n' and Onet results, our selling expenses as a percentage of revenue would have decreased to 12.1% in the six months ended June 30, 2012, from 13.2% in the corresponding period of 2011.

General and administration expenses. Our general and administration expenses increased by PLN 4,773, or 6.7%, to PLN 75,905 in the six months ended

June 30, 2012, compared with PLN 71,132 in the corresponding period of 2011. This increase resulted partly from an increase in staff expenses by PLN 5,030, partly from increase of depreciation and amortisation by PLN 1,174. These increases were partly offset by lower consulting services by PLN 2,574. Including ‘n’ and Onet results our general and administration expenses would have increased by PLN 21,737, or 22.2%, to PLN 119,483 from PLN 97,746 in the corresponding period of 2011.

As a percentage of revenue, our general and administration expenses increased to 9.3% in the six months ended June 30, 2012 from 8.3% in the corresponding period of 2011. Including ‘n’ and Onet results, our general and administration expenses as a percentage of revenue would have increased to 9.0% in the six months ended June 30, 2012 from 7.5% in the corresponding period of 2011.

Operating profit. Operating profit decreased by PLN 59,739, or 23.2%, to PLN 197,802 in the six months ended June 30, 2012, from an operating profit PLN 257,541 in the corresponding period of 2011. Our operating margin decreased to 24.2% from 30.0% in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill. Including ‘n’ and Onet results our operating profit would have decreased by PLN 217,418, or 103.2%, to PLN 6,665 from PLN 210,753 in the corresponding period of 2011.

Interest income. We recorded interest income of PLN 11,597 for the six months ended June 30, 2012, compared to interest income of PLN 7,999 in the corresponding period of 2011. Including ‘n’ and Onet results we would have recorded interest income of PLN 15,205 for the six months ended June 30, 2012, compared to interest income of PLN 10,797 in the corresponding period of 2011.

Finance expense. We recorded finance expense of PLN 183,463 for the six months ended June 30, 2012, compared to finance expense of PLN 176,444 in the corresponding period of 2011. The increase results from an increase of interest expense on 10.75% and 7.875% Senior Notes of PLN 10,274 we recognized in the six months ended June 30, 2012, following year-on-year depreciation of Zloty in the first half of 2012, partly recognized by PLN 3,971 we incurred in 2011 on early repayment of PLN Bonds. Including ‘n’ and Onet results we recorded finance expense of PLN 185,314 for the six months ended June 30, 2012, compared to finance expense of PLN 177,894 in the corresponding period of 2011.

Foreign exchange gains, net. We recorded foreign exchange gains, net of PLN 156,209 for the six months ended June 30, 2012, compared to foreign exchange gains, net of PLN 30,128 in the corresponding period of 2011. We recorded foreign exchange gains on our 10.75% Senior Notes and fair value hedge impact of PLN 119,864 in the six months ended June 30, 2012, compared to foreign exchange gains on our 10.75% Senior Notes of PLN 21,509 in the corresponding period of 2011. We recorded foreign exchange gains on our 7.875% Senior Notes and fair value hedge impact of PLN 35,241 in the six months ended June 30, 2012, compared to foreign exchange gains on our 7.875% Senior Notes of PLN 6,252 in the corresponding period of 2011. Including ‘n’ and Onet results we would have recorded foreign exchanges gains, net of PLN 157,756 for the six months ended June 30, 2012, compared to foreign exchanges gains, net of PLN 31,354 in the corresponding period of 2011.

Profit before income tax. Our profit before income tax for the six months ended June 30, 2012 was PLN 182,130 compared to a profit before income tax of PLN 119,173, in the corresponding period of 2011. This increase was primarily due to higher foreign exchange gains, net that we recognized in the six months ended June 30, 2012, as compared with foreign exchange gains recognized in the six months ended June 30, 2011. Including ‘n’ and Onet results our loss before income tax would have been PLN 18,529 for the six months ended June 30, 2012, compared to profit before income tax of PLN 75,209 in the corresponding period of 2011.

Income tax charge. For the six months ended June 30, 2012, we recorded a total income tax charge of PLN 19,987, compared to an income tax charge of PLN 25,127 in the corresponding period of 2011. This decrease is mostly due to impact of tax amortization of brands recognized by TVN Media of PLN 13,757 we recognized in the six months ended June 30, 2012 that we did not recognized in the corresponding period of 2011. Including ‘n’ and Onet results we would have recorded a total income tax charge of PLN 34,454 for the six months ended June 30, 2012, compared to a total income tax charge of PLN 47,791 in the corresponding period of 2011.

Profit for the period from continuing operations. Our profit from continuing operations amounted to PLN 162,143 in the six months ended June 30, 2012 compared to the profit from continued operations of PLN 94,046 in the corresponding period of 2011.

Loss for the period from discontinued operations Our loss from discontinued operations amounted to PLN 215,126 in the six months ended June 30, 2012 compared to the loss from discontinued operations of PLN 66,628 in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill.

Loss for the period. Our loss amounted to PLN 52,983 in the six months ended June 30, 2012, compared to a profit of PLN 27,418 in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill.

Loss attributable to the owners of TVN S.A. Consequently, our loss attributable to the owners of TVN S.A. was PLN 45,675 in the six months ended June 30, 2012, compared to a profit of PLN 27,418 in the corresponding period of 2011.

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.

The table below sets forth the summarized financial results by segment for the six months ended June 30, 2012 and 2011:

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items**		Total	
	Six months ended June 30, 2012	Six months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenue from external customers	770,177	808,515	418,121	354,720	119,750	119,497	19,659	23,216	(511,051)	(448,503)	816,656	857,445
Inter-segment revenue	29,504	33,275	1,130	1,225	6,044	10,985	172	-	(36,850)	(45,485)	-	-
Total revenue	**799,681**	**841,790**	**419,251**	**355,945**	**125,794**	**130,482**	**19,831**	**23,216**	**(547,901)**	**(493,988)**	**816,656**	**857,445**
Operating profit/(loss)	228,477	291,949	(88,765)	(77,918)	(186,111)	31,013	(2,063)	190	235,264	12,307	197,802	257,541
EBITDA*	**263,394**	**322,818**	**(1,119)**	**5,102**	**45,518**	**46,128**	**(1,930)**	**348**	**(73,017)**	**(85,827)**	**232,846**	**288,569**
EBITDA* margin	**32.9%**	**38.3%**	**-**	**1.4%**	**36.2%**	**35.4%**	**-**	**1.5%**	**-**	**-**	**28.5%**	**33.7%**

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

**Other reconciling items expenses include head-office expenses that arise at the Group level and are not directly allocated to segment expenses and elimination of intersegment expenses. Such expenses include cost of functions such as: financial reporting and budgeting, internal audit, investor relations, legal, administration, IT and central management. Allocation is based on estimated time investment of each function individually in non-segment activities. Other reconciling items also comprise consolidation eliminations between business segments and reflect the fact that our digital satellite pay television and online segment are now reclassified as “Discontinued operation” as per IFRS 5.

The following table provides reconciliation of each segment result to EBITDA for the six months ended June 30, 2012 and 2011.

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items		Total	
	Six months ended June 30, 2012	Six months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Operating profit/(loss)	228,477	291,949	(88,765)	(77,918)	(175,111)	31,013	-2,063	190	235,264	12,307	197,802	257,541
Depreciation, amortization and impairment charges	34,917	30,869	87,646	83,020	220,629	15,115	133	158	(308,281)	(98,134)	35,044	31,028
EBITDA	263,394	322,818	(1,119)	5,102	45,518	46,128	(1,930)	348	(73,017)	(85,827)	232,846	288,569

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the six months ended June 30, 2012 and 2011:

	Six months ended June 30,					
	2012			2011		
	Revenue	**EBITDA**	**EBITDA %**	**Revenue**	**EBITDA**	**EBITDA %**
TVN channel	519,485	173,027	33.3	582,413	234,570	40.3
TVN 24 channel	118,021	58,380	49.5	114,324	56,995	49.9
Other	162,165	31,987	19.7	145,053	31,253	21.5
Total segment	**799,681**	**263,394**	**32.9**	**841,790**	**322,818**	**38.3**

Television broadcasting and production revenue in the six months ended June 30, 2012, decreased by PLN 42,109 to PLN 799,681, compared to PLN 841,790 in the corresponding period of 2011.

Our TVN channel revenue decreased by PLN 62,928, or 10.8%, in the six months ended June 30, 2012. This decrease was primarily due to weaker advertising sales revenue.

TVN 24 increased its revenue by PLN 3,697, or 3.2%, in the six months ended June 30, 2012 partly due to an increase in subscriptions revenue and partly due to higher advertising sales revenue.

Our other revenue in the television, broadcasting and production segment mainly consists of revenue of our thematic channels, services to group companies and increased by PLN 17,112, or 11.8%, in the six months ended June 30, 2012, mainly thanks to higher advertising sales and sponsoring revenue of our thematic channels and partly due to an increase in subscriptions revenue.

Our TVN channel's EBITDA decreased by PLN 61,543, or 26.2%, to PLN 173,027 in the six months ended June 30, 2012, from PLN 234,570 in the corresponding period of 2011. TVN channel's EBITDA margin decreased to 33.3% from 40.3% in the corresponding period of 2011. Our TVN 24 channel's EBITDA increased by PLN 1,385, or 2.4%, to PLN 58,380 in the six months ended June 30, 2012 from PLN 56,995 in the corresponding period of 2011, and its EBITDA margin was 49.5%.

EBITDA of television, broadcasting and production segment presented as 'Other' mainly consists of EBITDA of our other channels. It increased by PLN 734 mostly due to impact higher advertising revenue.

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the six months ended June 30, 2012 and 2011.

	Six months ended June 30,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
‘n’ post-paid subscribers*	378,318	(14,538)	-	326,893	4,985	1.5
‘n’ pre-paid customers (Telewizja na kartę)	40,933	13,419	32.8	29,052	117	-
Total segment	**419,251**	**(1,119)**	**-**	**355,945**	**5,102**	**1.4**

* Includes revenue from other services

‘n’ DTH platform revenue increased by PLN 63,306, or 17.8%, to PLN 419,251 in the six months ended June 30, 2012 from PLN 355,945 in corresponding period of 2011. This increase is mainly due to an increase in subscription fee revenue and to a smaller extent due to ARPU increase.

This increase in revenue is primarily due to a higher average number of subscribers. The ‘n’ DTH platform’s subscribers increased net by 140,968 (not in thousands) to an average of 966,383 (not in thousands) in the six months period ended June 30, 2012, from an average of 825,415 (not in thousands) subscribers in the corresponding period of 2011. The ‘n’ DTH platform recorded average ARPU of PLN 60.8 (not in thousands) in the six months ended June 30, 2012, compared to the ARPU of PLN 60.4 (not in thousands) in the corresponding period of 2011. The ‘n’ DTH platform recorded 124,290 (not in thousands) post-paid subscriber gross additions during the six months ended June 30 2012, compared to 119,835 (not in thousands) during the six months ended June 30, 2011.

TNK active pre-paid net customer base contracted by over 26,000 (not in thousands) during six months ended June 30, 2012. As of June 30, 2012, TNK had a total customer base (active and inactive) of over 329,000 (not in thousands). As of June 30, 2012, TNK HD had almost 90,000 active customers. In the six months ended June 30, 2012, TNK recorded average ARPU from combined SD and HD offerings of PLN 14.4 (not in thousands).

The ‘n’ DTH platform recorded a loss at the EBITDA level of PLN 1,119 in the six months ended June 30, 2012, compared to a profit at EBITDA level of PLN 5,102 in the corresponding period of 2011. This decrease results mostly due to increase of programming expenses.

Online

The table below sets forth the summarized financial results for our Online segment for the six months ended June 30, 2012 and 2011:

	Six months ended June 30,							
	2012				2011			
	Revenue	EBITDA	EBITDA %	Cash EBITDA %	Revenue	EBITDA	EBITDA %	Cash EBITDA %
Onet.pl	114,054	49,089	43.0	47.6	111,316	44,501	40.0	43.7
Other	11,740	(3,571)	-	-	19,166	1,627	8.5	8.5
Total segment	**125,794**	**45,518**	**36.2**	**39.6**	**130,482**	**46,128**	**35.4**	**38.1**

Online revenue decreased by PLN 4,688, or 3.6%, to PLN 125,794 in the six months ended June 30, 2012, from PLN 130,482 in the corresponding period of 2011. This decrease results mostly from weaker performance of display advertising market. Onet.pl revenue increased by PLN 2,738 to PLN 114,054 in the six months ended June 30, 2012, from PLN 111,316 in the corresponding period of 2011. Revenue of our Internet vortals, presented in the table above as ‘Other’, decreased by PLN 7,426, or 38.7%, to PLN 11,740 in the six months ended June 30, 2012, from PLN 19,166 in the corresponding period of 2011, mainly due to decrease in Zumi and Onet VOD advertising revenue.

Segment EBITDA decreased by PLN 610 to PLN 45,518 in the six months ended June 30, 2012. EBITDA margin increased to 36.2% in the six months ended June 30, 2012 from 35.4% in the corresponding period of 2011. Onet.pl EBITDA increased by PLN 4,688, or 10.3%. EBITDA of our Internet vortals presented in the table above as ‘Other’ decreased by PLN 5,198 to a negative level of 3,571 PLN in the six months ended June 30, 2012, due to a decrease in Zumi.pl and Onet VOD profitability.

Teleshopping

The table below sets forth the summarized financial results of our “Teleshopping” segment for the six months ended June 30, 2012 and 2011.

	Six months ended June 30,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	19,831	(1,930)	-	23,216	348	1.5
Total segment	**19,831**	**(1,930)**	**-**	**23,216**	**348**	**1.5**

“Teleshopping” revenue decreased by PLN 3,385, or 14.6%, to PLN 19,831 in the six months ended June 30, 2012, from PLN 23,216 in the corresponding period of 2011 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 2,278, to a loss at EBITDA level of PLN 1,930 in the six months ended June 30, 2012 from a gain at EBITDA level of PLN 348 in the corresponding period of 2011.

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. However, the key item for the six months ended June 30, 2012 was elimination of Digital Satellite Pay Television and Online segments results due to their reclassification as “Discontinued operation”. Other reconciling items had a negative impact on our revenue of PLN 547,901 in the six months ended June 30, 2012, compared to a negative impact of PLN 493,988 in the corresponding period of 2011.

Liquidity and Capital Resources

Historical Overview

The table below summarizes our consolidated cash flow for the six months ended June 30, 2012 and 2011.

	Six months ended June 30,		
	2011	**2012**	**2012**
	PLN	**PLN**	**Euro [(1)]**
Cash generated from operations....................................	189,518	159,124	37,666
Net cash generated by operating activities.....................	164,003	130,835	30,970
Net cash generated by/ (used in) investing activities.......	221,474	(52,036)	(12,317)
Net cash used in financing activities……………………..	(152,798)	(197,789)	(46,818)
Increase/ (decrease) in cash and cash equivalents……	232,679	(118,990)	(28,166)

(1) For the convenience of the reader, we have converted Złoty amounts for the six months ended June 30, 2012 into Euro at the rate of PLN 4.2246 per €1.00 (arithmetic average of the effective National Bank of Poland, or "NBP", exchange rates on subsequently January 31, 2012, February 29, 2012, March 31, 2012, April 30, 2012, May 31, 2012 and June 30, 2012) 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 30,394, or 16.0% to PLN 159,124 in the six months ended June 30, 2012, from PLN 189,518 in the corresponding period of 2011. The decrease results mainly from lower EBITDA level and increase in payments to acquire programming rights by PLN 69,114. This decrease was partly offset by lower by PLN 109,803 negative change in working capital in six months ended June 30, 2012 compare to corresponding period of 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 130,835 in the six months ended June 30, 2012, compared to PLN 164,003 generated by operating activities for the corresponding period in 2011. The decrease is a result of cash generated from operations lower by PLN 30,394 and tax paid higher by PLN 2,774.

Net Cash used in Investing Activities

Net cash used in investing activities amounted to PLN 52,036 in the six months ended June 30, 2012, in comparison to net cash generated by investing activities of PLN 221,474 in the corresponding period of 2011. The net cash used in investing activities consists mainly of payments to acquire property, plant and equipment of PLN 74,365 as well as payments to acquire intangible assets of PLN 33,922. These payments were partly offset by cash inflow from bank deposits with maturity over three months of PLN 40,910. In comparison in the three months ended June 30, 2011 we recorded a cash inflow from bank deposits with maturity over three months of PLN 320,997 partly offset by payments to acquire property, plant and equipment and payments to acquire intangible assets of total amount of PLN 90,854 and payments to acquire intangible assets of PLN 19,993.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to PLN 197,789 in the six months ended June 30, 2012, compared to net cash used in financing activities of PLN 152,798 in the corresponding period of 2011. In the six months ended June 30, 2012, we recorded a cash outflow related to interest paid of PLN 163,401 and to dividend of PLN 34,388. In the corresponding period of 2011 we recorded cash outflow related to interest paid of PLN 153,968 as well as a cash outflow related to repurchase of PLN Bonds of PLN 144,971 which were partly offset by cash inflow of PLN 110,204 related to settlement of foreign exchange forward contracts.

Total cash and cash equivalents, that we held as of June 30, 2012 amounted to PLN 421,520 in comparison to PLN 712,250 as of June 30, 2011. 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 June 30, 2012:

		Coupon/ effective interest	**Maturity**
7.875% Senior Notes (nominal value[2])………………	745,728	7.875%	2018
10.75% Senior Notes (nominal value[1])………………	2,526,951	10.75%	2017
Accrued interest on long term debt…………………	41,297	-	-
Total debt…………………………	**3,313,976**	**-**	**-**
Cash at bank and in hand……………	534,909	-	-
Bank deposits with maturity over three months…………..	34,090		
Cash and cash equivalents and bank deposits with maturity over three months………	**568,999**	-	-
Net debt ………………………	**2,744,977**	**-**	**-**

(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 4.2613 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of June 30, 2012).

(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 4.2613 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of June 30, 2012).

We may from time to time seek to purchase our outstanding debt through one or more cash purchases, in open market transactions, privately negotiated or otherwise, either directly or indirectly through one or more agents. The amounts involved may be material.

Financing Activities

The ratio of consolidated net debt defined as total borrowings (nominal amount of principal and accrued interest thereon), net of cash and cash equivalents and bank deposits with maturity over three months, to our consolidated shareholders' equity (including non-controlling interest) was due to impairment 7.6 as of June 30, 2012 and 4.1 as of December 31, 2011.

Our consolidated net debt to EBITDA ratio before impairment was 4.8 as of June 30, 2012 compared to 4.1 as of December 31, 2011.

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 expense, foreign exchange gains and losses, share of result of associate and income tax charges.

Our total current liabilities amounted to PLN 782,256 at June 30, 2012, compared to PLN 710,014 as of December 31, 2011.

Our borrowed funds excluding accrued interest as of June 30, 2012, consisted of PLN 2,454,842 of indebtedness represented by the 10.75% Senior Notes and of PLN 726,526 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 and rating decline. A change of control, as defined in the Indenture, has occurred when:

- a person other than Permitted Holders, as defined in the Indenture, becomes the beneficial owner of more than 35% of the voting power of our voting stock, and the Permitted Holders own a lesser percentage than such other person;
- approved directors cease to constitute a majority of the supervisory board;
- we sell substantially all of our assets;
- a plan is adopted relating to the liquidation or dissolution of the Company; or
- we cease to own 100% of the shares of TVN Finance Corporation 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 June 30, 2012 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 and rating decline. A change of control, as defined in the Indenture, has occurred when:

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

Optional redemption

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

- we may redeem all or part of the 7.875% Senior Notes on or after November 15, 2013 at a redemption price ranging from 100.000% to 105.906%;
- the 7.875% Senior Notes may be redeemed, at our option, in whole but not in part, at any time, at a price equal to 100% of the aggregate principal amount plus accrued and unpaid interest, if any, up to the redemption date as a result of certain defined changes in tax laws or official interpretations regarding such laws;
- if a change of control over the Company occurs, each registered holder of 7.875% Senior Notes will have the right to require us to repurchase all or any part of such holder's 7.875% Senior Notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase.

We assessed that the above early repayment options are closely related to the economic characteristics of the host contract (Notes) as the options' exercise prices are close on each exercise date to the amortized cost of the 7.875% Senior Notes. Consequently, we did not separate the embedded derivatives related to the above early repayment options.

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 was 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, on September 30, 2011 and on March 13, 2012 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 16, 2013. 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 June 30, 2012, the Guarantee Facility had been used for the following bank guarantees and letter of credit issued at 153,628:

- EUR 2,028 and PLN 1,351 in the form of guarantees issued on our behalf;

- EUR 1,900 and USD 40,000 in the form of guarantees and letter of credit issued on behalf of ITI Neovision in relation to Eutelsat contracts for satellite rental, and programming contract.

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 June 30, 2012 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 June 30,						
	2012	**2013**	**2014**	**2015**	**2016**	**thereafter**	**Total**
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases	16,519	41,577	41,577	38,771	38,623	73,577	250,644
Other technical leases………	21,664	21,664	21,664	21,664	21,664	-	108,320
Operating leases – other……	18,898	27,715	21,234	19,118	12,684	465	100,114
Programming rights……………	93,478	217,622	109,312	85,724	74,978	73,513	654,627
Total operating leases…….	**150,559**	**308,558**	**193,787**	**165,277**	**147,949**	**147,555**	**1,113,705**
Commitments to purchase equipment and software (2)…	1,066	-	-	-	-	-	1,066
Total cash commitments …	**151,625**	**308,558**	**193,787**	**165,277**	**147,949**	**147,555**	**1,114,771**
Barter commitments (1)……	1,180	-	-	-	-	-	1,180
Total cash commitments and other obligations ……	**152,805**	**308,558**	**193,787**	**165,277**	**147,949**	**147,555**	**1,115,951**

(1) As of June 30, 2012**,** pursuant to barter agreements, we had contractual commitments outstanding amounting to PLN 1,180, 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 June 30, 2012, the remaining commitment amounted to PLN 111,645 and should be fulfilled by December 31, 2013.

We have no significant 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. During the first six months of 2012 the Złoty has appreciated against the Euro and the U.S. Dollar compared to the fourth quarter of 2011 but it has depreciated year-on-year as compared to the first three months of 2011. We cannot exclude that volatility of Złoty exchange rates may continue in the market.

The inflation rate in Poland in June 30, 2012 was 4.3% compared with 4.2% in June 2011, 3.9% in March 31, 2012, 4.6% in December 2011, 3.9% in September 2011. 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 consolidated annual net profit will be used to pay dividends.

We paid a dividend of PLN 34,388 (or PLN 0.1 per share) in 2012.

PART II

ADDITIONAL INFORMATION

1. Our Comment on Previously Published Forecasts

We did not publish any forecasts.

2. TVN Group Organizational Structure

TVN Group comprises the following entities as of June 30, 2012:

Entity	**Country of incorporation and residence**	**June 30, 2012 Ownership (%)**	**June 30, 2012 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 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 plc in members' voluntary liquidation [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
TVN Media Sp. z o.o.	Poland	100	100
Stavka Sp. z o.o.	Poland	51	51
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
Polskie Badania Internetu Sp. z o.o.[1]	Poland	16	16

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 together with Stavka, holder of the license for terrestrial broadcasting of the TTV channel (previously 'U-TV'), entered into a cooperation agreement covering the areas of technology, advertising and programming. The TTV is one of the channels included in the first DTT multiplex. As part of the agreement, we acquired 25% of the Stavka shares.

On November 28, 2011, we concluded an agreement with TVN Media Sp. z o.o. ("TVN Media", previously Highgate Capital Investments Sp. z o.o.) regarding the disposal of an organized part of the enterprise as a contribution in kind in exchange for acquisition of increased share capital in TVN Media, our 100% owned subsidiary. On December 13, 2011 we signed with TVN Media an agreement on cooperation in the acquisition of advertising, in particular concluding contracts for advertising, sponsorship, product placement and classifieds by TVN Media on behalf of us. The agreement is valid from November 29, 2011 until December 31, 2012. The reorganization represents a strategic repositioning of the sales and marketing functions to provide services both to TVN and third party clients. The spin-off of the functions target third party client focus, increasing the efficiency and flexibility of the Group's structure, and opening the functions to new independent product implementations. The Group assessed that as a result of the reorganization the post-tax cash flows expected from the sales and marketing functions will improve mainly due to expected increase in revenue from services provided to external customers and expected selling expenses savings and certain tax benefits resulting in additional positive margin generated by the Group.

On December 18, 2011 we signed an agreement with Group Canal+ concerning merger of 'n' platform and Canal+ DTH platform "Cyfra+" resulting in creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in 'n' for a 32% stake in the combined operation.

On December 21, 2011 we acquired additional 25.55% of the Stavka shares. As a result, we obtained control over Stavka on December 21, 2011.

On June 4, 2012, we reached an agreement with Ringier Axel Springer Media AG, with its registered office in Zurich, Switzerland to form a strategic partnership for Grupa Onet.pl S.A. In implementation of the partnership we will contribute 100% in Onet to a newly formed Holdco in return for a cash consideration of PLN 956 million (approx. EUR 217 million) and a 25% direct interest in Holdco with 75% held by Ringier Axel Springer.

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 August 9, 2012:

Shareholder	Number of Shares	% of Share Capital	Number of Votes	% of votes
Polish Television Holding B.V. (1))	180,355,430	52.45%	180,355,430	52.45%
Cadizin Trading&Investment (1)	5,415,781	1.57%	5,415,781	1.57%
ING Powszechne Towarzystwo Emerytalne S.A.(3)	17,552,350	5.10%	17,552,350	5.10%
Other shareholders	140,552,860	40.88%	140,552,860	40.88%
TOTAL:	343,876,421	**100.00%**	343,876,421	**100.00%**

(1) Entities controlled by ITI Holdings.
(2) Latest available data as of March 2, 2012

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 August 9, 2012.

Name	Total number of options granted up to August 9, 2012 (not in thousands)	Total number of options vested up to August 9, 2012 (not in thousands)	Total number of options vested and held as of August 9, 2012 (not in thousands)
Markus Tellenbach	-	-	-
Piotr Walter	622,600	622,600	373,560
John Driscoll	-	-	-
Robert Bednarski	404,835	404,835	208,375

The following table presents TVN S.A. shares (not in thousands) owned directly or indirectly by our Management Board as of, August 9, 2012 and changes in their holdings since the date of publication of our previous quarterly report on May 11, 2012. 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 May 11, 2012	Increases	Decreases	Balances as of August 9, 2012
Markus Tellenbach	-	-	-	-
Piotr Walter	-	-	-	-
John Driscoll	-	-	-	-
Robert Bednarski	-	-	-	-

5.2 Supervisory Board Members

The following table presents TVN S.A. shares (not in thousands) held by the Supervisory Board members, as of August 9, 2012, and changes in their holdings since the date of publication of our previous quarterly report on May 11, 2012. 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 May 11, 2012	Increases	Decreases	Balances as of August 9, 2012
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 June 30, 2012

During the three months ended June 30, 2012, 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 June 30, 2012

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 350,568 as of June 30, 2012. TVN Media granted guarantees for ITI Neovision liabilities in total of PLN 186,432 as of June 30, 2012 and TVN Media granted guarantees for TVN S.A. liabilities in total of PLN 666,331 as of June 30, 2012. The last guarantee expiries in 2016.

Additionally, TVN S.A. and TVN Media provided each other guarantees of up to PLN 90,000 for obligations resulting from daily clearings between the parts of the cash pooling system.

Risk factors

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

Risks related to our business

Our operating results depend on general economic conditions

The financial turmoil affecting the global financial markets and banking system has resulted in a tightening of credit, a low level of liquidity and a widespread withdrawal of investment funding in Poland's neighboring countries across Central and Eastern Europe, which has had an adverse impact on economic growth and caused many of these countries to fall into recession. Additionally, significant fluctuation of currency exchange rates and reduced availability of funding may, from time to time, adversely impact both retail customers and companies, decreasing their confidence levels in the economy and in their own financial health. The results of our operations depend to a large degree on advertising revenue, and demand for advertising is affected by general and regional economic conditions. In particular, current adverse economic conditions in Europe generally may negatively impact the Polish advertising industry, which has had, and would have an adverse impact on our revenue and results of operations. Even if the Polish economy does not suffer similar declines to those experienced in neighboring countries, our customers, many of whom are global companies, could nevertheless reduce global or regional advertising budgets or perceive there to be local weakness and, in such an event, demand for local advertising could be adversely affected, which would have an adverse impact on our revenue and results of operations.

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

We generate the majority of our revenue from the sale of advertising airtime and sponsoring slots on television channels and the sale of advertising space on websites in Poland. For the six months ended June 30, 2012 we derived 51.6% of our total revenue (from both continuing and discontinued operations) from commercial television and Internet advertising. In the advertising market, television and Internet compete with various other advertising media, such as newspapers, magazines, radio and outdoor advertising (such as billboard advertising, logo signs and transit advertising). According to Starlink, net expenditures on television advertising in Poland accounted for approximately 52.3% of total net advertising spending in the six months ended June 30, 2012, and net expenditure on Internet advertising (including display and search engine marketing) accounted for approximately 17.8% of total net advertising spending in the six months ended June 30, 2012. However, there can be no assurances that the television and Internet advertising markets will maintain their current positions in the Polish advertising market or that changes in the regulatory environment will not favor other advertising media or other television broadcasters. A further increase in competition among advertising media arising from the development of new forms of advertising media could have an adverse effect on the maintenance and development of our advertising revenue and, consequently, on our business, financial condition, results of operations and cash flow.

Our ability to generate advertising revenue depends on our technical reach, the pricing of advertising time, demand for advertising time, our audience share, audience profile, changes in audience preferences, shifts in population and other demographics within Poland, technological developments relating to media, levels of competition from other media operators and cyclical and seasonal trends in the Polish advertising market. There can be no assurances that we will be able to respond successfully to such developments. Since 2005, Polish television broadcasters with a double-digit share of the viewing market have all experienced a cumulative decline in their respective share of viewers. Any decline in the appeal of television or Internet generally, or our channels and portals specifically, whether as a result of an increase in the acceptance of other forms of entertainment or a decline in the appeal of television and Internet as advertising mediums could have an adverse effect on our business, financial condition, results of operations and cash flow.

We are subject to intense competition

In Poland, the television broadcasting, Internet and pay TV markets are highly competitive. In the television broadcasting market, we compete for programming content and audience share with other Polish private television channels, the state-owned and operated terrestrial television channels and other television channels distributed via cable and digital platforms. We compete for television advertising revenue on the basis of our television channels' broadcast reach, popularity of programming, audience structure and the pricing of advertising airtime. Other television channels may change their content or format, or upgrade their technology (to high definition, for example), to compete directly with our channels for audiences and advertisers. The Internet market is also highly competitive. It is attractive to new entrants due to the growing number of Internet users, the increasing interest of users in online segment offerings and the increasing interest of advertisers in online marketing services. Our competitors, such as Google, Facebook, MSN or Yahoo, may have significantly greater resources than we have to build their market position. The policies and behavior of our current and prospective competitors relating to pricing and introduction of new offerings in online advertising services may result in changes in our own pricing and offered services, and this may affect our revenue. In the Polish DTH pay TV market, our 'n' DTH platform and our prepaid Telewizja na kartę ("TNK") service currently compete with two other DTH providers, each of which has more subscribers than our DTH platforms. The completion of the 'n/C+' Combination Agreement is contingent on fulfillment of several conditions, as described below under "—We may not be able to fulfill the conditions of our agreement with Canal+".

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

Our programming and Internet content is subject to potential cost inflation and audience preferences

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

We rely on intellectual property and proprietary rights in respect of content

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

We are primarily responsible for enforcing our intellectual property rights with respect to content, which could result in significant expenses and losses of indeterminate amounts of revenue.

We may not be able to source programming content from external suppliers

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

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

We do not have guaranteed access to television programs and are dependent on our relationships and cooperation with program providers

The success of our business depends on, among other things, the quality and variety of the television programming delivered to our subscribers. We do not produce all of the programming content that we broadcast and depend upon broadcasters for programming. We have entered into licensing agreements with several third parties for the provision of programs for distribution via our television channels. As we depend upon such programs to attract audience share, program licensors may have considerable power to renegotiate the fees we pay to license their programs. Since most of these licensing contracts need to be renewed on a yearly basis, we may be unable to renegotiate them on terms that are as attractive as those of the current contracts, which could result in an increase in our programming costs. In addition, program providers may elect to distribute their programming through other distribution platforms, such as satellite, digital terrestrial broadcasting or Internet-based platforms, or may enter into exclusive arrangements with other distributors.

We also license programming for our DTH platform. We intend to negotiate additional access to programming to expand our DTH product range. Rights with respect to premium and/or high definition content may in the future be obtained by our competitors on an exclusive basis and, as a result, may not be available to us. As we continue to develop our on-demand and other interactive services, our ability to source content will be increasingly important and will depend on our ability to maintain relationships and cooperation with program providers and broadcasters for both standard and high definition content.

Our inability to obtain or retain attractively priced competitive programs for broadcast on our channels and for broadcast on our DTH platform could reduce our television audience share or reduce demand for our existing and future television services, thereby limiting our ability to maintain or increase revenues from our channels and these television services. The loss of programs could have a material adverse effect on our business, financial condition and results of operations.

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

We offer fee-based enhancements to many of our free services, including e-mail services, personal, advertising, financial news and features, games, music, sports and video on demand. The development cycles for the technologies involved in providing these enhancements are long and generally require significant investments by us. We have previously discontinued certain non-profitable premium services. While we must continue to provide new services that are attractive to our users, we need to continue to develop an effective way to generate revenue for such services. If we cannot generate revenue from these services that exceeds the costs of providing such services, we may experience a material adverse effect on our financial condition, results of operations and cash flow.

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

Our interest-bearing liabilities constitute an important component of our financing. As of June 30, 2012, we had total outstanding net debt of PLN 2,744,977. Our leverage may limit our ability to contract new debt on more favorable terms and may restrict our ability to finance potential acquisitions or new developments, which could have an adverse effect on our liquidity, business and financial condition.

In addition, our commercial and financial flexibility is restricted as a result of the obligations contained in the indentures governing our Senior Notes, as they include customary covenants that could adversely affect our ability to finance our future operations and continue to enter into transactions necessary to pursue our business strategy.

Any breach of the restrictions or the covenants contained in our indentures may result in either acceleration of the repayment of the 10.75% Senior Notes or 7.875% Senior Notes, being declared due and payable prior to maturity, or both, which may have a material adverse effect on our ability to service our other liabilities and consequently may lead to our insolvency.

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

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

- additional demands placed on our senior management, who are also responsible for managing our existing operations;
- increased overall operating complexity of our business, requiring greater personnel and other resources;
- difficulties of expanding beyond our core expertise in the event that we acquire ancillary businesses;
- significant initial cash expenditures to acquire and integrate new businesses; and
- in the event that debt is incurred to finance acquisitions, additional debt service costs related thereto as well as limitations that may arise under our existing indebtedness.

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

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

ITI Neovision Sp. z o.o. is currently operating at a loss and there is no assurance that it will generate positive cash flows in the foreseeable future or at all. We are likely to have to provide financial support to ITI Neovision Sp. z o.o. for the foreseeable future. There is no certainty that ITI Neovision Sp. z o.o. will become profitable as quickly as expected, or at all, or that we will recover any of the proceeds we invest in it.

The inclusion of the ‘n’ business in our results has resulted in costs of revenues and the percentage of net revenues represented by costs of revenues being higher than they would have been had we not acquired that business. Similarly, our selling expenses and general and administrative expenses were each higher due to the acquisition. As we invest in the ‘n’ DTH platform, there is a risk that our costs and expenses will continue to grow, both in absolute terms and as a percentage of our revenues, which could have an adverse affect on our financial condition, results of operations and cash flow.

We may not be able to fulfill the conditions of our agreement with Canal+ in respect of our ‘n’ DTH business

On December 18, 2011, we announced that we had entered into a definitive combination agreement with Canal+ Group pursuant to which we and Canal+ Group agreed to combine their pay-TV operations in Poland. Under the Combination Agreement, we will procure the contribution of our interest in ‘n’ and Canal+ Group will procure contribution of its interest in Canal+ to a combined entity to be named ‘n/C+’. The combined ‘n/C+’ entity of which we will hold 32%, Canal+ Group will hold 51% and LGI Ventures B.V. (“LGI”) will hold 17%. In addition, under the terms of a separate agreement with ITI Holdings, Canal+ Group has also agreed to take a 40% stake in N-Vision B.V., our indirect majority shareholder.

The completion of the Combination Agreement is subject to certain conditions, including, among others: (1) antitrust regulatory approval of the transaction envisaged in the Combination Agreement; (2) all material licenses held by ITI Neovision Sp. z o.o. and Canal+ remaining valid and in full force; and (3) there having occurred no default or any acceleration of any sum due, in respect of the notes of Polish Television Holding and there having occurred no breach of representations made by us regarding the Senior Notes. Unless the parties agree otherwise, the long stop date to satisfy the conditions to the combination is May 18, 2013, which is the date that is 17 months after the date of the Combination Agreement. We cannot assure that all the conditions in the Combination Agreement will be fulfilled as we cannot be certain that The Office of Competition and Consumer Protection will approve this transaction or that there will not occur a default or any acceleration of any sum due in respect of the Senior Notes.

If the Combination Agreement is terminated, or if certain conditions are not fulfilled, we may not complete the transaction. As a result, we cannot assure you that the proposed combination will be completed. If the closing conditions for the proposed combination set forth in the Combination Agreement are not satisfied or waived pursuant to the terms of the Combination Agreement, or if the transaction is not completed for any other reason, the market price of our common stock may decline. In addition, if the proposed combination does not occur, we will nonetheless remain liable for significant expenses that we have incurred related to the transaction.

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

Following the completion of the 'n' acquisition in March 2010, the TVN Group may not, as intended, be able to: (i) improve its competitive position through multi-platform promotion, content acquisition and distribution; (ii) capitalize on the near-term window of opportunity that arises from the rapid migration of terrestrial television users to DTH pay TV services; (iii) diversify its revenues by increasing or benefiting from the proportion of revenues generated by subscription fees for the 'n' DTH platform; or (iv) maintain its technological advantage over its competitors in the DTH pay TV market. The 'n' DTH platform and the prepaid TNK service currently compete with two other providers on the Polish DTH pay TV market: (1) Cyfrowy Polsat S.A. ("Polsat") and (2) Canal+ Cyfrowy Sp. z o.o ("Canal+", with which our agreement to merge 'n' is subject to regulatory approval). These DTH platforms have more subscribers than the 'n' platform and may have greater financial resources. Further, there can be no assurances that Polsat, Canal+ or a new entrant into the DTH market will not engage in more extensive development efforts, launch successful promotional campaigns for their platforms, adopt more aggressive pricing policies or aggressively compete for the same programming content to our detriment or make more attractive offers to our existing and potential subscribers. Our failure to compete successfully in the DTH pay TV segment could adversely affect our business, financial condition, results of operations and cash flow.

Integration of the Canal+ business with 'n' business may not be effective

The 'n/C+' merged entiry, if completed, will combine the Canal+ and 'n' DTH platforms to form a single DTH service provider. Realization of the benefits of the combination will require the integration of some or all of the sales and marketing, information technology systems and administrative operations of the two DTH platforms. If the two DTH platforms cannot be successfully integrated within a reasonable time following the completion of the transaction, we may not be able to realize the potential benefits anticipated from the merged entity. Failure in the successful integration of the two DTH platforms and the diversion of management attention from existing operations could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, even if the two DTH platforms are successfully integrated, they may not be able to realize the cost saving, synergies that are anticipated from the merged entity, either in the amount or within the time frame that is currently anticipated, and the costs of achieving these benefits may be higher than, and the timing may differ from, what is expected. The ability of merged entity to realize anticipated cost savings, synergies and revenue enhancements may be affected by a number of factors, including the following:

- the use of more cash or other financial resources on integration and implementation activities than expected; and
- increases in other expenses related to the merged entity, which may offset the cost savings from other synergies.

Following the completion of the proposed merger under the Combination Agreement, we will not control 'n/C+', and actions taken by our partners in respect of 'n/C+' could materially adversely affect our business

The 'n/C+' merged entiry, if completed, will be 51% percent owned by Groupe Canal+, 17% owned by LGI and 32% owned by us. We will not be the majority shareholder in 'n/C+' and are therefore dependent on our respective joint venture partners to cooperate with us in making decisions regarding the business of 'n/C+' and the day-to-day operation of the DTH business operated by 'n/C+'. This means that we may be unable to prevent actions that we believe are not in the best interests of ‘n/C+’ or our company as a whole. Any such actions could materially adversely affect our business, results of operations, financial condition and cash flows.

The completion of ‘n/C+’ is subject to certain conditions. See - “We may not be able to fulfill the conditions of our agreement with Canal+ in respect of our ‘n’ DTH business”.

We may not be able to fulfill the conditions of our agreement with Ringier Axel Springer Media AG in respect of our Onet business

On June 4, 2012, we reached an agreement with Ringier Axel Springer Media AG (“RAS”), with its registered office in Zurich, Switzerland to form a strategic partnership for Grupa Onet.pl S.A. The Agreement provides for the disposal of 100% of shares in Onet for consideration consisting of (i) cash for 75.98% of shares in Onet and (ii) 25% of shares in a joint venture with RAS (“Holdco”) in exchange for remaining shares in Onet.

Under the Agreement 6,115,716 shares in Onet, which represent approximately 75.98% of Onet's share capital, will be sold by Grupa Onet Poland Holding B.V. (“Seller”), a wholly–owned subsidiary of TVN (also party to the Agreement), to Holdco wholly–owned by RAS. The selling price is PLN 968,750,000. Part of the remuneration in the amount of PLN 956,250,000 (“Part Consideration”) will be subject to further adjustments reflecting the financial condition of Onet, but will not be increased by more than PLN 37,500,000. The 96% of the Part Consideration will be paid on the closing date. The remainder of the Part Consideration will be paid upon final determination of the Part Consideration in exchange for a pledge over 4% of the shares of the Holdco belonging to the Seller in favour of RAS, securing any claims RAS may have under warranties granted by the Seller. the Seller shall have the right to exercise voting rights from and receive dividends in respect of the pledged shares.

The Part Consideration will be used in compliance with the indentures pursuant to which the EUR 593 million 10.75% senior notes due 2017 were issued by TVN Finance Corporation II AB (publ) and secured and the EUR 175 million 7.165% senior notes due 2018 were issued by TVN Finance Corporation III AB (publ) and secured. The remaining 1,933,357 shares in Onet will be exchanged for a stake of 25% in the increased share capital of the Holdco, valued at PLN 306,250,000.

Valuation of Onet implied by the transaction amounts to ca. approximately PLN 1,275 million., while the original investment by us is valued in its separate financial statements at PLN 1,374 million. Moreover, net value of Onet’s assets is PLN 250 million. As a result, upon executing of impairment test performed on Onet Group the sale of shares in Onet, we will recognized an impairment loss of approximately PLN 350 216 million in its consolidated financial statements and an impairment loss of approximately PLN 12799 million in its separate financial statements.

The completion of the agreement is subject to certain conditions, including, among others: (1) antitrust regulatory approval of the transaction envisaged in the agreement; (2) the release of certain corporate guarantees made by Onet and its subsidiaries; (3) the proper establishment, incorporation or acquisition of the Holdco; (4) there having occurred no default or any acceleration of any sum due, in respect of the notes of Polish Television Holding and there having occurred no breach of representations made by us regarding the Senior Notes and (5) delivery of officer's certificates confirming that no specified events has occurred until closing. Unless the parties agree otherwise, the long stop date to satisfy the conditions within twelve months of executing the Agreement. However, the parties expect closing for late 2012 or early 2013. Once the conditions precedent are satisfied, the shares in Onet will be transferred to Holdco, RAS will hold 75% of all shares in the Holdco, TVN will hold 25% of all shares in the Holdco, and the Holdco will hold 100% of all shares in Onet. We cannot assure that all the conditions in the Agreement will be fulfilled as we cannot be certain that The Office of Competition and Consumer Protection will approve this transaction or that there will not occur a default or any acceleration of any sum due in respect of the Senior Notes.

If the Agreement is terminated, or if certain conditions are not fulfilled, we may not complete the transaction. As a result, we cannot assure you that the proposed combination will be completed. If the closing conditions for the proposed combination set forth in the Agreement are not satisfied or waived pursuant to the terms of the Agreement, or if the transaction is not completed for any other reason, the market price of our common stock may decline. In addition, if the proposed combination does not occur, we will nonetheless remain liable for significant expenses that we have incurred related to the transaction.

Following the completion of the proposed merger under the agreement, we will not control Holdco, and actions taken by our partners in respect of Holdco could materially adversely affect our business.

The Holdco merged entire, if completed, will be 75% percent owned by Ringier Axel Springer Media AG and 25% owned by us. We will not be the majority shareholder in Holdco and are therefore dependent on our respective joint venture partners to cooperate with us in making decisions regarding the business of Holdco and the day-to-day operation of the online business operated by Holdco. This means that we may be unable to prevent actions that we believe are not in the best interests of Holdco or our company as a whole. Any such actions could materially adversely affect our business, results of operations, financial condition and cash flows.

The completion of Holdco is subject to certain conditions. See - “We may not be able to fulfill the conditions of our agreement with Ringier Axel Springer Media AG in respect of our Onet business”.

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

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

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

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

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

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

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

Onet.pl portal and our thematic portals and vortals construct their market position through operations in the premium segment, putting them in competition with other major Polish portals and with other major websites like Google.pl and other thematic vortals. Our other websites, thematic vortals or thematic parts of Onet.pl, compete for visitors most directly with other thematic vortals, and for advertisers with advertising networks that usually sell advertising space on these competing thematic websites. In addition, we derived the vast majority of our online revenues from display advertising. However, the online advertising business consists of display advertising, search engine marketing and directory services of which display advertising represents close to 59% of the total net online advertising expenditure.

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

In addition, due to a variety of factors including advances in technology, all of our businesses are subject to increasing competition for the leisure and entertainment time of consumers. Our businesses compete with each other and all other sources of news, information and entertainment, including movies, live events, radio broadcasts, home video products and print media, as well as non-media related leisure activities and providers.

Technological advancements, such as video on demand, new video formats, streaming capabilities and downloading via the Internet, have increased the number of media and entertainment choices available to consumers and intensified the challenges posed by audience fragmentation. The increasing number of both media-related and non-media-related choices available to audiences could negatively impact not only consumers' demand for our products and services, but also advertisers' willingness to purchase advertising services from our businesses. If we do not respond appropriately to further increases in the leisure and entertainment choices available to the consumers or to changes in consumer preferences, this competition could have an adverse effect on our competitive position and revenue.

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

Poland is currently undergoing the migration from analog terrestrial broadcasting to digital terrestrial broadcasting, which is to be completed by July 31, 2013. The specific timing and approach to the migration is subject to change and we cannot predict the effect of the migration on our existing operations. We may be required to make substantial additional capital investment and commit substantial other resources to implement digital terrestrial broadcasting. The availability of competing alternative distribution systems, such as DTH platforms, may require us to acquire additional distribution and content rights or result in an increase of competition for existing distribution and content rights. We may not have access to sufficient resources to make such investments when required.

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

We hold several terrestrial and satellite broadcasting licenses. Like all television licenses in Poland, our Polish licenses have been issued for a fixed term. Our terrestrial analog television license for the TVN channel was converted into a digital terrestrial license in June 2010, and will expire in 2014, while our satellite licenses will expire in various terms after ten year period of operation of the particular channel. The Polish Law on Radio and Television Broadcasting dated December 29, 1992, as amended (the "Broadcasting Law"), provides for the procedure and requirements for renewal of licenses for the next ten year period after they expire. The loss of any of our licenses or other authorizations or a material modification of the terms of any renewed licenses may have a material adverse effect on our business, financial condition, results of operations and cash flow.

In June 2010, the National Broadcasting Council, which we refer to as "KRRiT" amended the TVN channel license, granting TVN new frequencies available on the Second Terrestrial Digital Multiplex ("MUX2"). TVN channel is located on the MUX2 together with the following free-to-air television channels: Polsat, TV4 ,TV Puls, TVN 7, TV PULS 2, TV 6 and Polsat Sport News. On July 7, 2010, the Office of Electronic Communication reserved frequencies for us on the Second Terrestrial Digital Multiplex until July 2025. Furthermore on December 2, 2010, KRRiT issued a decision granting us the right to distribute the TVN 7 channel on the MUX2. However, we cannot assure you that the process of converting from analog to digital terrestrial television will be completed in a timely manner. To the extent there are delays our business could be adversely affected.

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

Like other Polish television broadcasters, we must comply with the Broadcasting Law, regulations established by KRRiT, and the terms and conditions of our licenses in order to maintain our licenses. If we are held to be in material breach of such laws or the terms and conditions of our licenses, our licenses may be revoked. In addition, if our activity under our licenses is carried out in a manner that is deemed to conflict with such laws or the terms and conditions of our licenses, and we fail to remedy such conflict within the applicable grace period, our licenses may be revoked. Any revocation of our licenses could adversely affect our business, financial condition, results of operations and cash flow.

The Broadcasting Law limits the ownership of Polish television broadcasters

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

Broadcasting regulations affect the content of our programming and advertising

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

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

As a result of our acquisition of Onet, 'n' and Mango Media, we carry on our balance sheet significant amounts of intangible goodwill and brand. We test annually whether the goodwill and brand allocated to our online and teleshopping segments have suffered any impairment by estimating the recoverable amount of the online cash generating unit based on value in use. Similarly, goodwill recognized as a result of the 'n' acquisition is also subject to an annual impairment test. If any of the key assumptions we use for impairment testing were to change unfavorably, this may result in impairment write-offs and consequently have an adverse impact on our financial results.

We are subject to risks relating to fluctuations in exchange rates

A substantial portion of our operating expenses, finance expenses and capital expenditures is, and will be, subject to exchange rate fluctuations. A large proportion of our liabilities and expenses are denominated in foreign currencies, mainly in Euro and Dollars. Since our revenue is generated primarily in Złoty, we are exposed to foreign exchange rate risk with respect to any current or future debt or other liability or expense denominated in any currency other than Złoty. Between early January 2012 and late June 2012, Złoty appreciated by approximately 5% against the Euro, the currency in which most of our long-term debt is denominated. However, the volatility was high with 7% appreciation of Złoty against Euro in the first quarter and 2% depreciation of Złoty against Euro in the second quarter. If the Złoty decreases in value against the currencies in which we have to make payments, our operating and finance expenses and capital expenditures may increase as a percentage of net sales, thereby decreasing our net margins and net profit. The effect of the currency depreciation is to inflate the value of our indebtedness in relation to our ability to make payments on our indebtedness. While we may seek to hedge our foreign currency exposure, we may be unable to enter into such hedging arrangements or may be unable to enter into them at a cost effective rate. Furthermore, in 2012 in particular more attention in global financial markets was focused on the ability of several members of the group of countries using the Euro to continue using the Euro as their national currency. The consequent uncertainty about these countries and even determining what remaining group of countries may use the Euro has caused a higher degree of uncertainty in foreign exchange markets as to expectations about the value of the Euro. In light of the developing situation, it is possible that hedging foreign exchange exposure could become even more expensive or difficult at a time when it is most needed. Furthermore, banks across much of Europe have become more risk averse and reluctant to lend as a consequence of the continuing financial turmoil, which may affect our ability to obtain financing or refinancing if foreign exchange fluctuations affect our ability to remain in compliance with our current debt obligations.

Our success depends on attracting and retaining key personnel

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

Frequent changes in tax regulations may have an adverse effect on the Company's results of operations and financial condition

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

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

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

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

We are party to a number of related party transactions

We currently depend on ITI Holdings for a number of services and therefore engage in a range of related party transactions. In the six months ended June 30, 2012 we entered into related party transactions for which we incurred costs from ITI Group and its related parties of PLN 25,137. These expenses comprise rent of office premises and the provision of certain management, sales, financial advisory and other services. In exchange for these payments, we received the benefit of general advisory services, the guarantee of certain of our contractual obligations, leases of office space, rental of equipment, purchases and sales of programming and the services of individuals who are affiliates of ITI Holdings.

We have a related party transactions policy which provides that (i) agreements with related parties must be no less favorable to us than the terms which could have been obtained on an arms-length basis with an unrelated party and (ii) that agreements with related parties who are individuals and which have a value in excess of EUR 0.15 million, and agreements with related parties who are legal entities and which have a value in excess of EUR 0.5 million, must be approved by a vote of our supervisory board, including a majority of our independent directors (with "independent" defined by reference to the "Code of Best Practice for the WSE Listed Companies").

Nevertheless, there are risks that as circumstances or assumptions change, some of the services we receive from our related parties could be construed to be worth less than what we have agreed to pay.

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

Risks related to the 10.75% Senior Notes and the 7.875% Senior Notes

Our debt service obligations under the 10.75% Senior Notes and the* 7.875% Senior Notes *may restrict our ability to fund our operations

We are a highly leveraged company, and we have significant debt service obligations under the 10.75% Senior Notes, 7.875% Senior Notes. Our high leverage has important consequences for our business and results of operations, including but not limited to restricting our ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements. We may also have a proportionally higher level of debt than certain of our competitors, which may put us at a competitive disadvantage. Therefore, our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate may be limited. Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations and would therefore have potentially harmful consequences for the development of our business and the implementation of our strategic plans.

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

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

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

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

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

Our ability to make debt service payments under the 10.75% Senior Notes, 7.875% Senior Notes, and other indebtedness will depend on our future operating performance and our ability to generate sufficient cash, which in turn depends in part on factors that are not within our control, including general economic, financial, competitive, market, legislative, regulatory and other factors. If our cash flow and capital resources were to prove insufficient to fund our debt service obligations, we would face substantial liquidity problems. We may be obliged to reduce or delay capital or other material expenditures, restructure our debt, obtain additional debt or equity capital (if available on acceptable terms), or dispose of material assets or businesses to meet our debt service and other obligations. It may not be possible to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, which may have an adverse effect on our financial condition, results of operations and cash flows.

Enforcement of civil liabilities and judgments against the issuers or us or any of our directors or officers may be difficult

The issuers are a Swedish public limited liability companies and TVN S.A. is a Polish public company. Substantially all of our assets and all of our operations are located, and all of our revenues are derived, outside the United States. In addition, all of our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, investors may be unable to affect service of process within the United States upon such persons, or to enforce judgments against them obtained in the United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws. There is uncertainty as to whether the courts of Sweden or Poland would enforce (i) judgments of United States courts obtained against us or such persons predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such countries, liabilities against us or such persons predicated upon the United States federal and state securities laws.

The insolvency laws to which we are subject may not be favorable to unsecured creditors and may limit your ability to enforce your rights under the 10.75% Senior Notes and the 7.875% Senior Notes and the guarantees

In the event of an insolvency of any of the guarantors, insolvency proceedings could be initiated in Poland and will be based on Polish insolvency laws. Pursuant to these laws, considering the unsecured nature of your claim against the guarantors, if the guarantors were to be wound up under Polish insolvency laws, their liabilities under the guarantees would be paid only after payment of those of their debts which are given priority under Polish insolvency laws including all secured claims. Such preferred claims would include, among others, all claims which are secured, certain commercial transactions which are given priority under the applicable law, unpaid taxes, social security contributions, employee wages, insolvency procedure costs and secured creditor claims.

Notwithstanding the above, upon the request of creditors of a guarantor, a Polish bankruptcy court could declare the note guarantee issued by that guarantor ineffective in relation to the bankruptcy estate if the guarantor is declared bankrupt during the applicable hardening period which may range from 2 to up to 12 months. Also, a Polish court could declare the note guarantee issued by that guarantor ineffective in relation to the creditor if as a result of the creation of such note guarantee, the guarantor becomes insolvent. Furthermore, the effectiveness of the guarantee will be subject to the limitations which arise under various provisions and principles of corporate law, which can require sister or subsidiary guarantors to receive adequate corporate benefit from the financing and govern fraudulent transfer laws.

In addition, our insolvency could also impair our ability to maintain our television broadcasting licenses depending on the outcome of any such proceedings before the Polish courts.

The issuers are incorporated under the laws of Sweden. Therefore, any insolvency proceedings by or against the issuers are likely to be based on Swedish insolvency laws. An unsecured claim under Swedish law will in a bankruptcy situation rank behind claims with a right of priority according to the Swedish Rights of Priority Act (*Sw. Formansrattslagen (1970:979)*).

The ability of our subsidiaries to guarantee the 10.75% Senior Notes and the 7.875% Senior Notes is limited under Polish and Dutch law and enforcing your rights as a holder of the 10.75% Senior Notes and the 7.875% Senior Notes or under the guarantees may be difficult

The laws of Poland and The Netherlands, the jurisdictions in which the guarantors are organized, may limit their ability to guarantee debts. These limitations arise under various provisions and principles of corporate law, which can require sister and subsidiary guarantors to receive adequate corporate benefit from the financing or which prohibit payments to or any other equivalent transaction with the shareholders or affiliates if such payments diminish the guarantor's assets necessary for maintaining the share capital or in the situation where such payments could be viewed as reimbursement of contributions made for the shares and/or may be regarded as violating the purpose of the guarantors. If these limitations were not observed, the guarantees of the 10.75% Senior Notes and the 7.875% Senior Notes would be subject to legal challenge. In connection with potential local law restrictions, the guarantees contain language limiting the amount of debt guaranteed. However, it is not clear under Polish and Dutch law to what extent such contractual limitations can remove the risks connected with upstream, cross-stream and third party guarantees. Furthermore, although we believe that the guarantees of the Notes are enforceable (subject to the aforementioned restrictions), there can be no assurance that a third-party creditor would not challenge the guarantees and prevail in court. Finally, in accordance with Polish bankruptcy regulations if the guarantor is declared bankrupt, legal transactions performed by it within one year before filing the bankruptcy petition would have no effect if they were performed gratuitously or for consideration which is significantly below that provided by the guarantor. Such a risk exists in case of a guarantee made for the benefit of a shareholder or an affiliate, especially if it is executed gratuitously. Pursuant to Dutch law, if a legal act performed by a Dutch guarantor is prejudicial to the interests of its creditors, the validity of such legal act may, in certain circumstances, be contested by such creditors or, in the event of the bankruptcy of such guarantor, by the public receiver.

The 10.75% Senior Notes and the 7.875% Senior Notes have been issued by the issuers and guaranteed by the guarantors. The issuers are incorporated under the laws of Sweden. The guarantors are organized under the laws of Poland and The Netherlands. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in Sweden, in Poland and in The Netherlands. Your rights under the 10.75% Senior Notes and the 7.875% Senior Notes and the guarantees may thus be subject to the laws of multiple jurisdictions, and there can be no assurance that you will be able to effectively enforce your rights in multiple bankruptcy, insolvency or other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of your rights.

In addition, the bankruptcy, insolvency, administrative, and other laws of such jurisdictions of organization may be materially different from, or in conflict with, one another and those in other jurisdictions with which you may be familiar in certain areas, including creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the 10.75% Senior Notes and the 7.875% Senior Notes and the collateral securing the obligations under the 10.75% Senior Notes and the 7.875% Senior Notes.

The issuers are special purpose vehicles that have no revenue generating operations of their own and will depend on cash received by us to make payments on the 10.75% Senior Notes and the 7.875% Senior Notes

The issuers are special purpose vehicles with the purpose of issuing the 10.75% Senior Notes and the 7.875% Senior Notes that were issued pursuant to the indentures governing the 10.75% Senior Notes and the 7.875% Senior Notes. The issuers have no operations of their own and will not be permitted to engage in any activities other than the issuance of the 10.75% Senior Notes and the 7.875% Senior Notes to the extent permitted under the indentures, the on-lending of the proceeds from the issuance of the 10.75% Senior Notes and the 7.875% Senior Notes to us, the servicing of their obligations under the 10.75% Senior Notes and the 7.875% Senior Notes and certain other activities expressly permitted by the indentures governing the 10.75% Senior Notes and the 7.875% Senior Notes. The issuers rely on payments under the intercompany loans made by the issuers to us to make payments of interest and principal when due on the 10.75% Senior Notes and the 7.875% Senior Notes. Other than the intercompany loans to us, the issuers have no assets.

The 10.75% Senior Notes and the 7.875% Senior Notes are structurally subordinated to all obligations of our subsidiaries which are not guarantors of the 10.75% Senior Notes and the 7.875% Senior Notes

The 10.75% Senior Notes and the 7.875% Senior Notes are obligations of the issuers and are effectively subordinated to all debt and other obligations, including trade payables, of our subsidiaries which are not guarantors of the 10.75% Senior Notes and the 7.875% Senior Notes. As of June 30, 2012, our subsidiaries which are not guarantors of the 10.75% Senior Notes or 7.875% Senior Notes had PLN 13,770 of total outstanding liabilities. The effect of this subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding involving a subsidiary which is not a guarantor of the 10.75% Senior Notes or 7.875% Senior Notes, the assets of the affected entity could not be used to pay you until after all other claims against that subsidiary, including trade payables, have been fully paid.

Covenant restrictions under our indentures impose significant operating and financial restrictions on us and may limit our ability to operate our business and consequently to make payments on the 10.75% Senior Notes and the 7.875% Senior Notes

The indentures governing the 10.75% Senior Notes and the 7.875% Senior Notes contain covenants that restrict our ability to finance future operations or capital needs or to take advantage of other business opportunities that may be in our interest. These covenants restrict our ability to, among other things:

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

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

We may not be able to repurchase the 10.75% Senior Notes and the 7.875% Senior Notes upon a change of control and rating decline

Upon the occurrence of a change of control and rating decline, we will be required to make an offer to noteholders in cash to repurchase all or any part of your 10.75%Senior Notes and the 7.875% Senior Notes at 101% of their principal amount, plus accrued and unpaid interest. If a change of control and rating decline occurs, we may not have sufficient funds at that time to pay the purchase price for all tendered Senior Notes, particularly if that change of control and rating decline event triggers a similar repurchase requirement for, or results in the acceleration of, any of our other debt, including the 10.75% Senior Notes, 7.875% Senior Notes. Any debt agreements we enter into in the future may contain similar provisions. Certain transactions that constitute a change of control and rating decline under our existing and future debt instruments may not constitute a change of control and rating decline under the indentures governing the 10.75% Senior Notes and the 7.875% Senior Notes.

Any default by our majority shareholder on its obligations to pay its indebtedness or its failure to otherwise comply with the various covenants in the instruments governing its indebtedness could ultimately lead to a change of control and ratings decline with respect to the Company and the funds borrowed under the 10.75% Senior Notes and the 7.875% Senior Notes to become due and payable

Polish Television Holding, our direct majority shareholder and a subsidiary of ITI Holdings, has substantial indebtedness, secured by a pledge over the Company's shares. Polish Television Holding is dependent on dividends and other proceeds from the Company in order to service interest payments on its indebtedness. Accordingly, if TVN for any reason reduces, delays, fails or is otherwise unable to pay dividends or other payments to Polish Television Holding, including pursuant to the terms of the 10.75% Senior Notes and the 7.875% Senior Notes, Polish Television Holding could default on its obligations. Any increase in Polish Television Holding's indebtedness could also adversely affect perceptions of TVN's credit ratings. Any default by Polish Television Holding under the agreements governing its indebtedness could ultimately trigger a change of control under the 10.75% Senior Notes and the 7.875% Senior Notes as a result of the exercise of enforcement rights by Polish Television Holding's creditors against shares pledged as collateral and could also cause the rating agencies to consider the downgrading, suspension or withdrawal of any rating assigned to the 10.75% Senior Notes and the 7.875% Senior Notes. Any such change of control and related downgrade, suspension or withdrawal of their rating would entitle the investors in the Notes to require us to repurchase the 10.75% Senior Notes and the 7.875% Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase and could result in us breaching our broadcasting license. We may not be able to repurchase the Notes upon a change of control and rating decline.

The interests of our principal shareholder may conflict with your interests as a holder of the 10.75% Senior Notes and the 7.875% Senior Notes

ITI Holdings, through other entities that it directly or indirectly controls (together, the "ITI Group"), owned, as of August 9, 2012, 54.02% of our issued voting share capital. In addition several members of our supervisory board are also executives of ITI Holdings or of other companies in the ITI Group. As a result, ITI Holdings and these individuals, through their shareholdings or their positions on our supervisory board, have and will continue to have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to control the outcome of matters requiring action by shareholders. Their interests in certain circumstances may conflict with your interests as holders of the 10.75% Senior Notes and the 7.875% Senior Notes.

You may face foreign exchange risks or tax consequences by investing in the 10.75% Senior Notes and the 7.875% Senior Notes

The 10.75% Senior Notes and the 7.875% Senior Notes are denominated and payable in Euro. If you invest in currencies other than Euro, an investment in the 10.75% Senior Notes and the 7.875% Senior Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the Euro relative to such currencies because of economic, political and other factors over which we have no control. Depreciation of the Euro against the currency of your investment could cause a decrease in the effective yield of the 10.75% Senior Notes and the 7.875% Senior Notes below their stated coupon rates and could result in a loss to you in the currency of your investment. Investment in the 10.75% Senior Notes and the 7.875% Senior Notes may also have important tax consequences.

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

Credit rating agencies have begun to monitor companies much more closely and have made liquidity, and the key ratios associated with it, such as gross leverage ratio, a particular priority. In the event our debt or corporate credit ratings are lowered by the ratings agencies (both got B+ from Standard & Poor’s Rating Service and B1 from Moody’s Investors Service), our ability to raise additional indebtedness may be impaired and we may have to pay higher interest rates, which may have an adverse effect on our financial position, results of operations and cash flows.

Transfers of the Notes are restricted, which may adversely affect the value of the 10.75% Senior Notes and the 7.875% Senior Notes

The 10.75% Senior Notes and the 7.875% Senior Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and we have not undertaken to affect any exchange offer for the 10.75% Senior Notes and the 7.875% Senior Notes in the future. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The 10.75% Senior Notes and the 7.875% Senior Notes and the indentures governing those notes contain provisions that restrict the 10.75% Senior Notes and the 7.875% Senior Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. Furthermore, we have not registered the 10.75% Senior Notes and the 7.875% Senior Notes under any other country’s securities laws. It is your obligation to ensure that your offers and sales of the 10.75% Senior Notes and the 7.875% Senior Notes within the United States and other countries comply with applicable securities laws.

An active trading market may not be maintained for the 10.75% Senior Notes and the 7.875% Senior Notes, in which case your ability to transfer the 10.75% Senior Notes and the 7.875% Senior Notes will be more limited

The 10.75% Senior Notes and the 7.875% Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market, we cannot assure you that the Notes will remain listed. We cannot assure you as to the liquidity of any market for the 10.75% Senior Notes and the 7.875% Senior Notes, the ability of holders of the 10.75% Senior Notes and the 7.875% Senior Notes to sell them or the price at which holders of the 10.75% Senior Notes and the 7.875% Senior Notes may be able to sell them. The liquidity of any market for the 10.75% Senior Notes and the 7.875% Senior Notes depends on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations of securities analysts. The initial purchasers have informed us that they intend to make a market in the Notes. However, they are not obliged to do so and may discontinue such market making at any time without notice. As a result, we cannot assure you that an active trading market for the 10.75% Senior Notes and the 7.875% Senior Notes will be maintained. The liquidity of, and trading market for, the 10.75% Senior Notes and the 7.875% Senior Notes may also be hurt by declines in the market for high yield securities generally. Such a general decline may be caused by a number of factors, including but not limited to the following:

- interest rates and inflation expectations;
- foreign currency exchange rates;
- the prospect of quantitative easing in the money supply of major reserve currencies;
- general economic and business trends;
- regulatory developments in our operating countries and the EU;
- the condition of the media industry in the countries in which we operate; and
- investor and securities analyst perceptions of us and other companies that investors deem comparable in the television broadcasting and online media industries.

Such a decline may affect any liquidity and trading of the Notes independent of our financial performance and prospects.

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
as of and for the three and six months ended June 30, 2012

We present below TVN S.A.'s interim condensed 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 six months ended June 30, 2012

Report on review of interim financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of TVN S.A. and its subsidiaries (the 'TVN Group') as of June 30, 2012, the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income, the related interim condensed consolidated statement of changes in shareholders' equity and interim condensed consolidated cash flow statement for the six-month period then ended (the 'interim condensed consolidated financial information'). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.

Warsaw, Poland

August 8, 2012

PricewaterhouseCoopers Sp. z o.o.,
Al. Armii Ludowej 14, 00-638 Warszawa, Poland
T: +48 (22) 523 4000, F: +48 (22) 523 4040, www.pwc.com

MANAGEMENT REPRESENTATIONS

These interim condensed consolidated financial statements of TVN S.A. and its subsidiaries (the "TVN Group") as of and for the six months ended June 30, 2012, 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 six months ended June 30, 2012 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.

In accordance with the requirements of the Decree of the Minister of Finance of February 19, 2009 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent the Management Board of TVN S.A. hereby represents that:

- to its best knowledge, the interim condensed consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Group's financial position and its results of operations, and that the interim Directors' Report gives a true view of the Group's development, achievements, and position, including a description of the basic risks and threats;

- the registered audit company which reviewed the interim condensed consolidated financial statements was appointed in accordance with the legal regulations and said registered audit company and the individual registered auditors who performed the review fulfilled the conditions for issuing an unbiased and independent review report, in accordance with the applicable regulations and professional standards.

These interim condensed consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on August 8, 2012.

Markus Tellenbach President of the Board	Piotr Walter Vice-President of the Board
John Driscoll Member of the Board	Robert Bednarski Member of the Board

Warsaw, August 8, 2012

TVN Group

Interim Condensed Consolidated Financial Statements
As of and for the six months ended June 30, 2012

TVN Group

Contents **Page**

TVN Group Information

1. Principal activity

TVN Group is the leading integrated Polish media group, active in television broadcasting and production, including the operation of a digital satellite pay television, internet and teleshopping. TVN S.A. (the “Company”) and its subsidiaries (“TVN Group”, the “Group”) operate or jointly operate eleven television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN CNBC, NTL Radomsko, Telezakupy Mango 24 and TTV. 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
- John Driscoll
- Robert Bednarski (appointed January 9, 2012)

TVN Group Information (CONTINUED)

5. Auditors

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

6. Principal Solicitors

Allen & Overy
Rondo ONZ 1
00-124 Warszawa

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
- TVN Media 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
- Stavka Sp. z o.o.
  ul. Ordynacka 14/5
  00-358 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 in members' voluntary liquidation
  Palazzo Pietro Stiges 90, Strait Street
  Valetta VLT 1436, Malta

Teleshopping

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

TVN Group 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 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

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

	Note	Six months ended June 30, 2012	Six months ended June 30, 2011
Continuing operations			
Revenue	**6**	816,656	857,445
Cost of revenue	**7**	(481,080)	(465,794)
Selling expenses	**7**	(62,516)	(61,965)
General and administration expenses	**7**	(75,905)	(71,132)
Other operating income/ (expenses), net		647	(1,013)
Operating profit		**197,802**	**257,541**
Interest income	**8**	11,597	7,999
Finance expense	**8**	(183,463)	(176,444)
Foreign exchange gains, net	**8**	156,209	30,128
Share of loss of associate		(15)	(51)
Profit before income tax		**182,130**	**119,173**
Income tax charge	**17**	(19,987)	(25,127)
Profit for the period from continuing operations		**162,143**	**94,046**
Discontinued operations			
Loss for the period from discontinued operations	**19**	**(215,126)**	**(66,628)**
(Loss)/ profit for the period		**(52,983)**	**27,418**
(Loss)/ profit attributable to:			
Owners of the parent		(45,675)	27,418
Non-controlling interests		(7,308)	-
		(52,983)	**27,418**
(Losses)/ earnings per share from continuing and discontinued operations attributable to the owners of TVN S.A. (not in thousands)			
Basic (losses)/ earnings per share			
- from continuing operations		0.49	0.27
- from discontinued operations		(0.62)	(0.19)
	9	**(0.13)**	**0.08**
Diluted (losses)/ earnings per share			
- from continuing operations		0.49	0.27
- from discontinued operations		(0.62)	(0.19)
	9	**(0.13)**	**0.08**

The interim condensed consolidated income statement for the six months ended June 30, 2012 and for the six months ended June 30, 2011 has been reclassified in order to conform with the presentation requirements of IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’.

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	Six months ended June 30, 2012	Six months ended June 30, 2011
(Loss)/ profit for the period		**(52,983)**	**27,418**
Other comprehensive loss:			
Foreign exchange forward contracts	**11**	(575)	(1,188)
Income tax relating to components of other comprehensive loss	**17**	56	66
Other comprehensive loss for the period, net of tax		(519)	(1,122)
Total comprehensive (loss)/ income for the period		**(53,502)**	**26,296**
Total comprehensive (loss)/ income attributable to:			
Owners of the parent		(46,194)	26,296
Non-controlling interests		(7,308)	-
		(53,502)	**26,296**
Total comprehensive (loss)/ income attributable to owners of the parent:			
- from continuing operations		168,900	93,768
- from discontinued operations		(215,094)	(67,472)
		(46,194)	**26,296**

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

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

	Note	As at June 30, 2012	As at December 31, 2011
ASSETS			
Non-current assets			
Property, plant and equipment		247,137	340,319
Goodwill		150,452	952,657
Brands		50,260	693,687
Other intangible assets		52,670	75,227
Non-current programming rights		173,098	179,242
Investments in associates		-	1,194
Deferred tax asset	**17**	45,195	43,056
Other non-current assets		4,602	5,507
		723,414	**2,290,889**
Current assets			
Current programming rights		237,113	241,465
Trade receivables		298,902	376,430
Derivative financial assets	**11**	21,504	1,580
Prepayments and other assets		118,612	57,605
Corporate income tax receivable		25,347	13,495
Bank deposits with maturity over three months	**12**	34,090	75,000
Cash and cash equivalents	**12**	421,520	592,126
		1,157,088	**1,357,701**
Assets of disposal groups classified as held for sale	**19**	3,015,911	1,463,368
		4,172,999	**2,821,069**
TOTAL ASSETS		**4,896,413**	**5,111,958**
EQUITY			
Shareholders' equity			
Share capital	**13**	68,775	68,775
Share premium		672,906	672,931
8% obligatory reserve		23,301	23,301
Other reserves and deficits		(452,304)	(451,785)
Accumulated profit		530,744	610,807
		843,422	**924,029**
Non-controlling interests		(7,866)	(558)
		835,556	**923,471**
LIABILITIES			
Non-current liabilities			
10.75% Senior Notes due 2017	**14**	2,454,842	2,542,476
7.875% Senior Notes due 2018	**14**	726,526	752,490
Deferred tax liability	**17**	77,997	158,301
Non-current trade payables		9,261	15,010
Other non-current liabilities		9,975	10,196
		3,278,601	**3,478,473**
Current liabilities			
Current trade payables		144,164	163,639
Accrued interest on borrowings	**14**	41,297	42,804
Derivative financial liabilities	**11**	98	-
Other liabilities and accruals	**15**	202,941	249,971
		388,500	**456,414**
Liabilities of disposal groups classified as held-for-sale	**19**	393,756	253,600
		782,256	**710,014**
Total liabilities		**4,060,857**	**4,188,487**
TOTAL EQUITY AND LIABILITIES		**4,896,413**	**5,111,958**

The interim condensed consolidated balance sheet as at June 30, 2012 has been reclassified in order to conform with the presentation requirements of IFRS 5. According to the requirements of IFRS 5, the interim condensed consolidated balance sheet as at December 31, 2011 is presented as previously reported.

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 and deficits (*)	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 (loss)/ income for the period	-	-	-	-	(1,122)	27,418	26,296
Issue of shares [(1)]	1,318,972	264	26,077	-	(12,160)	-	14,181
Share issue cost [(2)]	-	-	(60)	-	-	-	(60)
Dividend declared and paid [(3)]	-	-	-	-	-	(13,728)	(13,728)
Balance at June 30, 2011	**343,673,164**	**68,735**	**669,066**	**23,301**	**(451,318)**	**955,590**	**1,265,374**

(*) Other reserves and deficits

	Employee share option plan reserve	Cash flow hedging	Effect of acquisition of non-controlling interest	Total
Balance at January 1, 2011	**113,112**	**-**	**(551,148)**	**(438,036)**
Issue of shares	(12,160)	-	-	(12,160)
Charge for the period	-	(1,188)	-	(1,188)
Deferred tax on charge for the period	-	66	-	66
Balance at June 30, 2011	**100,952**	**(1,122)**	**(551,148)**	**(451,318)**

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

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

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves and deficits (*)	Accumulated profit	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2012	**343,876,421**	**68,775**	**672,931**	**23,301**	**(451,785)**	**610,807**	**924,029**	**(558)**	**923,471**
Total comprehensive income/ (loss) for the period	-	-	-	-	(519)	(45,675)	(46,194)	(7,308)	(53,502)
Share issue cost [(2)]	-	-	(25)	-	-	-	(25)	-	(25)
Dividend declared and paid [(3)]	-	-	-	-	-	(34,388)	(34,388)	-	(34,388)
Balance at June 30, 2012	**343,876,421**	**68,775**	**672,906**	**23,301**	**(452,304)**	**530,744**	**843,422**	**(7,866)**	**835,556**

(*) Other reserves and deficits

	Employee share option plan reserve	Cash flow hedging	Effect of acquisition of non-controlling interest	Total
Balance at January 1, 2012	**99,163**	**200**	**(551,148)**	**(451,785)**
Credit for the period	-	(575)	-	(575)
Deferred tax on credit for the period	-	56	-	56
Balance at June 30, 2012	**99,163**	**(319)**	**(551,148)**	**(452,304)**

(1) During the six months ended June 30, 2011 1,318,972 (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).

(2) Costs related to service of share options plan.

(3) The dividend declared and paid in 2012 amounted to 0.10 per share (not in thousands). The dividend declared and paid in 2011 amounted to 0.04 per share (not in thousands).

Included in accumulated profit as of June 30, 2012 is an amount of 2,535,967 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.

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

	Note	Six months ended June 30, 2012	Six months ended June 30, 2011
Operating activities			
Cash generated from operations	**16**	159,124	189,518
Tax paid		(28,289)	(25,515)
Net cash generated by operating activities		**130,835**	**164,003**
Investing activities			
Payments to acquire property, plant and equipment		(74,365)	(90,854)
Proceeds from sale of property, plant and equipment		889	110
Payments to acquire intangible assets		(33,922)	(19,993)
Bank deposits with maturity over three months	**12**	40,910	320,997
Interest received		14,452	11,214
Net cash (used in)/ generated by investing activities		**(52,036)**	**221,474**
Financing activities			
Issue of shares, net of issue cost		-	14,121
Dividend paid		(34,388)	(13,728)
Cost of issue of 7.875% Senior Notes due 2018	**14**	-	(1,416)
Repurchase of PLN Bonds due 2013		-	(144,971)
Settlement of foreign exchange forward contracts	**11**	-	36,960
Restricted cash		-	110,204
Interest paid		(163,401)	(153,968)
Net cash used in financing activities		**(197,789)**	**(152,798)**
(Decrease)/ increase in cash and cash equivalents		**(118,990)**	**232,679**
Cash and cash equivalents at the start of the period		592,126	480,294
Transferred to disposal group classified as held for sale – Onet Group	**19**	(69,947)	-
Effects of changes in cash and cash equivalents of disposal group classified as held for sale – ITI Neovision Group	**19**	17,378	-
Effects of exchange rate changes		953	(723)
Cash and cash equivalents at the end of the period		**421,520**	**712,250**

According to the requirements of IFRS 5 the interim condensed consolidated cash flow statement for the six months ended June 30, 2012 is presented jointly for continuing and discontinued operations and the interim condensed consolidated cash flow statement for the six months ended June 30, 2011 is presented as previously reported. Details of cash flows of discontinued operations for the six months ended June 30, 2012 and the six months ended June 30, 2011 are disclosed in Note 19.

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 August 8, 2012.

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 one of the largest media and entertainment groups 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.

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 18, 2011 the Group along with ITI Media Group Limited (its intermediate parent entity) concluded agreements to effect the cooperation with Groupe Canal+ S.A. (“Canal+ Group”) and the combination of ITI Neovision Sp. z o.o. (“ITI Neovision”), the ‘n’ platform operator, and Canal+ Cyfrowy Sp. o.o., the "Cyfra+" platform operator (“Cyfra+”). The purpose of the transaction is to combine the Polish Pay-TV operations of ‘n’ and Cyfra+ creating a digital DTH platform ‘n/C+’ owned by Canal+ Group and TVN (see Note 19).

Also on December 18, 2011, ITI Media Group Limited as a seller, Canal+ Group as a purchaser and ITI Holdings as the guarantor of ITI Media Group Limited's obligations concluded the share purchase agreement (the “Share Purchase Agreement”) relating a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands (“N-Vision”) (the entity holding an indirect 51% stake in TVN S.A.).

The completion of both transactions is contingent on fulfillment of a number of conditions, including, but not limited to, antitrust regulatory approval of the transactions.

On June 4, 2012 the Group concluded a share purchase agreement (the “Agreement”) with Ringier Axel Springer Media AG (“RAS”) relating to Grupa Onet.pl S.A. (“Grupa Onet.pl”). The Agreement provides for the disposal of 100% of the shares in Grupa Onet.pl to a wholly owned subsidiary of RAS (“Holdco”) for consideration consisting of cash for 75.98% of shares in Grupa Onet.pl and 25% of shares in Holdco in exchange for the remaining shares in Grupa Onet.pl. (see Note 19).

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 six months ended June 30, 2012 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2011 except for amendments to standards which became effective January 1, 2012.

In 2012 the Group adopted:

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

The amendments amend the required disclosures related to transfers of financial assets. The amendments did not affect the Group's consolidated financial statements.

The following amendments to standards became effective January 1, 2012 but at the date of preparation of these financial statements they were not adopted by the EU:

(i) Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

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

(ii) Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The amendments relate to measuring deferred tax liabilities and deferred tax assets relating to investment property measured using the fair value model in IAS 40 Investment Property and introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment was incorporated into IAS 12 after excluding guidance regarding investment property measured at fair value. The amendments will 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, 2011 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 reclassified to conform to changes in presentation in the current period. No amendments have resulted in changes to previously presented net results or shareholders' equity.

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. Other assets, liabilities and costs are predominantly denominated in PLN.

The Group's policy in respect of management of foreign currency risks is to cover known risks in an efficient manner, both from a cost and cash flow perspective, and that no trading in financial instruments is undertaken. Following evaluation of its exposures the Group enters into derivative financial instruments to manage these exposures. Call options, swaps and forward exchange agreements may be entered into to manage currency exposures (see Note 11). Regular and frequent reporting to management is required for all transactions and exposures.

The estimated profit for the period from continuing operations (post-tax) impact on balances as of June 30, 2012 and June 30, 2011 of a reasonably possible EUR 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 EUR fluctuations, on the major EUR denominated items in the balance sheet * amounts to a loss of 133,938 (a loss of 121,975 as of June 30, 2011) and is presented below:

	Six months ended June 30, 2012	**Six months ended June 30, 2011**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
10.75% Senior Notes due 2017 including accrued interest	(103,717)	(97,031)
7.875% Senior Notes due 2018 including accrued interest	(30,499)	(28,533)
Trade payables	(436)	(222)
Other	(1,159)	(592)
Assets:		
Bank deposits with maturity over three months	1,381	-
Cash and cash equivalents	354	4,337
Trade receivables	138	66
	(133,938)	**(121,975)**

* Excluding assets and liabilities of disposal groups classified as held for sale

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated profit for the period from continuing operations (post-tax) impact on balances as of June 30, 2012 and June 30, 2011 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 2,466 (a loss of 2,536 as of June 30, 2011) and is presented below:

	Six months ended June 30, 2012	**Six months ended June 30, 2011**
Assumed USD appreciation against PLN:	5%	5%
Liabilities		
Trade payables	(2,884)	(2,859)
Assets:		
Trade receivables	265	260
Cash and cash equivalents	153	63
	(2,466)	**(2,536)**

* Excluding assets and liabilities of disposal groups classified as held for sale

The profit for the period from continuing operations 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 June 30, 2012 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 risk as of June 30, 2012.

(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 Group to concentration of credit risk, consist principally of trade receivables and related party receivables. The Group places its cash and cash equivalents and bank deposits with maturity over three months with financial institutions that the Group believes are credit worthy based on current credit ratings (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.

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

The majority of the Group's sales are made through advertising agencies (77% of the total trade receivables as of June 30, 2012) 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 17% and the single largest advertiser accounted for 3% of sales for the six months ended June 30, 2012. Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency.

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

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

Trade receivables (net)	**June 30, 2012**	**December 31, 2011**
Receivables from advertising agencies	77%	73%
Receivables from individual customers	17%	21%
Receivables from related parties	6%	6%
	100%	**100%**

* Excluding trade receivables of disposal groups classified as held for sale

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables (net) **	June 30, 2012	December 31, 2011 *
Agency A	14%	12%
Agency B	12%	13%
Agency C	8%	7%
Agency D	4%	6%
Agency E	4%	2%
Sub-total	**42%**	**40%**
Total other counterparties	58%	60%
	100%	**100%**

* 2011 figures represent comparative data for each Agency

** Excluding trade receivables of disposal groups classified as held for sale

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) **	June 30, 2012	December 31, 2011 *
Agency Group F	28%	22%
Agency Group G	21%	19%
Agency Group H	8%	8%
Agency Group I	4%	5%
Agency Group J	3%	4%
Sub-total	**64%**	**58%**
Total other counterparties	36%	42%
	100%	**100%**

* 2011 figures represent comparative data for each Agency Group

** Excluding trade receivables of disposal groups classified as held for sale

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 June 30, 2012.

(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 June 30, 2012 the Group had cash and cash equivalents and bank deposits with maturity over three months totaling 455,610 at its disposal (cash and cash equivalents and bank deposits with maturity over three months totaling 667,126 at December 31, 2011).

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

	Within 1 year	Between 1-2 years	Above 2 years
At June 30, 2012			
10.75% Senior Notes due 2017	271,648	271,648	3,477,719
7.875% Senior Notes due 2018	58,726	58,726	1,009,995
Trade payables	144,164	9,261	-
Other liabilities and accruals	126,997	7,913	-
	601,535	**347,548**	**4,487,714**
At December 31, 2011			
10.75% Senior Notes due 2017	281,560	281,560	3,745,402
7.875% Senior Notes due 2018	60,870	60,870	1,077,290
Trade payables	163,639	15,010	-
Other liabilities and accruals	120,795	8,317	-
	626,864	**365,757**	**4,822,692**

* Excluding financial liabilities of disposal groups classified as held for sale

(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 and bank deposits with maturity over three months held by all subsidiaries of the Group. 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.

	Twelve months ended June 30, 2012	**Twelve months ended December 31, 2011**
Net debt	2,744,977	2,706,961
EBITDA before impairment of Onet goodwill	577,800	659,796
Impairment of Onet goodwill	(216,029)	-
EBITDA after impairment of Onet goodwill	361,771	659,796
Net debt/ EBITDA ratio before impairment	4.8	4.1
Net debt/ EBITDA ratio after impairment	7.6	4.1

Net debt, EBITDA and net debt/ EBITDA ratio are calculated jointly for continuing and discontinued operations.

Subject to changes in EUR/ PLN foreign exchange rate, the Group's goal is to lower both its gross and net debt to EBITDA ratios.

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 June 30, 2012				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	21,504	-	21,504
	-	**21,504**	**-**	**21,504**
Liabilities				
Derivative financial liabilities				
Foreign exchange forward contracts	-	98	-	98
	-	**98**	**-**	**98**
At December 31, 2011				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	1,580	-	1,580
	-	**1,580**	**-**	**1,580**

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 which had abated somewhat, has returned as a result of the ongoing sovereign debt issues in a number of European countries and recent financial issues in the United States of America, which contributes to 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, has 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 remaining impairment loss is allocated to the carrying value of brand and other assets of the on-line cash-generating unit pro rata on the basis of the carrying amount of each asset in the CGU.

As a result of the agreements signed on June 4, 2012 with Ringier Axel Springer Media AG the Group classified the on-line cash-generating unit, including goodwill and brand, as an asset held for sale (see Note 19) and as a result of the reclassification the Group performed an impairment test of the on-line cash-generating unit. The recoverable amount of the cash-generating unit was determined based on fair value less cost to sell. In the impairment test performed by the Group as at June 4, 2012 the fair value less cost to sell was determined based on the valuation of Onet Group implied by the transaction with Ringier Axel Springer Media AG, which amounts to approximately 1,275,000. The carrying amount of the on-line cash-generating unit was adjusted in order to reflect the expected amount of cash and cash equivalents of Onet Group as at the transaction closing date. The adjusted carrying amount of the on-line cash-generating unit, including goodwill and brand, exceeded the valuation of Onet Group by 216,029 and as a result an impairment loss in the amount of 216,029 was recognized by the Group. The impairment loss reduces the carrying amount of goodwill and is presented within discontinued operations in the income statement (see Note 19).

The previous impairment test was carried out as at December 31, 2011. 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, 2011 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 2016.

The key financial assumptions used for discounting free cash flows in 2011 were as follows:

Terminal growth	4%
Discount rate	9.26%

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Other key assumptions included:

- annual growth rate of the Polish advertising market in 2012 to 2016,
- increase in the online advertising market as a percentage of the total Polish advertising market in 2012 to 2016,
- share of Onet in the online advertising market in 2012 to 2016,
- growth of free cash flows in 2017 to 2026.

The test performed as at December 31, 2011 indicated that the on-line 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 on-line cash generating unit as at December 31, 2011 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's recoverable amount was based would not have caused the impairment charge to be recognized as at December 31, 2011.

(ii) Estimated impairment of digital satellite pay television cash-generating unit

As a result of the agreements signed on December 18, 2011 with Canal+ Group the Group classified the digital satellite pay television cash-generating unit, including goodwill, as an asset held for sale (see Note 19).

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 June 30, 2012 the Group assessed that the operating and financial results of the digital satellite pay television cash-generating unit do not indicate impairment.

The last impairment test was carried out as at December 31, 2011. The recoverable amount of the cash-generating unit was determined based on fair value less cost to sell. In the annual impairment test performed by the Group as at December 31, 2011 the fair value less cost to sell, in the absence of an active market for similar cash-generating units, was determined based on the valuation of the Group's stake in the value of the combined 'n' and Cyfra+ platforms ('n/C+') performed by the Group's investment bank for the purpose of issuing the fairness opinion in connection with the transaction.

The key financial assumptions used by the Group's investment bank in the process of valuing of the 'n' digital satellite pay television were as follows:

Terminal growth	3%
Discount rate	11.2%

The test performed as at December 31, 2011 indicated, that the digital satellite pay television cash-generating unit, including goodwill, did not suffer any impairment.

Management believes that any reasonably possible change in the key assumptions on which the valuation was based would not have caused an impairment charge to be recognized as at December 31, 2011.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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, 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 June 30, 2012 the Group assessed that the operating and financial results of the teleshopping cash-generating unit do not indicate impairment.

The last impairment test was carried out as at December 31, 2011. In the annual impairment test performed by the Group as at December 31, 2011 the recoverable amount of the cash-generating unit was determined based on value-in-use calculations. These calculations required the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period.

The key financial assumptions used for discounting free cash flows in 2011 were as follows:

Terminal growth	3%
Discount rate	10.05%

The test performed as at December 31, 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 December 31, 2011 were reasonable and were based on our experience and market forecasts that are from time to time published by the industry experts. In case the actual cash flows generated by teleshopping unit differ from the budgeted due to the unfavourable changes of the key business plans assumptions including the revenue growth rates and operating margin, the teleshopping cash generating unit could suffer impairment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iv) Estimated useful life of Mango brand

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

- the expected usage of the brand and whether the brand could be managed efficiently,
- technical, technological, commercial or other types of obsolescence,
- the stability of the industry in which the brand operates and changes in the market demand for teleshopping services,
- expected actions by competitors or potential 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.

(v) Deferred tax assets

On November 28, 2011 the brands owned previously by TVN S.A. (including internally generated brands which were not recognized on the consolidated balance sheet) were contributed in kind to its new subsidiary TVN Media. As a result a temporary difference arose on the difference between the brands' book carrying value (of zero) and its new tax base. As at June 30, 2012 the Group recognized the deferred tax asset on this temporary difference to the extent that, based on the Group's judgment, the realization of the tax benefit is probable i.e. in the amount of 27,514 (December 31, 2011: 27,514) representing the tax amortization of brands to be realized within next twelve months. The Group assessed that the realization of the tax benefit resulting from the remaining amount of the temporary difference was not probable and therefore no deferred tax asset was recognized for subsequent years. As at June 30, 2012 the Group did not recognize a deferred tax asset in the amount of 231,578 (December 31, 2011: 245,335) related to the tax value of brands recognized by TVN Media.

As at June 30, 2012 the Group also did not recognize a deferred tax asset on a temporary difference of 801,923 between the carrying amount of the investment in its digital satellite pay television of 1,212,752 and its tax base of 2,014,675. The deferred tax asset in the amount of 152,365 (December 31, 2011: 145,642) was not recognized on this temporary difference in the consolidated financial statements as the reversal of this temporary difference depends, among other conditions, on the consent of the third party (antitrust regulatory approval) and obtaining this consent is not under the control of the Group (see Note 19). Thus the Group concluded that the criteria for the deferred tax assets recognition are not met.

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. 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.

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.

As a result of the agreements signed on December 18, 2011 with Canal+ Group and on June 4, 2012 with Ringier Axel Springer Media AG the digital satellite pay television segment and on-line segment are presented within discontinued operations (see Note 19).

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

5. SEGMENT REPORTING (CONTINUED)

Reconciliation of EBITDA from continuing operations to profit before income tax from continuing operations:

	Six months ended June 30, 2012	Six months ended June 30, 2011
EBITDA from continuing operations	**232,846**	**288,569**
Depreciation of property, plant and equipment	(28,282)	(26,768)
Amortization of intangible assets	(6,762)	(4,260)
Operating profit from continuing operations	**197,802**	**257,541**
Interest income (see Note 8)	11,597	7,999
Finance expense (see Note 8)	(183,463)	(176,444)
Foreign exchange gains, net (see Note 8)	156,209	30,128
Share of loss of associate	(15)	(51)
Profit before income tax from continuing operations	**182,130**	**119,173**

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

5. SEGMENT REPORTING (CONTINUED)

Six months ended June 30, 2011	Television broadcasting and production	Digital satellite pay television	On-line	Teleshopping	Discontinued operations	Other reconciling items		Total
Revenue from external customers	808,515	354,720	119,497	23,216	(448,503)	-		857,445
Inter-segment revenue	33,275	1,225	10,985	-	-	(45,485)		-
Total revenue	**841,790**	**355,945**	**130,482**	**23,216**	**(448,503)**	**(45,485)**		**857,445**
EBITDA	**322,818**	**5,102**	**46,128**	**348**	**(51,230)**	**(34,597)**	*	**288,569**
Depreciation of property, plant and equipment	(26,634)	(68,431)	(8,813)	(134)	77,244	-		(26,768)
Amortization of intangible assets	(4,235)	(14,589)	(6,302)	(24)	20,891	(1)		(4,260)
Operating profit/ (loss)	**291,949**	**(77,918)**	**31,013**	**190**	**46,905**	**(34,598)**		**257,541**
Additions to property, plant and equipment and other intangible assets	23,573	68,346	10,234	203	(78,580)	(55)		23,721
As at December 31, 2011								
Segment assets including:	**1,755,375**	**1,465,263**	**1,838,852**	**76,832**	**-**	**(24,364)**	**	**5,111,958**
Investment in associates	2	1,297	308	-	(413)	-		1,194

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

** Other reconciling items to segment assets include: deferred tax assets (43,056) and other assets and consolidation adjustments (deficit of 67,420).

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

5. SEGMENT REPORTING (CONTINUED)

Six months ended June 30, 2012	Television broadcasting and production	Digital satellite pay television	On-line	Teleshopping	Discontinued operations	Other reconciling items		Total
Revenue from external customers	770,177	418,121	119,750	19,659	(511,051)	-		816,656
Inter-segment revenue	29,504	1,130	6,044	172	-	(36,850)		-
Total revenue	**799,681**	**419,251**	**125,794**	**19,831**	**(511,051)**	**(36,850)**		**816,656**
EBITDA	**263,394**	**(1,119)**	**45,518**	**(1,930)**	**(44,399)**	**(28,618)**	*****	**232,846**
Depreciation of property, plant and equipment	(28,178)	(70,451)	(9,836)	(105)	80,287	1		(28,282)
Amortization of intangible assets	(6,739)	(17,195)	(6,218)	(28)	23,413	5		(6,762)
Impairment of intangible assets	-	-	(266)	-	266	-		-
Segments' operating profit/ (loss)	**228,477**	**(88,765)**	**29,198**	**(2,063)**	**59,567**	**(28,612)**		**197,802**
Impairment of goodwill	-	-	(216,029)	-	216,029	-		-
Operating profit/ (loss)	**228,477**	**(88,765)**	**(186,831)**	**(2,063)**	**275,596**	**(28,612)**		**197,802**
Additions to property, plant and equipment and other intangible assets	60,241	27,717	15,536	28	(43,253)	(209)		60,060
As at June 30, 2012								
Segment assets including:	**1,807,888**	**1,435,722**	**1,508,408**	**76,497**	**-**	**67,898**	******	**4,896,413**
Investment in associates	-	987	138	-	(1,125)	-		-

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

** Other reconciling items to segment assets include: deferred tax assets (45,195), derivative financial assets (21,504) and other assets and consolidation adjustments (1,199)

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

6. REVENUE

	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenue from advertising spot sales	574,202	620,566
Subscription fees	109,010	95,691
Revenue from sponsoring	70,680	65,098
Revenue from sales of goods	16,310	18,556
Other revenue	46,454	57,534
	816,656	**857,445**

Subscription fees include subscriptions receivable by TVN from DTH and cable operators. Other revenue includes revenue generated from call television, text messages and sales of rights to programming content.

Included in revenues for the six months ended June 30, 2012 are revenues from related parties in the amount of 3,472 (the six months ended June 30, 2011: 2,703) (see Note 21 (i)).

7. OPERATING EXPENSES

	Six months ended June 30, 2012	Six months ended June 30, 2011
Amortization of locally produced content	234,281	220,297
Amortization of acquired programming rights and co-production	75,816	76,535
Staff expenses	88,945	78,724
Depreciation and amortization	35,044	31,028
Marketing and research	31,376	27,103
Broadcasting expenses	32,676	25,777
Rental	20,482	19,243
Royalties	27,825	32,765
Cost of services and goods sold	17,520	18,471
Impaired accounts receivable	(623)	1,438
Other	56,159	67,510
	619,501	**598,891**

Included in the above operating expenses are operating lease expenses for the six months ended June 30, 2012 of 57,356 (the six months ended June 30, 2011: 51,392).

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

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

Interest income	**Six months ended June 30, 2012**	**Six months ended June 30, 2011**
Interest income on foreign exchange forward contracts – cash flow hedges (see Note 11)	196	-
Other interest income	11,401	7,999
	11,597	**7,999**
Finance expense		
Interest expense on 10.75% Senior Notes due 2017 (see Note 14)	(139,164)	(130,780)
Interest expense on 7.875% Senior Notes due 2018 (see Note 14)	(30,189)	(28,299)
Interest expense on PLN Bonds due 2013	-	(1,389)
Interest expense on foreign exchange forward contracts – fair value and cash flow hedges (see Note 11)	(10,969)	(10,406)
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))	(724)	(636)
Bank and other charges	(2,417)	(746)
	(183,463)	**(176,444)**
Foreign exchange gains, net		
Foreign exchange gains/ (losses) on 10.75% Senior Notes due 2017, including:	119,864	21,509
- unrealized foreign exchange gains/ (losses) on 10.75% Senior Notes due 2017	*92,199*	*(15,675)*
- realized foreign exchange gains on 10.75% Senior Notes due 2017	*1,692*	*1,214*
- fair value hedge impact (see Note 11)	*25,973*	*35,970*
Foreign exchange gains/ (losses) on 7.875% Senior Notes due 2018, including:	35,241	6,252
- unrealized foreign exchange gains/ (losses) on 7.875% Senior Notes due 2018	*27,210*	*(4,620)*
- realized foreign exchange gains on 7.875% Senior Notes due 2018	*366*	*257*
- fair value hedge impact (see Note 11)	*7,665*	*10,615*
Other foreign exchange gains, net	1,104	2,367
	156,209	**30,128**

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

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

Basic

Basic (losses)/ earnings per share is 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.

	Six months ended June 30, 2012	Six months ended June 30, 2011
(Loss)/ profit attributable to the owners of TVN S.A. (in thousands):		
- from continuing operations	169,451	94,046
- from discontinued operations	(215,126)	(66,628)
	(45,675)	**27,418**
Weighted average number of ordinary shares in issue	343,876,421	342,871,037
Basic (losses)/ earnings per share		
- from continuing operations	0.49	0.27
- from discontinued operations	(0.62)	(0.19)
	(0.13)	**0.08**

Diluted

Diluted (losses)/ earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of potential ordinary shares: share options. For the share options a calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares 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.

	Six months ended June 30, 2012	Six months ended June 30, 2011
(Loss)/ profit attributable to the owners of TVN S.A. (in thousands):		
- from continuing operations	169,451	94,046
- from discontinued operations	(215,126)	(66,628)
	(45,675)	**27,418**
Weighted average number of ordinary shares in issue	343,876,421	342,871,037
Adjustment for share options	92,640	3,647,880
Weighted average number of potential ordinary shares for diluted earnings per share	343,969,061	346,518,917
Diluted (losses)/ earnings per share		
- from continuing operations	0.49	0.27
- from discontinued operations	(0.62)	(0.19)
	(0.13)	**0.08**

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

10. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	**Loans and receivables**	**Derivatives used for hedging**	**Total**
June 30, 2012			
Trade receivables	298,902	-	298,902
Derivative financial assets	-	21,504	21,504
Bank deposits with maturity over three months	34,090	-	34,090
Cash and cash equivalents	421,520	-	421,520
	754,512	**21,504**	**776,016**
December 31, 2011			
Trade receivables	376,430	-	376,430
Derivative financial assets	-	1,580	1,580
Bank deposits with maturity over three months	75,000	-	75,000
Cash and cash equivalents	592,126	-	592,126
	1,043,556	**1,580**	**1,045,136**

Liabilities as per balance sheet	**Derivatives used for hedging**	**Other financial liabilities**	**Total**
June 30, 2012			
10.75% Senior Notes due 2017	-	2,454,842	2,454,842
7.875% Senior Notes due 2018	-	726,526	726,526
Accrued interest on borrowings	-	41,297	41,297
Non-current trade payables	-	9,261	9,261
Current trade payables	-	144,164	144,164
Derivative financial liabilities	98	-	98
Other liabilities and accruals*	-	134,909	134,909
	98	**3,510,999**	**3,511,097**
December 31, 2011			
10.75% Senior Notes due 2017	-	2,542,476	2,542,476
7.875% Senior Notes due 2018	-	752,490	752,490
Accrued interest on borrowings	-	42,804	42,804
Non-current trade payables	-	15,010	15,010
Current trade payables	-	163,639	163,639
Other liabilities and accruals*	-	129,112	129,112
	-	**3,645,531**	**3,645,531**

* 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

	June 30, 2012	December 31, 2011
Derivative financial assets		
Foreign exchange forward contracts	21,504	1,580
	21,504	**1,580**
Derivative financial liabilities		
Foreign exchange forward contracts	98	-
	98	**-**

On March 9 and March 13, 2012 the Group entered into EUR foreign exchange forward contracts 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 contracts has in total a notional value of EUR 200,000, settlement date on October 2, 2012 and PLN/EUR foreign exchange forward rate of 4.20. The Group has designated these EUR foreign exchange forward contract for fair value hedge accounting.

On May 10, 2012 the Group entered into EUR foreign exchange forward contracts in order to limit the impact on the Group's subscription revenue from DTH and cable operators of PLN/EUR exchange rate movements. The hedging strategy based on EUR foreign exchange forward contracts has in total a notional value of EUR 6,742, settlement dates between October 31, 2012 and December 31, 2012 and PLN/EUR foreign exchange forward rates between 4.31 and 4.34. The Group has designated these EUR foreign exchange forward contracts for cash flow hedge accounting.

The fair value of foreign exchange forward contracts as at June 30, 2012 and December 31, 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):

	June 30, 2012	December 31, 2011
Derivative financial assets		
Bank rated AA	21,504	-
Bank rated A+	-	1,580
	21,504	**1,580**
Derivative financial liabilities		
Bank rated BBB+	98	-
	98	**-**

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

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

	June 30, 2012	December 31, 2011
Cash at bank and in hand *	421,520	592,126
	421,520	**592,126**
Bank deposits with maturity over three months	34,090	75,000
	34,090	**75,000**

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

	June 30, 2012	December 31, 2011
Bank rated BBB+	331,429	424,859
Bank rated AA	80,424	98,935
Banks rated BBB and other	9,667	68,332
	421,520	**592,126**

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

	June 30, 2012	December 31, 2011
Bank rated BBB+	34,090	-
Bank rated AA	-	75,000
	34,090	**75,000**

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

	June 30, 2012	December 31, 2011
EUR	34,090	-
PLN	-	75,000
	34,090	**75,000**

* Excluding cash and cash equivalents of disposal groups classified as held for sale (see Note 19)

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 June 30, 2012 was 343,876,421 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 June 30, 2012:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polish Television Holding B.V. [(1)] [(2)]	180,355,430	52.45%	180,355,430	52.45%
Cadizin Trading&Investment [(1)]	5,415,781	1.57%	5,415,781	1.57%
Other shareholders	158,105,210	45.98%	158,105,210	45.98%
Total	**343,876,421**	**100.00%**	**343,876,421**	**100.00%**

[(1)] Entities controlled by ITI Group.

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

All shares in issue as at June 30, 2012 are registered by the Court.

14. BORROWINGS

	June 30, 2012	December 31, 2011
10.75% Senior Notes due 2017	2,454,842	2,542,476
Interest accrued on 10.75% Senior Notes due 2017	33,956	35,195
7.875% Senior Notes due 2018	726,526	752,490
Interest accrued on 7.875% Senior Notes due 2018	7,341	7,609
	3,222,665	**3,337,770**
Less: current portion of borrowings	(41,297)	(42,804)
Non-current portion of borrowings	**3,181,368**	**3,294,966**

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 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 EUR 148,000 of additional 10.75% Senior Notes due 2017. 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 EUR 40,000 of additional 10.75% Senior Notes due 2017. The 10.75% Senior Notes due 2017 issued in April 2010 are carried at amortized cost using an effective interest rate of 11.3%.

14. BORROWINGS (CONTINUED)

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 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.

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., Mango Media Sp. z o.o. and TVN Media Sp. z o.o.

The fair value of the 10.75% Senior Notes due 2017, excluding accrued interest, as at June 30, 2012 was estimated to be PLN 2,653,298 or EUR 622,650. The fair value of the 7.875% Senior Notes due 2018, excluding accrued interest, as at June 30, 2012 was estimated to be PLN 737,337 or EUR 173,031. 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 June 30, 2012. 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 both a change of control over the Company and a 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

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

14. BORROWINGS (CONTINUED)

- 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
- 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.

Revolving guarantee facility

On December 17, 2010 the Group entered into a revolving guarantee facility agreement with Bank Pekao S.A. On May 17, 2011, on July 26, 2011, on September 30, 2011 and on March 13, 2012 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, 2013. 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 June 30, 2012 the revolving guarantee facility had been used for the bank guarantees issued at 153,628 (December 31, 2011: 203,943).

15. OTHER LIABILITIES AND ACCRUALS

	June 30, 2012	December 31, 2011
Employee benefits	40,256	43,284
VAT and other taxes payable	24,452	70,199
Accrued production and programming costs	23,219	12,038
Deferred income	11,236	15,693
Sales and marketing related costs	2,584	5,431
Satellites	4,836	4,875
Other liabilities and accrued costs	96,358	98,451
	202,941	**249,971**

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

16. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of (loss)/ profit for the period to cash generated from operations

	Note	Six months ended June 30, 2012	Six months ended June 30, 2011
(Loss)/ profit for the period		(52,983)	27,418
Tax charge		34,454	47,791
Depreciation, amortization and impairment		48,878	129,484
Impairment of goodwill		216,029	-
Amortization of acquired programming rights and co-production		116,337	102,834
Impaired accounts receivable		2,486	9,519
Loss on sale of property, plant and equipment		119	378
Interest income	**8, 19**	(15,205)	(10,797)
Finance expense	**8, 19**	185,314	177,894
Foreign exchange gains, net	**8, 19**	(157,756)	(31,355)
Share of profit of associates		(489)	(198)
Guarantee fee	**8**	(1,425)	(1,273)
Payments to acquire programming rights		(176,161)	(107,047)
Change in local production balance		3,334	(1,519)
Changes in working capital:			
Trade receivables		20,143	(84,398)
Prepayments and other assets		(59,314)	42,666
Trade payables		(11,347)	(53,524)
Other short term liabilities and accruals		6,710	(58,355)
		(43,808)	(153,611)
Cash generated from operations		**159,124**	**189,518**

Non-cash transactions

Barter (costs)/ revenue, net		(281)	5,062

According to the requirements of IFRS 5 the consolidated cash flow statement for the six months ended June 30, 2012 is presented jointly for continuing and discontinued operations and the consolidated cash flow statement for the six months ended June 30, 2011 is presented as previously reported. Details of cash flows of discontinued operations for the six months ended June 30, 2012 and the six months ended June 30, 2011 are disclosed in Note 19.

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

17. TAXATION

	Six months ended June 30, 2012	Six months ended June 30, 2011
Current tax charge	(900)	(31,281)
Deferred tax (charge)/ credit	(19,087)	6,154
	(19,987)	**(25,127)**
Reconciliation of accounting profit to tax charge		
Profit before income tax	**182,130**	**119,173**
Income tax charge at the enacted statutory rate of 19%	(34,605)	(22,643)
Impact of tax amortization of brands recognized by TVN Media	13,757	-
Net tax impact of expenses and losses not deductible for tax purposes, revenue not taxable and other adjustments	861	(2,484)
Tax for the period	**(19,987)**	**(25,127)**

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted and may impose additional tax assessments with penalty interest and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

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

Management believes that it is probable that taxable profit will be available in the future against which the deductible temporary differences can be utilized, and consequently has recognized deferred tax assets in the amount that reflects the assumed utilization of tax losses and tax credits. The deferred tax amounts were calculated using the enacted tax rate of 19% as at June 30, 2012.Deferred tax assets not recognized are disclosed in Note 4 (v).

	Six months ended June 30, 2012	Six months ended June 30, 2011
Movements in deferred tax asset		
Balance at beginning of period	43,056	46,505
Credit/ (charge) to the income statement	15,508	(5,279)
Transferred to disposal group classified as held for sale (see Note 19)	(13,369)	-
Balance at end of period	**45,195**	**41,226**

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

17. TAXATION (CONTINUED)

	Six months ended June 30, 2012	Six months ended June 30, 2011
Movements in deferred tax liability		
Balance at beginning of period	(158,301)	(168,255)
Deferred tax credited to other comprehensive income, net	56	66
Charge to the income statement	(34,595)	(9,497)
Charge to the result of discontinued operations	(7,408)	-
Transferred to disposal group classified as held for sale (see Note 19)	122,251	-
Balance at end of period	**(77,997)**	**(177,686)**

18. COMMITMENTS

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

* Excluding commitments of disposal groups classified as held for sale (see Note 19)

(i) Commitments to acquire programming

The Group has outstanding contractual payment commitments in relation to programming as of June 30, 2012. These commitments are scheduled to be paid as follows:

Due in 2012	93,478
Due in 2013	217,622
Due in 2014	109,312
Due in 2015	85,724
Due in 2016	74,978
Due in 2017 and thereafter	73,513
	654,627

(ii) Total future minimum payments relating to operating lease agreements signed as at June 30, 2012:

	Related parties	Non-related parties	Total
Due in 2012	7,727	11,171	18,898
Due in 2013	14,791	12,924	27,715
Due in 2014	14,727	6,507	21,234
Due in 2015	14,727	4,391	19,118
Due in 2016	10,045	2,639	12,684
Due in 2017	465	-	465
	62,482	**37,632**	**100,114**

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

18. COMMITMENTS (CONTINUED)

Contracts signed with related parties relate to lease of office space and television studios from Poland Media Properties S.A. ("Poland Media Properties") and MBC Real Estate Sp. z o.o. Spółka komandytowo-akcyjna ("MBC Real Estate"). MBC Real Estate is a subsidiary of ITI Group.

Commitments in foreign currencies were calculated using exchange rates as at June 30, 2012.

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

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

Due in 2012	16,519
Due in 2013	41,577
Due in 2014	41,577
Due in 2015	38,771
Due in 2016	38,623
Due in 2017 and thereafter	73,577
	250,644

Additionally, the Group leases transmission sites and related services for an annual amount of 21,664.

(iii) Barter commitments

The Group has an outstanding service commitment to broadcast advertising of 1,180 to settle sundry amounts payable recorded as of June 30, 2012 (3,310 at December 31, 2011). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at June 30, 2012, the Group assumed contractual commitments of 1,066 to acquire property, plant and equipment and intangible assets (1,226 at December 31, 2011).

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

19. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets of disposal groups classified as held for sale

	June 30, 2012	December 31, 2011
ITI Neovision Group	1,510,938	1,463,368
Onet Group	1,504,973	-
	3,015,911	**1,463,368**

Liabilities of disposal groups classified as held for sale

	June 30, 2012	December 31, 2011
ITI Neovision Group	215,802	253,600
Onet Group	177,954	-
	393,756	**253,600**

(Loss)/ profit for the period from discontinued operations

	Six months ended June 30, 2012	Six months ended June 30, 2011
ITI Neovision Group	(17,067)	(92,823)
Onet Group (including impairment of goodwill)	(198,059)	26,195
	(215,126)	**(66,628)**

ITI Neovision Group

The assets and liabilities related to ITI Neovision Group (included in the Digital satellite pay television segment) are presented as held for sale, the following conclusion of agreements between the Group, ITI Media Group Limited and Canal+ Group (see Note 1) as the result of which TVN's control over the ITI Neovision Group will be exchanged for a 32% interest in a merged entity encompassing the ITI Neovision Group and Cyfra+. The operations of ITI Neovision Group are presented as discontinued operations.

On December 18, 2011 the agreements were concluded to effect the cooperation with Canal+ Group and the combination of ITI Neovision, the 'n' platform operator, and Canal+ Cyfrowy Sp. o.o., the "Cyfra+" platform operator ("Cyfra+"). The purpose of the transaction is to combine the Polish Pay-TV operations of 'n' and Cyfra+ creating a digital DTH platform 'n/C+' owned by Canal+Group and TVN. The combined DTH platform 'n/C+' will benefit from the 2.5 million customer base and the effect of scale, synergies and increased efficiency.

According to the agreements the principal obligation of the Group is to procure the direct or indirect contribution of its entire interest in ITI Neovision Group and the principal obligation of Canal+ Group is to procure the direct or indirect contribution of its entire interest in Cyfra+ to the combined entity 'n/C+' where the Group will hold 32% of shares, Canal+ Group will hold 51% of shares and the remaining 17% of the share capital of the 'n/C+' will be held by LGI Ventures B.V. ("UPC"). According to the current estimates of the Management Board, the value of the Group's 32% stake in the 'n/C+' is around 1.9 billion based on the valuation of the Group's stake in the value of combined 'n' platform and Cyfra+ platform ('n/C+') performed by the Group's investment bank for the purpose of issuing the fairness opinion in connection with the above transaction. As the sales consideration of 1.9 billion exceeds the carrying amount of net assets (approximately 1.2 billion as at December 31, 2011) no impairment was recognized on the reclassification of the group to be disposed to "held for sale".

19. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Canal+ Group has two call options regarding TVN's 32% stake in the combined entity 'n/C+' exercisable in the periods of three months following the third and fourth anniversaries after the completion of the transaction. In both options the price for the option shares will be based on the fair market valuation performed by an investment bank. In case Canal+ Group does not exercise its option, TVN has been granted liquidity rights in the form of an initial public offering, exercisable starting four years after closing of the transaction.

Simultaneously, as a separate transaction, ITI Media Group Limited as a seller, Canal+ Group as a purchaser and ITI Holdings as the guarantor of ITI Media Group Limited's obligations concluded the share purchase agreement (the "Share Purchase Agreement") relating a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands ("N-Vision") (the entity holding an indirect 51% stake in TVN S.A.). This share purchase agreement includes call options granted to Canal+ Group which provide a potential path to full control of N-Vision three or four years after closing of the transaction.

The completion of both transactions is contingent on fulfillment of a number of conditions, including, but not limited to, antitrust regulatory approval of the transactions.

If conditions precedent to the combination of the Pay-TV operations of "n" and Cyfra+ are fulfilled, but TVN would not be able to fulfill other conditions and the agreements terminate, TVN is then obliged to pay to Canal+ Group a break-up fee of EUR 75 million ("Break-up Fee") unless such Break-up Fee is discharged by ITI Holdings under the Share Purchase Agreement. If the Break-up Fee is paid by TVN, ITI Holdings will immediately on demand, reimburse TVN for the full amount of such Break-up Fee.

ITI Holdings and TVN entered into a side letter regarding break-up fees payable under the Share Purchase Agreement in case the transaction is not completed due to either party to that agreement not acting in good faith to procure the fulfillment of the conditions precedent to closing. Under this side letter if the transaction is not completed due to Canal+ Group's failure to act in good faith to procure the fulfillment of the conditions precedent, TVN will be entitled to 50% of the break-up fee payable by Canal+ Group to ITI Holdings under the Share Purchase Agreement which is EUR 25 million. If the transaction is not completed due to ITI Holdings not acting in good faith due to reasons for which TVN is responsible, TVN has to reimburse ITI for EUR 25 million, being 50% of the break-up fee payable in such circumstances by ITI Holding to Canal+ Group under the Share Purchase Agreement.

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

19. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Assets of disposal group classified as held for sale – ITI Neovision Group

	June 30, 2012	December 31, 2011
Non-current assets		
Property, plant and equipment	378,166	361,226
Goodwill	724,957	724,957
Brand	74,575	74,575
Other intangible assets	93,546	84,614
Investment in associate	987	413
Deferred tax asset	4,969	5,991
	1,277,200	**1,251,776**
Current assets		
Current programming rights	67,453	20,200
Trade receivables	58,057	50,181
Derivative financial assets	109	656
Prepayments and other assets	63,741	78,805
Corporate income tax receivable	936	931
Cash and cash equivalents	43,442	60,819
	233,738	**211,592**
	1,510,938	**1,463,368**

Liabilities of disposal group classified as held for sale – ITI Neovision Group

	June 30, 2012	December 31, 2011
Non-current liabilities		
Deferred tax liability	19,887	19,887
Other non-current liabilities	2,038	2,261
	21,925	**22,148**
Current liabilities		
Current trade payables	58,234	90,262
Other liabilities and accruals	135,643	141,190
	193,877	**231,452**
	215,802	**253,600**

Commitments of disposal group classified as held for sale as at June 30, 2012 – ITI Neovision Group

Commitments to acquire programming:

Due in 2012	96,852
Due in 2013	161,144
Due in 2014	139,561
Due in 2015	80,421
Due in 2016	32,642
Due in 2017	31,115
	541,735

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

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

19. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Total future minimum payments relating to operating lease agreements signed as at June 30, 2012:

	Related parties	Non-related Parties	Total
Due in 2012	1,416	225	1,641
Due in 2013	2,832	451	3,283
Due in 2014	2,832	-	2,832
Due in 2015	2,832	-	2,832
	9,912	**676**	**10,588**

Satellite capacity commitments:

Due in 2012	24,285
Due in 2013	48,570
Due in 2014	48,570
Due in 2015	32,386
Due in 2016 and thereafter	54,651
	208,462

As at June 30, 2012, the ITI Neovision Group assumed contractual commitments of 11,946 to acquire property, plant and equipment and intangible assets.

Commitments in foreign currencies were calculated using exchange rates as at June 30, 2012.

Prior to June 30, 2012 ZAIKS, a collective rights management organization representing the rights of authors and composers being members of this association, filed two court claims against ITI Neovision in the total amount of 50,075 covering the period from October 12, 2006 until December 31, 2010. Following the conclusions from both external legal opinions as well as internal analysis ITI Neovision believes that it is adequately provided for with regard to these claims.

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

19. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Analysis of the result of discontinued operations – ITI Neovision Group

	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenue	391,445	333,778
Cost of revenue	(310,210)	(308,936)
Selling expenses	(67,280)	(85,923)
General and administration expenses	(23,364)	(16,384)
Other operating (expense)/ income, net	(1,014)	279
Operating loss	**(10,423)**	**(77,186)**
Interest income	753	202
Finance expense	(1,990)	(1,430)
Foreign exchange gains, net	1,932	1,137
Share of profit of associate	504	250
Loss before income tax	**(9,224)**	**(77,027)**
Income tax charge	(7,843)	(15,796)
Loss for the period from discontinued operations	**(17,067)**	**(92,823)**

According to the requirements of IFRS 5 depreciation and amortization of the disposal group classified as held for sale ceased on the reclassification date.

Cash flows of discontinued operations – ITI Neovision Group

	Six months ended June 30, 2012	Six months ended June 30, 2011
Net cash (used in)/ generated by operating activities	(20,159)	4,431
Net cash used in investing activities	(44,728)	(89,226)
Net cash generated by financing activities	47,509	87,270
	(17,378)	**2,475**

Onet Group

The assets and liabilities related to Onet Group (included in the On-line segment) are presented as held for sale as at June 30, 2012, following conclusion of a share purchase agreement (the “Agreement”) between the Group and Ringier Axel Springer Media AG (“RAS”) (see Note 1). The Agreement was concluded on June 4, 2012 and it provides for the disposal of 100% of the shares in Grupa Onet.pl to a wholly owned subsidiary of RAS (“Holdco”) for consideration consisting of cash for 75.98% of shares in Grupa Onet.pl and 25% of shares in Holdco in exchange for the remaining shares in Grupa Onet.pl. The operations of Onet Group are presented as discontinued operations.

19. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Under the Agreement 6,115,716 shares in Grupa Onet.pl, which represent approximately 75.98% of Grupa Onet.pl's share capital, will be sold by Grupa Onet Poland Holding, a wholly–owned subsidiary of TVN Group, to Holdco wholly–owned by RAS. The selling price is 968,750. Part of the remuneration in the amount of 956,250 ("Part Consideration") will be subject to further adjustments reflecting the financial condition of Grupa Onet.pl, but will not be increased by more than 37,500. The 96% of the Part Consideration will be paid on the closing date. The remainder of the Part Consideration will be paid upon final determination of the Part Consideration in exchange for a pledge over 4% of the shares of the Holdco belonging to the Grupa Onet Poland Holding in favour of RAS, securing any claims RAS may have under warranties granted by the Grupa Onet Poland Holding. Grupa Onet Poland Holding shall have the right to exercise voting rights from and receive dividends in respect of the pledged shares.

The Part Consideration will be used in compliance with the indentures pursuant to which the 10.75% Senior Notes due 2017 were issued by TVN Finance Corporation II AB and secured and the 7.875% Senior Notes due 2018 were issued by TVN Finance Corporation III AB and secured.

The remaining 1,933,357 (i.e. 24.02%) shares in Grupa Onet.pl will be exchanged for a stake of 25% in the increased share capital of Holdco, valued at 306,250.

According to the current estimates of the Management Board, the value of the Grupa Onet.pl Group is around 1,275,000 based on the valuation performed by the Group's investment bank for the purpose of issuing the fairness opinion in connection with the above transaction. As the carrying amount of net assets of Grupa Onet.pl Group exceeded the valuation as at the Agreement date, an impairment loss in the amount of 216,029 was recognized on the reclassification of the group to be disposed to "held for sale" (see Note 4 (i)).

The Group has received two fairness opinions regarding the financial terms of the transaction from the Group's investment banks.

Certain limitations were imposed on Grupa Onet Poland Holding in relation to the Agreement. In particular, Grupa Onet Poland Holding agreed that no encumbrances, amendments to corporate documents, material reorganisations or material capital expenditures regarding Onet Group will take place until closing of the transaction. The Agreement also provides for certain indemnification provisions granted by TVN and the Grupa Onet Poland Holding in favour RAS, Grupa Onet.pl and Holdco.

The completion of the transaction is contingent on fulfillment of a number of conditions, including, but not limited to, antitrust regulatory approval of the transaction.

TVN and RAS agreed to satisfy the above conditions within twelve months of executing the Agreement. Once the conditions precedent are satisfied, the shares in Grupa Onet.pl will be transferred to Holdco, RAS will hold 75% of all shares in Holdco, TVN will hold 25% of all shares in Holdco, and Holdco will hold 100% of all shares in Grupa Onet.pl. TVN's investment in Holdco will be classified as associate.

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

19. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

The relationship between TVN, Grupa Onet Poland Holding and RAS as shareholders in Holdco, and indirectly in Grupa Onet.pl, will be regulated by a Shareholders Agreement relating to Onet Group ("Shareholders Agreement") - a schedule to the Agreement, which will be executed once the conditions precedent have been satisfied. The Shareholders Agreement contains in particular a swap option for TVN to exchange a number of its (its subsidiary) shares in Holdco for the shares in RAS (option valid if RAS conducts an IPO). Furthermore, under the Shareholders Agreement the following options are granted:

- First put option for TVN (or its subsidiary) to sell its shares in Holdco to RAS within the 90-day period commencing on and including January 1, 2016 or the 20 business day period commencing after the financial statements for the most recently concluded financial year have been established by the shareholders' meeting of the Holdco, which ever period ends later; and
- Call option for RAS to acquire the shares in Holdco from TVN (or its subsidiary) within the 90-day period commencing on and including January 1, 2017 or the 20 business day period commencing after the financial statements for the most recently concluded financial year have been established by the shareholders' meeting of Holdco, which ever period ends later; and
- Second put option for TVN (or its subsidiary) to sell its shares in Holdco to RAS within 60 days following the expiry date of the call option period.

The above options will become effective upon closing of the transaction.

The Shareholders Agreement contains also standard joint – exit clauses allowing TVN and RAS to sell all their shares in Grupa Onet.pl held directly or indirectly (drag-along and tag-along rights). The Shareholders Agreement contains also a call option for RAS in the event that TVN does no longer, directly or indirectly, control its stake in Holdco.

Assets of disposal group classified as held for sale – Onet Group

	June 30, 2012
Non-current assets	
Property, plant and equipment	109,258
Goodwill	586,176
Brand	643,427
Other intangible assets	31,878
Investment in associate	138
Deferred tax asset	13,369
Other non-current assets	437
	1,384,683
Current assets	
Trade receivables	47,022
Prepayments and other assets	3,321
Cash and cash equivalents	69,947
	120,290
	1,504,973

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

19. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Liabilities of disposal group classified as held for sale – Onet Group

	June 30, 2012
Non-current liabilities	
Deferred tax liability	122,251
	122,251
Current liabilities	
Current trade payables	7,970
Corporate income tax payable	5,284
Other liabilities and accruals	42,449
	55,703
	177,954

Commitments of disposal group classified as held for sale as at June 30, 2012 – Onet Group

Total future minimum payments relating to operating lease agreements signed as at June 30, 2012:

	Non-related Parties	Total
Due in 2012	3,984	3,984
Due in 2013	1,979	1,979
Due in 2014	1,864	1,864
Due in 2015	1,520	1,520
Due in 2016	184	184
	9,531	**9,531**

Commitments in foreign currencies were calculated using exchange rates as at June 30, 2012.

Additionally Grupa Onet.pl Group has undertaken to invest 215,782 in the special economic zone in Kraków by December 31, 2013 and 2017. As at June 30, 2012 the remaining commitment amounted to 111,645 and should be fulfilled by December 31, 2013.

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

19. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Analysis of the result of discontinued operations – Onet Group

	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenue	119,607	114,725
Cost of revenue	(47,134)	(49,479)
Selling expenses	(31,004)	(24,699)
General and administration expenses	(20,214)	(10,230)
Other operating income, net	730	81
Impairment of goodwill	(216,029)	-
Operating (loss)/ profit	**(194,044)**	**30,398**
Interest income	2,855	2,596
Finance income/ (expense), net	139	(20)
Foreign exchange (losses)/ gains, net	(385)	89
(Loss)/ profit before income tax	**(191,435)**	**33,063**
Income tax charge	(6,624)	(6,868)
Loss/ (profit) for the period from discontinued operations	**(198,059)**	**26,195**

According to the requirements of IFRS 5 depreciation and amortization of the disposal group classified as held for sale ceased on the reclassification date.

Cash flows of discontinued operations – Onet Group

	Six months ended June 30, 2012	Six months ended June 30, 2011
Net cash generated by operating activities	34,633	37,183
Net cash (used in)/ generated by investing activities	(16,562)	68,437
Net cash used in financing activities	(133,508)	(21)
	(115,437)	**105,599**

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

20. GROUP COMPANIES

These consolidated financial statements as at June 30, 2012 comprised the Company and the following subsidiaries (the Group), joint ventures and associates:

	Country of incorporation	June 30, 2012 Ownership %	December 31, 2011 Ownership %
Subsidiaries			
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 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 in members' voluntary liquidation	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	100
TVN Media Sp. z o.o.	Poland	100	100
Stavka Sp. z o.o.	Poland	51	51
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (joint venture)	UK	45	45
Associates			
Film Miasto Sp. z o.o.	Poland	34	34
Polskie Badania Internetu Sp. z o.o.	Poland	16	16

* Liquidation process initiated on July 13, 2012

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:

	Six months ended June 30, 2012	Six months ended June 30, 2011
ITI Group	3,447	2,699
Wydawnictwo Pascal	22	-
Poland Media Properties	3	4
	3,472	**2,703**

Revenue from the ITI Group 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.

(ii) Operating expenses:

	Six months ended June 30, 2012	Six months ended June 30, 2011
ITI Group	22,604	18,476
Sieger & Sieger Ltd	1,636	1,185
Poland Media Properties	831	1,007
Besta Film	66	-
	25,137	**20,668**

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:

	June 30, 2012	December 31, 2011
Receivables:		
ITI Group	17,895	23,883
Wydawnictwo Pascal	703	-
Poland Media Properties	-	3
	18,598	**23,886**

	June 30, 2012	December 31, 2011
Payables:		
ITI Group	15,228	9,826
Sieger & Sieger Ltd	695	920
Wydawnictwo Pascal	6	-
Poland Media Properties	-	3
	15,929	**10,749**

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Other non-current assets

Other non-current assets include a rental deposit paid to ITI Group by the Company and TVN Media in the amount of 2,154.

(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 and USD 17,301 to Universal Studios International in respect of programming rights purchased and broadcasted by the Group. During the six months ended June 30, 2012, the Group recorded finance costs related to ITI Holdings guarantees of 724 (the six months ended June 30, 2011: 636).

In February 2012 the Group acquired from Poland Media Properties a building and perpetual usufruct of land for a total consideration of 27,155.

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 were 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)

	Six months ended June 30, 2012		Six months ended June 30, 2011	
	Weighted average exercise price	**Outstanding options**	**Weighted average exercise price**	**Outstanding options**
At 1 January	PLN 10.88	**9,126,602**	PLN 10.86	**10,648,831**
Exercised	-	-	PLN 10.75	(1,318,972)
At 30 June	PLN 10.88	**9,126,602**	PLN 10.88	**9,329,859**

The total fair value of the options granted was estimated at the respective grant date 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 assumed 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 was 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	882,479	PLN 9.58	Vested
C3	2,043,266	PLN 10.58	Vested
	3,178,235		

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	4,326,989	PLN 11.68	Vested
	5,948,367		

The TVN Incentive Schemes expire on December 31, 2014.

Between July 1, 2012 and the date when these financial statements were prepared no options were exercised.

23. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	PLN Exchange Rate to EUR
June 30, 2012	3.3885	4.2613
December 31, 2011	3.4174	4.4168
June 30, 2011	2.7517	3.9866

The movement in the consumer price index for the six months ended June 30, 2012 amounted to 2.6% (the six months ended June 30, 2011: 3.1%).

24. EVENTS AFTER THE REPORTING PERIOD

In July 2012 the Group entered into foreign exchange forward contracts with Rabobank Polska S.A., with the last transaction signed on July 19, 2012, for a purchase of EUR 150,000 with a settlement date on October 2, 2012 and with the PLN/EUR forward rate of 4.20. The transactions are based on current market conditions, in line with generally adopted terms for such transactions. The transactions are aimed at further mitigating 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. As at July 19, 2012 the hedging strategy based on EUR foreign exchange forward contracts has in total a notional value of EUR 350,000, settlement date on October 2, 2012 and PLN/EUR foreign exchange forward rate of 4.20. The Group has designated these EUR foreign exchange forward contract for fair value hedge accounting.

Report on review of interim financial statements

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

Introduction

We have reviewed the accompanying interim condensed balance sheet of TVN S.A. (the 'Company') as of June 30, 2012, the related interim condensed income statement and interim condensed statement of comprehensive income, the related interim condensed statement of changes in shareholders' equity and interim condensed cash flow statement for the six-month period then ended (the 'interim condensed financial information'). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.

Warsaw, Poland

August 8, 2012

MANAGEMENT REPRESENTATIONS

These interim condensed separate financial statements of TVN S.A. (the "Company") as of and for six months ended June 30, 2012, 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 six months ended June 30, 2012 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.

In accordance with the requirements of the Decree of the Minister of Finance of February 19, 2009 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent the Management Board of TVN S.A. hereby represents that:

- to its best knowledge, the interim condensed separate financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Company's financial position and its results of operations, and that the interim Directors' Report gives a true view of the Company's development, achievements, and position, including a description of the basic risks and threats;

- the registered audit company which reviewed the interim condensed separate financial statements was appointed in accordance with the legal regulations and said registered audit company and the individual registered auditors who performed the review fulfilled the conditions for issuing an unbiased and independent review report, in accordance with the applicable regulations and professional standards.

These interim condensed separate financial statements were authorized for issuance

by the Management Board of TVN S.A. on August 8, 2012.

Markus Tellenbach President of the Board	Piotr Walter Vice-President of the Board
John Driscoll Member of the Board	Robert Bednarski Member of the Board

Warsaw, August 8, 2012

TVN S.A.

Interim Condensed Separate Financial Statements
As of and for the six months ended June 30, 2012

TVN S.A.

Contents	**Page**

TVN Information

1. Principal activity

TVN Group is the leading integrated Polish media group, active in television broadcasting and production, including the operation of a digital satellite pay television, internet and teleshopping. TVN S.A. (the “Company”) and its subsidiaries (“TVN Group”, the “Group”) operate or jointly operate eleven television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN CNBC, NTL Radomsko, Telezakupy Mango 24 and TTV. 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
- John Driscoll
- Robert Bednarski (appointed January 9, 2012)

TVN Information (CONTINUED)

5. Auditors

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

6. Principal Solicitors

Allen & Overy
Rondo ONZ 1
00-124 Warszawa

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
- TVN Media 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
- Stavka Sp. z o.o.
  ul. Ordynacka 14/5
  00-358 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 in members' voluntary liquidation
  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 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

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

	Note	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenue	**5**	738,495	841,466
Cost of revenue	**6**	(495,774)	(452,538)
Selling expenses	**6**	(24,482)	(61,775)
General and administration expenses	**6**	(86,201)	(67,483)
Dividend income		134,646	-
Other operating income /(expense), net		1,613	836
Impairment on investment in Onet	**4(i)**	(127,293)	-
Operating profit		**141,004**	**260,506**
Interest income	**7**	7,481	88,380
Finance expense	**7**	(195,522)	(185,270)
Foreign exchange gains, net	**7**	151,976	42,814
Profit before income tax		**104,939**	**206,430**
Income tax charge	**18**	(26,203)	(42,298)
Profit for the period		**78,736**	**164,132**
Earnings per share (not in thousands)			
- basic	**8**	0.23	0.48
- diluted	**8**	0.23	0.47

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	Six months ended June 30, 2012	Six months ended June 30, 2011
Profit for the period		**78,736**	**164,132**
Other comprehensive income:			
Foreign exchange forward contracts	**12**	(607)	(344)
Income tax relating to components of other comprehensive income		57	66
Other comprehensive income for the period, net of tax		(550)	(278)
Total comprehensive income for the period		**78,186**	**163,854**

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 June 30, 2012	As at December 31, 2011
ASSETS			
Non-current assets			
Property, plant and equipment		241,744	227,198
Goodwill		144,127	144,127
Other intangible assets		39,573	29,044
Non-current programming rights		173,097	179,243
Investments in subsidiaries, associates and joint ventures	9	2,456,346	3,830,720
Non-current related party loans	20 (v)	5,052	111,257
Other non-current assets		4,265	5,070
		3,064,204	**4,526,659**
Current assets			
Current programming rights		237,073	241,098
Trade receivables		262,019	235,996
Derivative financial assets	12	21,504	1,580
Prepayments and other assets		55,919	31,547
Corporate income tax receivable		26,577	19,677
Bank deposits with maturity over three months	13	34,090	75,000
Cash and cash equivalents	13	189,641	218,935
		826,823	**823,833**
Non-current assets classified as held for sale	10	3,105,137	1,707,074
		3,931,960	**2,530,907**
TOTAL ASSETS		**6,996,164**	**7,057,566**
EQUITY			
Shareholders' equity			
Share capital	14	68,775	68,775
Share premium		672,906	672,931
8% obligatory reserve		23,301	23,301
Other reserves and deficits		97,421	97,971
Accumulated profit		2,537,797	2,493,449
		3,400,200	**3,356,427**
LIABILITIES			
Non-current liabilities			
Loans from related parties	15,20 (iii)	3,181,834	3,295,692
Non-current trade payables		9,261	15,010
Deferred tax liability		67,573	39,208
Other non-current liabilities		1,880	1,894
		3,260,548	**3,351,804**
Current liabilities			
Current trade payables		148,492	165,502
Accrued interest on borrowings	15,20 (iii)	46,001	47,680
Cash pooling liabilities	20 (ix)	10,876	-
Derivative financial liabilities	12	98	-
Other liabilities and accruals	16	129,949	136,153
		335,416	**349,335**
Total liability		**3,595,964**	**3,701,139**
TOTAL EQUITY AND LIABILITIES		**6,996,164**	**7,057,566**

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 and deficits	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 income for the period	-	-	-	-	-	(278)	164,132	163,854
Issue of shares [(1)]	1,318,972	264	26,077	-	(12,159)	-	-	14,182
Share issue cost [(2)]	-	-	(60)	-	-	-	-	(60)
Dividend declared and paid [(3)]	-	-	-	-	-	-	(13,728)	(13,728)
Balance at June 30, 2011	**343,673,164**	**68,735**	**669,066**	**23,301**	**99,508**	**(278)**	**1,326,398**	**2,186,730**

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 and deficits	Accumulated Profit	Shareholders' equity
Balance at January 1, 2012	**343,876,421**	**68,775**	**672,931**	**23,301**	**97,718**	**253**	**2,493,449**	**3,356,427**
Total comprehensive income for the period	-	-	-	-	-	(550)	78,736	78,186
Share issue cost (2)	-	-	(25)	-	-	-	-	(25)
Dividend declared and paid (3)	-	-	-	-	-	-	(34,388)	(34,388)
Balance at June 30, 2012	**343,876,421**	**68,775**	**672,906**	**23,301**	**97,718**	**(297)**	**2,537,797**	**3,400,200**

(1) During the six months ended June 30, 2011 1,318,972 (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 21).

(2) Costs related to service of Share Options Plan.

(3) The dividend declared and paid in 2012 amounted to 0.10 per share (not in thousands). The dividend declared and paid in 2011 amounted to 0.04 per share (not in thousands).

Included in accumulated profit as of June 30, 2012 is an amount of 2,535,967 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 interim condensed consolidated financial statements).

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

	Note	Six months ended June 30, 2012	Six months ended June 30, 2011
Operating activities			
Cash generated from operations	**17**	128,285	172,480
Tax paid		(18,269)	(23,726)
Net cash generated from operating activities		**110,016**	**148,754**
Investing activities			
Payments to acquire property, plant and equipment		(49,593)	(18,882)
Proceeds from sale of property, plant and equipment		1,460	91
Payments to acquire intangible assets		(19,252)	(5,695)
Bank deposits with maturity over three months	**13**	40,910	242,627
Loans granted to subsidiary	**20 (v)**	(51,422)	(87,196)
Dividend received		134,646	-
Cash pooling with TVN Media		10,876	-
Interest received		3,317	8,448
Net cash generated from /(used in) investing activities		**70,942**	**139,393**
Financing activities			
Issue of shares, net of issue cost		-	14,121
Dividend paid		(34,388)	(13,728)
Issuance costs of TVN Finance Corporation II AB and TVN Finance Corporation III AB loans		-	(1,118)
Settlement of foreign exchange forward contracts	**7**	-	36,960
Repurchase of PLN Bonds due 2013		-	(144,927)
Restricted cash		-	107,986
Interest paid		(175,027)	(163,228)
Net cash (used in)/generated from financing activities		**(209,415)**	**(163,934)**
(Decrease)/ increase in cash and cash equivalents		**(28,457)**	**124,213**
Cash and cash equivalents at the start of the period		218,935	425,653
Effects of exchange rates changes		(837)	(1,656)
Cash and cash equivalents at the end of the period		**189,641**	**548,210**

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 August 8, 2012.

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 one of 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. Tivien Sp. z o.o., 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., TVN Media Sp. z o.o., Stavka Sp. z o.o. and through Grupa Onet.pl S.A.: DreamLab Onet.pl. 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 investments in subsidiaries are recognized and presented as non-current assets.

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

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

<u>Recent significant transactions</u>

On November 28, 2011, the Company concluded an agreement with TVN Media Sp. z o.o. ("TVN Media", previously Highgate Capital Investments Sp. z o.o.) whereby the Company agreed to contribute certain business activities combining an organizationally and functionally separated unit within the business structure, carrying out the sales, marketing and brand management functions in exchange for increased share capital of TVN Media, the Company's 100% owned subsidiary. The assets contributed to TVN Media included, among others, the sales, marketing and brand management departments, as well as the brands owned previously by TVN S.A. (including internally generated TVN brand). The fair value of net assets contributed amounts to 2,393,000 and covered 2,393,000 (not in thousands) newly issued shares of the nominal value of 1 each. The reorganization represents a strategic repositioning of the sales and marketing functions to provide services both to TVN and third party clients.

1. TVN (CONTINUED)

The spin-off of the functions target third party client focus, increasing the efficiency and flexibility of the Group’s structure, and opening the functions to new independent product implementations.

On 13 December 2011 the Company signed with TVN Media an agreement on cooperation in the acquisition of advertising, in particular concluding contracts for advertising, sponsorship, product placement and classifieds by TVN Media on behalf of the Company. The agreement is valid from November 29, 2011 until December 31, 2012. Based on this agreement, TVN Media on its behalf and for the benefit of the Company contracts broadcasting of advertising, sponsorship, product placement and classifieds. TVN Media will be rewarded by the Company for provided services in line with market conditions.

On December 18, 2011 the Company along with ITI Media Group Limited (its intermediate parent entity) concluded agreements to effect the cooperation with Groupe Canal+ S.A. (“Canal+ Group”) and the combination of ITI Neovision Sp. z o.o. (“ITI Neovision”) the ‘n’ platform operator, and Canal+ Cyfrowy Sp. z o.o., the "Cyfra+" platform operator (“Cyfra+”). The purpose of the transaction is to combine the Polish Pay-TV operations of ‘n’ and Cyfra+ creating a digital DTH platform ‘n/C+’ owned by Canal+ Group and TVN (see Note 10).

Also on December 18, 2011 ITI Media Group Limited as a seller, Canal+ Group as a purchaser and ITI Holdings as the guarantor of ITI Media Group Limited's obligations concluded the share purchase agreement (the “Share Purchase Agreement”) relating to a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands (N-Vision) (the entity holding an indirect 51% stake in TVN S.A.).

The completion of both transactions is contingent on fulfilment of a number of conditions, including, but not limited to, antitrust regulatory approval of the transaction.

On 13 March 2012 the Company signed an agreement with TVN Media Sp. z o.o. and Bank Pekao S.A. regarding an implementation of a liquidity management system in the TVN Group (“Cash pooling system”) aimed at day-to-day cash management, enabling a more effective funding of current needs of the Company and TVN Media and benefiting from a joint financial liquidity.

On June 4, 2012 the Company concluded a share purchase agreement (the “Agreement”) with Ringier Axel Springer Media AG (“RAS”) relating to Grupa Onet.pl S.A. (“Grupa Onet.pl”). The Agreement provides for the disposal of 100% of the shares in Grupa Onet.pl to a wholly owned subsidiary of RAS (“Holdco”) for consideration consisting of cash for 75.98% of the shares in Grupa Onet.pl and 25% of the shares in Holdco in exchange for the remaining shares in Grupa Onet.pl. (see Note 10).

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 the six months ended June 30, 2012 are consistent with those used in the separate financial statements as of and for the year ended December 31, 2011 except for amendments to standards which became effective January 1, 2012.

In 2011 the Company adopted:

a) Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The amendments amend the required disclosures related to transfers of financial assets. The amendments did not affect the Company's separate financial statements.

The following amendments to standards became effective January 1, 2012 but at the date of preparation of these interim condensed separate financial statements they were not adopted by the EU:

(i) Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

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

(ii) Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The amendments relate to measuring deferred tax liabilities and deferred tax assets relating to investment property measured using the fair value model in IAS 40 Investment Property and introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment was incorporated into IAS 12 after excluding guidance regarding investment property measured at fair value. The amendments will 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.

These interim condensed separate financial statements should be read together with the interim condensed consolidated financial statements in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. The interim condensed consolidated financial statements for period ended June 30, 2012 are published together with these interim condensed separate financial statements on http://investor.tvn.pl.

The Company's separate and consolidated financial statements for the period ended December 31, 2011 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Comparative financial information

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

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 the 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 by the Company's subsidiary

On November 19, 2009 the Company, via its subsidiary TVN Finance Corporation II AB, issued EUR 405,000 of 10.75% Senior Notes due 2017, which are listed on the Luxembourg Stock Exchange. On March 10, 2010 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. 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.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

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. The cash proceeds obtained from the issuance of Senior Notes by the Company's subsidiaries were transferred to the Company through the related party loans (see Note 20 (iii)). 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.

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 a cost efficient manner both from a cost and cash flow perspective, and that no trading in financial instruments is undertaken. Following evaluation of its exposures the Company enters into derivative financial instruments to manage these exposures. Call options, swaps and forward exchange agreements may be entered into to manage currency exposures (see Note 12). Regular and frequent reporting to management is required for all transactions and exposures.

The estimated profit for the period (post-tax) impact on balances as of June 30, 2012 and June 30, 2011 of a reasonably possible EUR 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 EUR fluctuations, on the major EUR denominated items in the balance sheet amounts to a loss of 130,548 (a loss of 52,390 as of June 30, 2011) and is presented below:

	Six months ended June 30, 2012	**Six months ended June 30, 2011**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
11.90% loans from subsidiary due 2017 including accrued interest	(103,864)	(97,168)
9.025% loan from subsidiary due 2018 including accrued interest	(30,543)	(28,574)
Trade payables	(432)	(219)
Other	(1,159)	(592)
Assets:		
Loans to subsidiaries*	3,962	69,982
Bank deposits with maturity over three months	1,381	-
Cash and cash equivalents	29	4,115
Trade receivables	78	66
	(130,548)	**(52,390)**

* Included in Non-current assets classified as held for sale as at June 30, 2012.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

The estimated profit for the period (post-tax) impact on balances as of June 30, 2012 and June 30, 2011 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 2,481 (a loss of 2,536 as of June 30, 2011) and is presented below:

	Six months ended June30, 2012	**Six months ended June 30, 2011**
Assumed USD appreciation against PLN:	5%	5%
Liabilities:		
Trade payables	(2,884)	(2,859)
Assets:		
Cash and cash equivalents	144	63
Trade receivables	259	260
	(2,481)	**(2,536)**

The net profit/ (loss) 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 June 30, 2012 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.

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.

The Company did not consider cost effective to hedge or otherwise seek to reduce interest rate risk as of June 30, 2012.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk

Financial assets, which potentially expose the Company to concentration of credit risk, consist principally of trade receivables, including 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 does not consider its current concentration of credit risk as significant.

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

The Company defines credit exposure as total outstanding receivables (including overdue balances) and monitors the exposure regularly on an individual basis by paying counterparty.

Following the contribution of sales & marketing segments (including trade receivables from advertising agencies) to the subsidiary TVN Media, the Company signed with TVN Media an agreement on cooperation based on which TVN Media on its behalf and for the benefit of the Company contracts broadcasting of advertising, sponsorship, product placement and classifieds. Since November 29, 2011 the majority of the Company's sales are made through TVN Media (41% of the total trade receivables as of June 30, 2012) and relate to sales made through advertising agencies that manage advertising campaigns for advertisers and pay TVN Media once payment has been received from the customer. Therefore these interim condensed separate financial statements should be read together with the interim condensed consolidated financial statements in order to obtain full information on the credit concentration of the Group's trade receivables. Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency. The major players amongst the advertising agencies in Poland with whom the Company and TVN Media co-operate are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient the Company and TVN Media mitigate credit exposure by use of a trade receivable insurance facility from a leading insurance company.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

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

Trade receivables (net)	**June 30, 2012**	**December 31, 2011**
Receivables from other customers	12%	13%
Receivables from related parties	88%	87%
- TVN Media Sp. z o.o.	41%	57%
- ITI Neovision Group	34%	21%
- Other related parties	13%	9%
	100%	**100%**

* Please refer to the consolidated financial statements in order to obtain full information on the analysis of the Group's trade receivables.

Management does not expect any significant losses with respect to amounts included in the trade receivables from non-performance by the Company's customers as at June 30, 2012.

(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 of 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 the launch of new thematic channels and investment in its subsidiaries. The Company believes that its cash balances, bank deposits with maturity over three months, and cash generated from operations will be sufficient to fund these needs.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued

However, if the operating cash flows of the Company are negatively affected by an economic slow-down or clients' financial difficulties the Company will review its cash needs to ensure that its existing obligations can be met for the foreseeable future. As at June 30, 2012 the Company had cash and cash equivalents and bank deposits with maturity over three months totalling 223,731 at its disposal (cash and cash equivalents and bank deposits with maturity over three months totalling 293,935 as at December 31, 2011).

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

	Within 1 year	Between 1-2 years	More than 2 years
At June 30, 2012			
11.90% loans from subsidiary due 2017	300,708	300,708	3,579,429
9.025% loan from subsidiary due 2018	67,302	67,302	1,048,587
Trade payables	148,492	9,261	-
Cash pooling liabilities	10,876	-	-
Other liabilities and accruals	72,745	-	-
Guarantees	263,128	1,000	186,432
	863,251	**378,271**	**4,814,448**
At December 31, 2011			
11.90% loan from subsidiary due 2017	311,680	311,680	3,865,882
9.025% loan from subsidiary due 2018	69,758	69,758	1,121,730
Trade payables	165,502	15,010	-
Other liabilities and accruals	50,397	192	-
Guarantees	86,747	136,696	194,235
	684,084	**533,336**	**5,181,847**

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.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (continued)

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 and cash pooling liabilities less cash and cash equivalents and bank deposits with maturity over three months. EBITDA is calculated for the last twelve months and is defined as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than programming rights), impairment charges and reversals on property plant and equipment and intangible assets, dividend income, interest income, finance expense, foreign exchange gains and losses and income taxes. The reconciling item between EBITDA and reported operating profit is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment and intangible assets and dividend income. 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 Company's presentation and calculation of EBITDA may not be comparable to that of other companies.

	12 months ended June 30, 2012	**12 months ended December 31, 2011**
Net debt	3,105,824	3,145,847
EBITDA before impairment and gain on contribution of sales & marketing segment to the subsidiary	434,776	559,144
Gain on contribution of sales & marketing segment to the subsidiary	2,124,790	2,124,790
Impairment on investment in ITI Neovison	(1,013,496)	(1,013,496)
Impairment on investment in Onet	(127,293)	-
EBITDA after impairment and gain on contribution of sales & marketing segment to the subsidiary	1.418.777	1,670,438
Net debt/ EBITDA ratio before impairment and gain on contribution of sales & marketing segment to the subsidiary	7.1	5.6
Net debt/ EBITDA ratio after impairment and gain on contribution of sales & marketing segment to the subsidiary	2.2	1.9

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 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 June 30, 2012				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	21,504	-	21,504
	-	**21,504**	**-**	**21,504**
Liabilities				
Derivative financial liabilities				
Foreign exchange forward contracts	-	98	-	98
	-	**98**	**-**	**98**
At December 31, 2011				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	1,580	-	1,580
	-	**1,580**	**-**	**1,580**

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 which had abated somewhat, has returned as a result of the ongoing sovereign debt issues in a number of European countries and recent financial issues in the United States of America, contribute to unstable, and at times volatile financial markets.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(i) Estimated impairment of the investment in on-line subsidiaries

The Company tests annually whether the investment in subsidiaries has suffered any impairment. The Company tests the total aggregate carrying amount of the investment in Grupa Onet Poland Holding and Grupa Onet.pl.

As a result of the agreements signed on June 4, 2012 with Ringier Axel Springer Media AG the Company classified the investment in Grupa Onet Poland Holding and Grupa Onet.pl., including loans granted to Grupa Onet Poland Holding, as an asset held for sale (see Note 1 and Note 10) and as a result of the reclassification the Company performed an impairment test of this investment. The recoverable amount of the investment was determined based on fair value less cost to sell. In the impairment test performed by the Company as at June 4, 2012 the fair value less cost to sell was determined based on the valuation of Onet Group implied by the transaction with Ringier Axel Springer Media AG, which amounts to approximately 1,275,000. The recoverable amount of the investment was adjusted in order to reflect the expected amount of cash and cash equivalents of Onet Group as at the transaction closing date. The carrying amount of the investment, including loans granted to Grupa Onet Poland Holding, exceeded the adjusted recoverable amount of the investment by 127,293 and as a result an impairment charge of 127,293 was recognized in the income statement. The impairment charge is presented in the separate line item on the income statement.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The previous impairment test was carried out as at December 31, 2011. The recoverable amount of the investment in on-line subsidiaries was determined based on value-in-use calculations. In the annual impairment test performed by the Company as at December 31, 2011 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 2016.

The key financial assumptions used for discounting free cash flows in 2011 were as follows:

	2011
Terminal growth	4%
Discount rate	9.26%

Other key assumptions included:

- annual growth rate of the Polish advertising market in 2012 to 2016,
- increase in the online advertising market as a percentage of the total Polish advertising market in 2012 to 2016,
- share of Onet in the online advertising market in 2012 to 2016,
- growth of free cash flows in 2017 to 2026.

The test performed as at December 31, 2011 indicated, that the investment in on-line subsidiaries did not suffer any impairment.

The Company believes that the key assumptions made in testing for impairment of the investment in on-line subsidiaries as at December 31, 2011 were 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 was based would not cause the impairment charge to be recognized as at December 31, 2011.

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

As a result of the agreements signed on December 18, 2011 with Canal+ Group the Company classified the investment in DTH Poland Holding Coöperatief, including loans granted to DTH Poland Holding Coöperatief and ITI Neovision, as an asset held for sale (see Note 10).

The Company tests annually whether the investment in DTH Poland Holding Coöperatief, including loans granted to DTH Poland Holding Coöperatief and ITI Neovision, 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 June 30, 2012 the Company assessed that the operating and financial results of ITI Neovision do not indicate impairment.

The last impairment test was carried out as at December 31, 2011. The recoverable amount of the investment was determined based on fair value less cost to sell. In the annual impairment test performed by the Company as at December 31, 2011 the fair value less cost to sell of the investment, in the absence of an active market for similar investments, was determined based on the valuation of the Company's stake in the value of the combined 'n' and Cyfra+ platforms ('n/C+'), performed by the Company's investment bank for the purpose of issuing the fairness opinion in connection with the transaction. The fair value of 32% stake in the 'n/C+' was estimated at 1.9 billion assuming that transaction will be closed according to the signed agreements.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

As the valuation of combined entity n/C+ was based on an assumed level of financing to be contributed until closing of the transaction, the valuation of 32% of interest in combined entity was adjusted for the cash that TVN S.A. has to contribute until the estimated closing of the transaction during the third quarter of 2012.

The key financial assumptions used by the Company's investment bank in the process of valuing the 'n' digital satellite pay television were as follows:

Terminal growth	3%
Discount rate	11.2%

The test performed as at December 31, 2011 indicated, that the investment in DTH Poland Holding Coöperatief, including loans granted to DTH Poland Holding Coöperatief and ITI Neovision, as at December 31, 2011 incurred an impairment. As a result an impairment charge of 1,013,496 was recognized in the income statement. The impairment loss first reduced the carrying amount of the equity instruments in the amount of 555,764 and the residual value in the amount of 457,732 was allocated to loans i.e. the allocation was made in the reverse order of their seniority (priority in liquidation).

As a result of the recognition of the above impairment loss, a temporary difference arose on the difference between the investment's book carrying value and its tax base. The Company did not recognize a related deferred tax asset in the amount of 48,346 (December 31, 2011: 42,636). The deferred tax was not recognized as the reversal of this temporary difference depends, among other conditions, on the consent of the third party (antitrust regulatory approval) and obtaining this consent is not under the control of the Company (see Note 10). Thus the Company concluded that the criteria for the deferred tax assets recognition are not met.

The Company believes that the key assumptions made in testing for impairment of the investment in the combined platform as at December 31, 2011 were conservative and reasonable. However, if any of the key assumptions used in the valuation were to change unfavorably, the impairment charge recognized would be higher. If the terminal growth rate was 2.5%, the impairment charge would amount to 1,083 million. If the discount rate applied to the discounted cash flows was 11.7% the impairment charge would amount to 1,126 million.

(iii) Estimated impairment of the investment in Mango Media

The Company tests annually whether the 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 of Mango Media. As of June 30, 2012 the Company assessed that the operating and financial results of Mango Media do not indicate impairment.

The last impairment test was carried out as at December 31, 2011. In the annual impairment test performed by the Company as at December 31, 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.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The key financial assumptions used for discounting free cash flows in 2011 were as follows:

	December 31, 2011
Terminal growth	3%
Discount rate	10.05%

The test performed as at December 31, 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 December 31, 2011 were reasonable and were based on our experience and market forecasts that are from time to time published by the industry experts. In case the actual cash flows generated by Mango Media differ from the budgeted due to the unfavourable changes of the key business plans assumptions including the revenue growth rates and operating margin, the investment in Mango Media could suffer impairment.

(iv) Deferred tax liabilities

On November 28, 2011, with the effect as of November 29, 2011, the Company contributed to TVN Media, the entirety of the tangible and intangible components of the Sales and Marketing Segment (including also internally generated TVN brands and employees) - being an organizationally and functionally separated unit within the business structure of the Company responsible for carrying out the sales, marketing and brand management functions - as a contribution in kind of an organized part of the enterprise in exchange for the acquisition of the increased share capital in TVN Media.
As a result of the reorganization, a temporary difference arose on the difference between the investment's book carrying value and its tax base. The Company did not recognize a related deferred tax liability in the amount of 403,710 (December 31, 2011: 403,710) as the Company is unable to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

5. REVENUE

	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenue from advertising spot sales	521,684	622,441
Subscription fees	109,010	95,691
Revenue from sponsoring	58,623	65,267
Revenue from sales of goods and services	27,230	19,709
Other revenue	21,948	38,358
	738,495	**841,466**

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

Included in revenues for the six months ended June 30, 2012 are revenues from related parties in the amount of 640,758 (six months ended June 30, 2011: 38,070) (see Note 20 (i)).

6. OPERATING EXPENSES

	Six months ended June 30, 2012	Six months ended June 30, 2011
Amortization of locally produced content	221,444	220,298
Amortization of acquired programming rights and co-production	75,816	76,535
Staff expenses	64,145	74,930
Depreciation and amortization	33,173	30,687
Marketing and research	20,033	30,757
Royalties	63,309	32,731
Broadcasting expenses	29,434	23,221
Cost of services and goods sold	21,599	9,708
Rental	16,671	18,622
Impaired accounts receivable	371	1,438
Other	60,462	62,033
	606,457	**580,960**

Included in the above operating expenses are operating lease expenses for the six months ended June 30, 2012 of 55,657 (six months ended June 30, 2011:52,065).

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

7. INTEREST INCOME, FINANCE EXPENSE AND FOREIGN EXCHANGE GAINS, NET

Interest income	**Six months ended June 30, 2012**	**Six months ended June 30, 2011**
Interest income on loans to related parties	3,368	80,689
Interest income on foreign exchange forward contracts – cash flow hedges (see Note 12)	196	-
Other interest income	3,917	7,691
	7,481	**88,380**

Finance expense		
Interest expense on 11.90% loans from related party (see Note 20 (iii))	(153,342)	(143,760)
Interest expense on 9.95% loan from related party	-	(202)
Interest expense on 9.025% loan from related party (see Note 20(iii))	(34,380)	(32,001)
Interest expense on PLN Bonds due 2013	-	(1,389)
Interest on foreign exchange forward contracts – fair value and cash flow hedges (see Note 12)	(10,969)	(10,406)
Premium on early repayment of PLN Bonds due 2013	-	(3,971)
Pre-issuance costs written off *	-	(217)
Income from guarantee fees from related parties (see Note 20 (ix))	6,534	7,846
Guarantee fees to related parties (see Note 20 (ix))	(724)	(636)
Bank and other charges	(2,641)	(534)
	(195,522)	**(185,270)**

* The 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)

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

Foreign exchange (losses)/ gains, net	**Six months ended June 30, 2012**	**Six months ended June 30, 2011**
Foreign exchange gains on 11.90% loan from related party, including:	120,779	21,646
- unrealized foreign exchange gains/ (losses) on 11.90% loan from related party	*92,587*	*(15,668)*
- realized foreign exchange gains on 11.90% loan from related party	*2,219*	*1,344*
- fair value hedge impact (see Note 12)	*25,973*	*35,970*
Foreign exchange gains on 9.025% loan from related party, including:	35,254	6,234
-unrealized foreign exchange gains/ (losses) on 9.025% loan from related party	*27,092*	*(4,682)*
- realized foreign exchange gains on 9.025% loan from related party	*497*	*301*
- fair value hedge impact (see Note 12)	*7,665*	*10,615*
Other foreign exchange (losses)/ gains , net	(4,057)	14,934
	151,976	**42,814**

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

Basic

Basic earnings 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.

	Six months ended June 30, 2012	Six months ended June 30, 2011
Profit for the period (in thousands)	78,736	164,132
Weighted average number of ordinary shares in issue	343,876,421	342,871,037
Basic earnings per share	**0.23**	**0.48**

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of potential ordinary shares: share options. For the share options a calculation was done to determine the number of shares that could have been acquired at fair value (determined as average market price of the Company's shares 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.

	Six months ended June 30, 2012	Six months ended June 30, 2011
Profit for the period (in thousands)	78,736	164,132
Weighted average number of ordinary shares in issue	343,876,421	342,871,037
Adjustment for share options	92,640	3,647,880
Weighted average number of potential ordinary shares for diluted earnings per share	343,969,061	346,518,917
Diluted earnings per share	**0.23**	**0.47**

9. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	June 30, 2012	December 31, 2011
TVN Media Sp. z o.o.	2,393,110	2,393,110
Grupa Onet Poland Holding B.V.*	-	1,102,500
Grupa Onet.pl S.A.	-	271,874
Mango Media Sp. z o.o.	54,861	54,861
Other investment in subsidiaries, joint ventures and associates	8,375	8,375
Total	**2,456,346**	**3,830,720**

* Investments in Grupa Onet Poland Holding B.V. and Grupa Onet.pl S.A. have been reclassified to non-current assets classified as held for sale (see Note 10).

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

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

	Country of incorporation	June 30, 2012 Ownership %	December 31, 2011 Ownership %
Subsidiaries			
Grupa Onet Poland Holding B.V. ¯ Classified as held for sale	The Netherlands	100	100
Grupa Onet.pl S.A. (1) . ¯ Classified as held for sale	Poland	100	100
Mango Media Sp. z o.o.	Poland	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 in members' voluntary liquidation (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. ¯ Classified as held for sale	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
TVN Media Sp. z o.o.	Poland	100	100
Stavka Sp. z o.o.	Poland	51	51
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (4)	UK	45	45
Associates			
Film Miasto Sp. z o.o.	Poland	34	34
Polskie Badania Internetu Sp. z o.o. (2)	Poland	16	16

(1) Owned directly by the Company and indirectly through GOPH B.V.
(2) Owned indirectly through Grupa Onet.pl S.A., liquidation process initiated on July 13, 2012
(3) Owned indirectly through DTH Poland Holding Coöperatief U.A.
(4) Joint venture through DTH Poland Holding Coöperatief U.A.

10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

ITI Neovision

The equity investment in DTH Poland Holding Coöperatief and loans granted to DTH Poland Holding Coöperatief and ITI Neovision have been presented as held for sale following conclusion of agreements between the Company, ITI Media Group Limited and Canal+ Group.

The impairment test performed by the Company as at December 31, 2011 indicated, that the investment in DTH Poland Holding Coöperatief and loans granted to DTH Poland Holding Coöperatief and ITI Neovision suffered an impairment (see Note 4).

The agreements between the Company, ITI Media Group Limited and Canal+ Group were concluded on December 18, 2011 to effect the cooperation with Canal+ Group and the combination of ITI Neovision, the ‘n’ platform operator, and Canal+ Cyfrowy Sp. o.o., the "Cyfra+" platform operator (“Cyfra+”). The purpose of the transaction is to combine the Polish Pay-TV operations of ‘n’ and Cyfra+ creating a digital DTH platform ‘n/C+’ owned by TVN S.A. and Canal+ Group. The combined DTH platform "n/C+" will benefit from the 2.5 million customer base and the effect of scale, synergies and increased efficiency.

According to the agreements the principal obligation of the Company is to procure the direct or indirect contribution of its entire interest in ITI Neovision Group and the principal obligation of Canal+ Group is to procure the direct or indirect contribution of its entire interest in Cyfra+ to the combined entity ‘n/C+’ where the Company will hold 32% of shares, Canal+ Group will hold 51% of shares and the remaining 17% of the share capital of the ‘n/C+’ will be held by LGI Ventures B.V. (“UPC”). According to the current estimates of the Management Board, the value of the Company's 32% stake in the ‘n/C+’ is around 1.9 billion.

Canal+ Group has two call options regarding the Company's 32% stake in the combined entity "n/C+" exercisable in the periods of three months following the third and fourth anniversaries after the completion of the transaction. In both options the price for the option shares will be based on the fair market valuation performed by an investment bank. In case Canal+ Group does not exercise its option, the Company has been granted liquidity rights in the form of an IPO, exercisable starting four years after closing of the transaction.

Simultaneously, as a separate transaction, ITI Media Group Limited as a seller, Canal+ Group as a purchaser and ITI Holdings as the guarantor of ITI Media Group Limited's obligations concluded the share purchase agreement (the “Share Purchase Agreement”) relating a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands (N-Vision) (the entity holding an indirect 51% stake in TVN S.A.). This share purchase agreement includes call options granted to Canal+ Group which provide a potential path to full control of N-Vision three or four years after closing of the transaction.

The completion of both transactions is contingent on the fulfilment of a number of conditions, including, but not limited to, antitrust regulatory approval of the transactions.

If conditions precedent to the combination of the Pay-TV operations of "n" and Cyfra+ are fulfilled, but the Company would not be able to fulfill other conditions and the agreements terminate, TVN is then obliged to pay to Canal+ Group a break-up fee of EUR 75 million (“Break-up Fee”) unless such Break-up Fee is discharged by ITI Holdings under the Share Purchase Agreement. If the Break-up Fee is paid by the Company, ITI Holdings will immediately on demand, reimburse the Company for the full amount of such Break-up Fee.

10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

ITI Holdings and the Company entered into a side letter regarding break-up fees payable under the Share Purchase Agreement in case the transaction is not completed due to either party to that agreement not acting in good faith to procure the fulfilment of the conditions precedent to closing. Under this side letter if the transaction is not completed due to Canal+ Group's failure to act in good faith to procure the fulfilment of the conditions precedent, the Company will be entitled to 50% of the break-up fee payable by Canal+ Group to ITI Holdings under the Share Purchase Agreement which is EUR 25 million. If the transaction is not completed due to ITI Holdings not acting in good faith due to reasons for which the Company is responsible, the Company has to reimburse ITI for EUR 25 million, being 50% of the break-up fee payable in such circumstances by ITI Holding to Canal+ Group under the Share Purchase Agreement.

Based on the agreements signed on December 18, 2011 with Canal+ Group, the loans provided to DTH Poland Holding Coöperatief and ITI Neovision will be converted to equity upon closing, and therefore from that point, the loans granted to DTH Poland Holding Coöperatief and ITI Neovision no longer have the nature of a monetary asset (i.e. it will not be received in fixed or determinable number of units of currency).

As a consequence, starting from the date of the agreement the carrying amount of the loans is fixed in the functional currency (PLN) constitutes the cost of the investment in ITI Neovision and starting from this point neither interest is accrued nor foreign exchange translations made.

The same treatment applies to loans granted in 2012 which increase the carrying amount of the investment in ITI Neovision.

<u>Grupa Onet.pl</u>

The equity investment in Grupa Onet.pl and Grupa Onet Poland Holding and loans granted to Grupa Onet Poland Holding have been presented as held for sale following conclusion of a share purchase agreement (the “Agreement”) between the Company and Ringier Axel Springer Media AG (“RAS”) (see Note 1). The Agreement was concluded on June 4, 2012 and it provides for the disposal of 100% of shares in Grupa Onet.pl to subsidiary of RAS (“Holdco”) for a consideration consisting of cash for 75.98% of shares in Grupa Onet.pl and 25% of shares in Holdco in exchange for remaining shares in Grupa Onet.pl.

The valuation of Grupa Onet.pl implied by the transaction amounts to ca. 1,275,000. The impairment test performed by the Company as at June 4, 2012 indicated, that the investment in Grupa Onet.pl and Grupa Onet Poland Holding and loans granted to Grupa Onet Poland Holding suffered an impairment (see Note 4).

Under the Agreement 6,115,716 shares in Grupa Onet.pl, which represent approximately 75.98% of Grupa Onet.pl's share capital, will be sold by Grupa Onet Poland Holding, the Company’s wholly–owned subsidiary, to Holdco wholly–owned by RAS. The selling price is 968,750. Part of the remuneration in the amount of 956,250 (“Part Consideration”) will be subject to further adjustments reflecting the financial condition of Grupa Onet.pl, but will not be increased by more than 37,500. The 96% of the Part Consideration will be paid on the closing date. The remainder of the Part Consideration will be paid upon final determination of the Part Consideration in exchange for a pledge over 4% of the shares of the Holdco belonging to the Grupa Onet Poland Holding in favour of RAS, securing any claims RAS may have under warranties granted by the Grupa Onet Poland Holding. Grupa Onet Poland Holding shall have the right to exercise voting rights from and receive dividends in respect of the pledged shares.

10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

The Part Consideration will be used in compliance with the indentures pursuant to which the 10.75% Senior Notes due 2017 were issued by TVN Finance Corporation II AB, the Company's wholly–owned subsidiary, and secured and the 7.875% Senior Notes due 2018 were issued by TVN Finance Corporation III AB, the Company's wholly–owned subsidiary, and secured.

The remaining 1,933,357 (i.e. 24.02%) shares in Grupa Onet.pl will be contributed in kind to Holdco in exchange for a stake of 25% in the increased share capital of Holdco, valued at 306,250.

The Company has received two fairness opinions regarding the financial terms of the transaction from the Company's investment banks.

Certain limitations were imposed on Grupa Onet Poland Holding in relation to the Agreement. In particular, Grupa Onet Poland Holding agreed that no encumbrances, amendments to corporate documents, material reorganisations or material capital expenditures regarding Onet Group will take place until closing of the transaction. The Agreement also provides for certain indemnification provisions granted by the Company and Grupa Onet Poland Holding in favour RAS, Grupa Onet.pl and Holdco.

The completion of the transaction is contingent on fulfillment of a number of conditions, including, but not limited to, antitrust regulatory approval of the transaction.

The Company and RAS agreed to satisfy the above conditions within twelve months of executing the Agreement. Once the conditions precedent are satisfied, the shares in Grupa Onet.pl will be transferred to Holdco, RAS will hold 75% of all shares in Holdco, the Company will hold 25% of all shares in Holdco, and Holdco will hold 100% of all shares in Grupa Onet.pl.

The relationship between the Company, Grupa Onet Poland Holding and RAS as shareholders in Holdco, and indirectly in Grupa Onet.pl, will be regulated by a Shareholders Agreement relating to Onet Group ("Shareholders Agreement") - this agreement will be executed once the conditions precedent have been satisfied. The Shareholders Agreement contains in particular a swap option for the Company to exchange a number of its (its subsidiary) shares in Holdco for the shares in RAS (option valid if RAS conducts an IPO). Furthermore, under the Shareholders Agreement the following options are granted:

- First put option for the Company (or its subsidiary) to sell its shares in Holdco to RAS within the 90-day period commencing on and including January 1, 2016 or the 20 business day period commencing after the financial statements for the most recently concluded financial year have been established by the shareholders' meeting of the Holdco, which ever period ends later; and
- Call option for RAS to acquire the shares in Holdco from the Company (or its subsidiary) within the 90-day period commencing on and including January 1, 2017 or the 20 business day period commencing after the financial statements for the most recently concluded financial year have been established by the shareholders' meeting of Holdco, which ever period ends later; and
- Second put option for the Company (or its subsidiary) to sell its shares in Holdco to RAS within 60 days following the expiry date of the call option period.

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

10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

The above options will become effective upon closing of the transaction.

The Shareholders Agreement contains also standard joint – exit clauses allowing the Company and RAS to sell all their shares in Grupa Onet.pl held directly or indirectly (drag-along and tag-along rights). The Shareholders Agreement contains also a call option for RAS in the event that the Company does no longer, directly or indirectly, control its stake in Holdco.

11. FINANCIAL INSTRUMENTS BY CATEGORY

ASSETS AS PER BALANCE SHEET	Derivatives used for hedging	Loans and receivables	Total
June 30, 2012			
Non-current related party loans	-	5,052	5,052
Trade receivables	-	262,019	262,019
Derivative financial assets	21,504	-	21,504
Bank deposits with maturity over three months	-	34,090	34,090
Cash and cash equivalents	-	189,641	189,641
	21,504	**490,802**	**512,306**
December 31, 2011			
Non-current related party loans	-	111,257	111,257
Trade receivables	-	235,996	235,996
Derivative financial assets	1,580	-	1,580
Bank deposits with maturity over three months	-	75,000	75,000
Cash and cash equivalents	-	218,935	218,935
	1,580	**641,188**	**642,768**

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

11. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Liabilities as per balance sheet	Derivatives used for hedging	Liabilities at fair value through profit and loss	Other financial liabilities	Total
June 30, 2012				
Loans from related parties	-	-	3,181,834	3,181,834
Accrued interest on borrowings	-	-	46,001	46,001
Non-current trade payables	-	-	9,261	9,261
Current trade payables	-	-	148,492	148,492
Cash pooling liabilities	-	-	10,876	10,876
Other liabilities and accruals*	-	-	72,745	72,745
	-	**-**	**3,469,209**	**3,469,209**
December 31, 2011				
Loans from related parties	-	-	3,295,692	3,295,692
Accrued interest on borrowings	-	-	47,680	47,680
Non-current trade payables	-	-	15,010	15,010
Current trade payables	-	-	165,502	165,502
Other liabilities and accruals*	-	-	50,589	50,589
	-	**-**	**3,574,473**	**3,574,473**

* 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)

12. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2012	December 31, 2011
Derivative financial assets		
Foreign exchange forward contracts	21,504	1,580
	21,504	**1,580**
Derivative financial liabilities		
Foreign exchange forward contracts	98	-
	98	**-**

On March 9 and March 13, 2012 the Company entered into EUR foreign exchange forward contracts 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 has in total a notional value of EUR 200,000, settlement date on October 2, 2012 and PLN/EUR foreign exchange forward rate of 4.20. The Company has designated this EUR foreign exchange forward contract for fair value hedge accounting.

On May 10, 2012 the Company entered into EUR foreign exchange forward contracts in order to limit the impact on the Company's subscription revenue from DTH and cable operators of PLN/EUR exchange rate movements. The hedging strategy based on EUR foreign exchange forward contracts has in total a notional value of EUR 6,742, settlement dates between October 31, 2012 and December 31, 2012 and PLN/EUR foreign exchange forward rates between 4.31 and 4.34. The Company has designated these EUR foreign exchange forward contracts for cash flow hedge accounting.

The fair value of foreign exchange forward contracts as at June 30, 2012 and December 31, 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).

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

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	June 30, 2012	December 31, 2011
Derivative financial assets		
Bank rated AA	21,504	-
Bank rated A+	-	1,580
	21,504	**1,580**
Derivative financial liabilities		
Bank rated BBB+	98	-
	98	**-**

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

	June 30, 2012	December 31, 2011
Cash at bank and in hand	189,641	218,935
	189,641	**218,935**
Bank deposits with maturity over three months	34,090	75,000
	34,090	**75,000**

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

	June 30, 2012	December 31, 2011
Bank rated BBB+	108,652	160,382
Bank rated AA	80,424	58,133
Banks rated BBB and other	565	420
	189,641	**218,935**

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

	June 30, 2012	December 31, 2011
Bank rated BBB+	34,090	75,000
	34,090	**75,000**

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

	June 30, 2012	December 31, 2011
EUR	34,090	-
PLN	-	75,000
	34,090	**75,000**

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 June 30, 2012 was 343,876,421 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 June 30, 2012:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polish Television Holding B.V [(1)] [(2)]	180,355,430	52.45%	180,355,430	52.45%
Cadizin Trading&Investment [(1)]	5,415,781	1.57%	5,415,781	1.57%
Other shareholders	158,105,210	45.98%	158,105,210	45.98%
Total	**343,876,421**	**100.00%**	**343,876,421**	**100.00%**

[(1)] Entities controlled by ITI Group.

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

All shares in issue as at June 30, 2012 are registered by the Court.

15. BORROWINGS

	June 30, 2012	December 31, 2011
Loans from related parties (see Note 20 (iii))	3,181,834	3,295,692
Interest accrued on loans from related parties (see Note 20 (iii))	46,001	47,680
	3,227,835	**3,343,372**
Less: current portion of borrowings	(46,001)	(47,680)
Non-current portion of borrowings	**3,181,834**	**3,295,692**

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 and on March 13, 2012 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, 2013. 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 June 30, 2012 the revolving guarantee facility had been used for the bank guarantees issued at 153,628 (total amount of loan facility used as of December 31, 2011: 203,943).

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

16. OTHER LIABILITIES AND ACCRUALS

	June 30, 2012	December 31, 2011
Employee benefits	34,999	30,980
VAT and other taxes payable	22,018	54,549
Accrued production costs	18,193	7,687
Satellites	4,333	4,875
Sales and marketing related costs	693	3,690
Deferred income	186	227
Other liabilities and accrued costs	49,527	34,145
	129,949	**136,153**

17. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Six months ended June 30, 2012	Six months ended June 30, 2011
Profit for the period		78,736	164,132
Tax charge	**18**	26,203	42,298
Impairment		127,293	-
Depreciation, amortization and impairment	**6**	33,173	30,687
Amortization of acquired program rights and co-production	**6**	75,816	76,535
Payments to acquire programming rights		(84,305)	(89,741)
Impaired accounts receivable	**6**	371	1,438
Loss/ (gain) on sale of property, plant and equipment		44	359
Interest income	**7**	(7,481)	(88,380)
Finance expense	**7**	195,522	185,270
Foreign exchange losses/ (gains), net	**7**	(151,976)	(42,814)
Guarantee fee		(724)	(636)
Change in local production balance		3,497	(1,712)
Dividend income		(134,646)	-
Changes in working capital:			
Trade receivables		(26,394)	(75,612)
Prepayments and other assets		(21,557)	(14,167)
Trade payables		7,079	15,714
Other short term liabilities and accruals		7,634	(30,891)
		(33,238)	(104,956)
Cash generated from operations		**128,285**	**172,480**

Non-cash transactions

Barter revenue, net		514	866

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

18. TAXATION

	Six months ended June 30, 2012	Six months ended June 30, 2011
Current tax charge	2,218	(30,773)
Deferred tax (charge)/ credit	(28,421)	(11,525)
	(26,203)	**(42,298)**

Reconciliation of accounting profit to tax charge		
Profit before income tax	**104,939**	**206,430**
Income tax charge at the enacted statutory rate of 19%	(19,938)	(39,222)
Impact of non taxable dividend income	25,583	-
Impact of impairment of investment in Onet	(24,186)	-
Net tax impact of other net expenses and losses not deductible for tax purposes and revenue not taxable	(7,662)	(3,076)
Tax for the period	**(26,203)**	**(42,298)**

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

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

Management believes that it is probable that taxable profit will be available in the future against which the deductible temporary differences can be utilized, and consequently has recognized deferred tax assets in the amount that reflects the assumed utilization of tax losses and tax credits. The deferred tax amounts were calculated using the enacted tax rate of 19% as at June 30, 2012.

Deferred tax assets not recognized are disclosed in Note 4 (ii) and 4 (iv).

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

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 June 30, 2012. These commitments are scheduled to be paid as follows:

Due in 2012	93,134
Due in 2013	217,622
Due in 2014	109,312
Due in 2015	85,724
Due in 2016 and thereafter	148,491
	654,283

(ii) Total future minimum payments relating to operating lease agreements signed as at June 30, 2012:

	Related parties	**Non-related parties**	**Total**
Due in 2012	6,578	10,565	17,143
Due in 2013	12,494	12,186	24,680
Due in 2014	12,379	6,027	18,406
Due in 2015	12,328	3,945	16,273
Due in 2016 and thereafter	9,011	2,568	11,579
	52,790	**35,291**	**88,081**

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

19. COMMITMENTS (CONTINUED)

Contracts signed with related parties relate to lease of office space and television studios from Poland Media Properties S.A. ("Poland Media Properties") and MBC Real Estate Sp. z o.o. Spółka komandytowo-akcyjna ("MBC Real Estate"). MBC Real Estate is a subsidiary of ITI Group.

Commitments in foreign currencies were calculated using exchange rates as at June 30, 2012.

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 use of satellite capacity. Under these agreements the Company is obliged to pay annual fees as follows:

Due in 2012	12,959
Due in 2013	35,340
Due in 2014	35,340
Due in 2015	32,534
Due in 2016	32,386
Due in 2017 and thereafter	47,589
	196,148

Additionally, the Company leases transmission sites and related services for an annual amount of 21,664.

(iii) Barter commitments

The Company has an outstanding service commitment to broadcast advertising of 485 to settle sundry amounts payable recorded as of June 30, 2012 (526 at December 31, 2011). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at June 30, 2012, the Company assumed contractual commitments of 1,066 to acquire property, plant and equipment and intangible assets (1,226 at December 31, 2011).

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

20. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Six months ended June 30, 2012	Six months ended June 30, 2011
TVN Media Sp. z o.o.	598,290	-
ITI Neovision	26,245	20,836
Stavka Sp. z o.o.	12,115	-
ITI Group	2,853	2,697
Grupa Onet Poland Holding	603	4,771
Mango Media	561	3,622
El-Trade	61	61
NTL Radomsko	-	32
Tivien	24	24
Poland Media Properties	4	4
Film Miasto Sp. z o.o.	2	-
TVN Finance Corporation plc in members' voluntary liquidation	-	6,023
	640,758	**38,070**

Revenue from TVN Media Sp. z o.o. includes mainly revenue from sale of airtime, sponsorship, product placement.

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

Revenue from Stavka Sp. z o.o. includes mainly revenue from license fees, production and technical services and sale of airtime brokerage fees.

Revenue from Grupa Onet Poland Holding and its subsidiaries 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.

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

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Operating expenses:

	Six months ended June 30, 2012	Six months ended June 30, 2011
TVN Media Sp. z o.o.	53,999	-
ITI Group	19,054	18,476
Tivien	7,508	7,932
Grupa Onet Poland Holding	2,223	8,034
Sieger & Sieger Ltd	1,636	-
Poland Media Properties	982	1,007
NTL Radomsko	697	748
ITI Neovision	673	3,423
El-Trade	169	235
Mango Media	-	(31)
	86,941	**39,824**

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 TVN Media Sp. z o.o. include mainly marketing services and license fees.

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.

(iii) Loans from related parties

	June 30, 2012	December 31, 2011
Loans from TVN Finance Corporation II AB	2,455,313	2,543,025
Loans from TVN Finance Corporation III AB	726,521	752,667
Interest accrued	46,001	47,680
	3,227,835	**3,343,372**

On November 19, 2009, March 10, 2010 and April 30, 2010 TVN Finance Corporation II AB, the Company's subsidiary, issued 10.75% Senior Notes due 2017 in the aggregate principal amount of EUR 405,000, EUR 148,000 and EUR 40,000 respectively. Following each issue of 10.75% Senior Notes due 2017, TVN Finance Corporation II AB granted to the Company loans with the nominal of EUR 405,000, EUR 148,000 and EUR 40,000 respectively, bearing interest at 11.90% p.a. and due for repayment on November 15, 2017. Interest on these loans is paid semi-annually. The loans are carried at amortized cost using an effective interest rate of 13.25%, 12.73% and 12.53% respectively.

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

20. RELATED PARTY TRANSACTIONS (CONTINUED)

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%.

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

	June 30, 2012	December 31, 2011
Receivables:		
TVN Media Sp. z o.o.	107,332	134,242
ITI Neovision Group	88,157	50,491
Stavka Sp. z o.o.	16,665	4
ITI Group	16,270	18,069
Mango Media	2,671	1,708
Grupa Onet Poland Holding	261	680
El-Trade	25	25
NTL-Radomsko	25	-
Tivien	4	4
Poland Media Properties	4	3
	231,414	**205,226**
Payables:		
TVN Media Sp. z o.o.	20,115	14,357
ITI Group	9,421	8,789
Grupa Onet Poland Holding	7,412	5,976
ITI Neovision Group	4,869	5,217
Tivien	734	285
Sieger & Sieger Ltd	694	920
NTL-Radomsko	143	145
El-Trade	62	37
Poland Media Properties	16	3
	43,466	**35,729**

(v) Related party loans

	June 30, 2012	December 31, 2011
Stavka Sp. z o.o.	4,512	599
Thema Film	540	528
Grupa Onet Poland Holding	-	110,130
Non-current portion	**5,052**	**111,257**

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

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(vi) Non-current assets classified as held for sale

	June 30, 2012	December 31, 2011
Non-current assets classified as held for sale	**3,105,137**	**1,707,074**
Investment and loans for ITI Neovision and DTH Poland Holding Coöperatief U.A.	1,760,223	1.707,074
Loans for Grupa Onet Poland Holding	51,634	-
Investment in Grupa Onet Poland Holding	1,293,280	-

(vii) Other non-current assets

Other non-current assets include a rental deposit paid to ITI Group in the amount of 1,888.

(viii) Lease commitments with related parties

See Note 19 (ii) for further details.

(ix) Cash pooling liabilities

During the six months ended June 30, 2012 the Company recorded finance cost from cash pooling transactions with TVN Media of 1,601 (during the six months ended June 30, 2011: nil) which is presented in other interest income (see Note 7). Cash pooling liabilities amount to 10,876 (nil at December 31, 2011).

(x) Other

ITI Holdings has provided guarantees in the amount of USD 3,000 to Warner Bros. International Television Distribution and USD 17,301 to Universal Studios International in respect of programming rights purchased and broadcasted by the Company. During the six months ended June 30, 2012, the Company recorded finance costs relating to ITI Holdings guarantees of 724 (during the six months ended June 30, 2011: 636).

As of June 30, 2012 the Company issued guarantees in the total amount of 349,568 on the Company's behalf relating to the liabilities of ITI Neovision.

As of June 30, 2012 the Company has provided guarantee in the amount of 1,000 to IBM in respect of services provided to ITI Neovision.

During the six months ended June 30, 2012 the Company recorded the revenue of 3,702 from TVN Finance Corporation II AB, 1,129 from TVN Finance Corporation III AB and 1,703 from ITI Neovision relating to the guarantees provided (during the six months ended June 30, 2011: TVN Finance Corporation II AB 5,834, TVN Finance Corporation III AB 1,714 and ITI Neovision 298).

In February 2012 the Company acquired from Poland Media Properties a building and perpetual usufruct of land for a total consideration of 27,155.

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):

	Six months ended June 30, 2012		Six months ended June 30, 2011	
	Weighted average exercise price	Outstanding options	Weighted average exercise price	Outstanding options
At 1 January	PLN 10.88	**9,126,602**	PLN 10.86	**10,648,831**
Exercised	-	-	PLN 10.75	(1,318,972)
At 30 June	PLN 10.88	**9,126,602**	PLN 10.88	**9,329,859**

The total fair value of the options granted was estimated at the respective grant date 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 assumed 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 was 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	882,479	PLN 9.58	Vested
C3	2,043,266	PLN 10.58	Vested
	3,178,235		

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	4,326,989	PLN 11.68	Vested
	5,948,367		

The TVN Incentive Schemes expire on December 31, 2014.

Between July 1, 2012 and the date when these interim condensed separate financial statements were prepared no options were exercised.

(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
June 30, 2012	3.3885	4.2613
December 31, 2011	3.4174	4.4168
June 30, 2011	2.7517	3.9866

The movement in the consumer price index for the six months ended June 30, 2012 amounted to 2.6% (six months ended June 30, 2011: 3.1%).

23. EVENTS AFTER THE REPORTING PERIOD

In July 2012 the Company entered into foreign exchange forward contracts with Rabobank Polska S.A., with the last transaction signed on July 19, 2012, for a purchase of EUR 150,000 with a settlement date on October 2, 2012 and with the forward rate of 4.20. The transactions are based on current market conditions, in line with generally adopted terms for such transactions. The transactions are aimed at further mitigating 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. As at July 19, 2012 the hedging strategy based on EUR foreign exchange forward contracts has in total a notional value of EUR 350,000, settlement date on October 2, 2012 and PLN/EUR foreign exchange forward rate of 4.20. The Company has designated these EUR foreign exchange forward contract for fair value hedge accounting.