TVN S.A.

INTERIM REPORT
FOR THE THREE AND NINE MONTHS
ENDED SEPTEMBER 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; "**TVN Player**" refers to our video on demand platform launched in August 2011; "**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 for 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 September 30, 2012, the ‘n’ DTH platform had over 991,000 (not in thousands) active subscribers. Since October 2008, the ‘n’ DTH platform operates TNK, on May 2010 launched TNK HD, a pre-paid digital television service in high definition and on May 2011 launched NNK HD, rebranded in June 2011 version of TNK HD. TNK had over 294,000 (not in thousands) active customers (including TNK HD) as of September 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. The Agreement provided for the disposal of 100% of the shares in Grupa Onet.pl to a wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. (“Vidalia”), for consideration consisting of cash for 75.98% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl.

- **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 wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. ("Vidalia") for consideration consisting of cash for 75.98% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl.

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

Operational results

- According to TVN estimates based on Starlink data the television advertising market in Poland in the three months ended September 30, 2012 decreased by approx. 7.0% 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 approx. 34.0% in three months ended September 30, 2012 from 34.7% in the corresponding period of 2011.

- Our TVN 7 increased its audience share in all categories. All day nationwide audience share increased to 2.7% from 1,7%, all day basic commercial target group audience share increased to 2.9% from 2.1%, all day key target group audience share increased to 2.7% from 2.2%, *prime time* basic commercial target group audience share increased to 3.0% from 2.0%, *prime time* key target group audience share increased to 2.7% from 2.1%, *peak time* basic commercial target group audience share increased to 2.8% from 2.0% and *peak time* key target group audience share increased to 2.5% from 2.3% in the corresponding period of 2011 according to Nielsen Audience Measurement (NAM).

- Our TVN Style increased its audience share in all categories. All-day nationwide audience share increased to 0.7%, from 0.4%, all-day basic commercial target group audience share increased to 0.9%, from 0.6%, all-day key target group audience share increased to 1.4%, from 0.9%, *prime time* basic commercial target group audience share increased to 0.7%, from 0.4.%, *prime time* key target group audience share increased to 1.1%, from 0.6%, *peak time* basic commercial target group audience share increased to 0.8%, from 0.4% and *peak time* key target group audience share increased to 1.1%, from 0.7% in the corresponding period of 2011 according to NAM.

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

- Our Internet portal Onet.pl had 12.98 million real users and 2.4 billion page views in September 2012. Average monthly time spent per real user on Onet.pl portal in September 2012 was 5 hours and 6 minutes, according to Megapanel PBI/Gemius.

- Our ‘n’ DTH platform’s post-paid net subscriber number increased by over 8,000 (not in thousands) during three months ended September 30, 2012. As of September 30, 2012, the ‘n’ DTH platform had over 991,000 (not in thousands) active subscribers. As of September 30, 2012, the ‘n’ DTH platform recorded monthly average revenue per subscriber (“ARPU”) of PLN 61.4 (not in thousands), compared to PLN 61.3 (not in thousands) in the corresponding period of 2011.

- TNK active pre-paid net customer base contracted by over 35,000 (not in thousands) during three months ended September 30, 2012. As of September 30, 2012, TNK had a total customer base (active and inactive) of over 294,000 (not in thousands). As of September 30, 2012, TNK HD had more than 88,000 active customers. The ‘n’ DTH platform including TNK and TNK HD, had reached a total active clients number of over 1,285,000 (not in thousands) as of September 30, 2012, compared to over 1,169,000 (not in thousands) as of September 30, 2011.

Principal events

- On September 14, 2012, the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for merger of Cyfra+ and ‘n’ platforms. The consent is an important step towards finalizing the merger transaction.

- On September 18, 2012, the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for sale of majority stake in Onet.pl Group S.A. to Ringier Axel Springer Media AG (RAS). The consent is an important step towards finalizing the sale transaction. On November 6, 2012 we concluded the agreement with Ringier Axel Springer regarding the sale of the majority stake in Grupa Onet.pl to RAS. (see “Significant events since September 30, 2012”)

Financial results

- Our Group reported revenue decreased by PLN 24,693, or 7.4% to PLN 310,914, from PLN 335,607 in the corresponding period of 2011. Including ‘n’ platform and Onet results our Group revenue would have increased by PLN 4,388, or 0.8% to PLN 570,407, from PLN 566,019 in the corresponding period of 2011.

- Our TV segment decreased its revenue by PLN 22,391, or 6.9% to PLN 304,287, from PLN 326,678 in the corresponding period of 2011.

- Our Digital satellite pay television segment increased its revenue by PLN 33,585, or 18.1%, to PLN 218,815, from PLN 185,230 in the corresponding period of 2011.

- Our Online segment decreased its revenue by PLN 6,438, or 10.0%, to PLN 57,640, from PLN 64,078 in the corresponding period of 2011.

- Our operating profit increased by PLN 1,543, or 2.4% to PLN 66,730, from PLN 65,187 in the corresponding period of 2011. Including ‘n’ platform and Onet results our operating profit would have increased by PLN 37,464 or 93,4% to PLN 77,590 from PLN 40,126 in the corresponding period of 2011.

- Our EBITDA increased by PLN 3,690, or 4,6% to PLN 84,685, from PLN 80,995 in the corresponding period of 2011. Our EBITDA margin increased to 27.2% from 24.1% in the corresponding period of 2011. Including ‘n’ platform and Onet results our Group EBITDA would have decreased by PLN 11,414, or 10.7% to PLN 95,539, from PLN 106,953 in the corresponding period of 2011.

- We recorded a profit for the period from continuing operations of PLN 48,946 compared to the loss for the period from continuing operations of PLN 283,528 in the corresponding period of 2011.

- We recorded a profit for the period from discontinued operations of PLN 8,483 compared to the loss for the period from discontinued operations of PLN 73,686 in the corresponding period of 2011.

- We recorded a profit for the period of PLN 57,429 compared to a loss for the period of PLN 357,214 in the corresponding period of 2011. Consequently, we recorded a profit attributable to the owners of TVN S.A. of PLN 61,967, compared to a loss attributable to the owners of TVN S.A. of PLN 357,214 in 2011.

- Our Net debt to EBITDA ratio before impairment as of September 30, 2012 was 4.8. As of September 30, 2012 we held in total PLN 490,380 cash and cash equivalents including bank deposits with maturity over three months. Including ‘n’ platform and Onet results our cash and cash equivalents including bank deposits with maturity over three months would have accounted to PLN 581,215.

The principal events of the nine months ended September 30, 2012

Operational results

- According to TVN estimates based on Starlink data the television advertising market in Poland in the nine months ended September 30, 2012 decreased by 7.3% 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 approx. 34.1% in the nine months ended September 30, 2012 from 34.3% in the corresponding period of 2011.

- Our TVN 7 increased its audience share in all categories. All-day nationwide audience share increased to 2.4%, from 1.7%, all-day basic commercial target group audience share increased to 2.7%, from 2.1%, all-day key target group audience share increased to 2.8%, from 2.2%, *prime time* basic commercial target group audience share increased to 2.7% from 2.2%, *prime time* key target group audience share increased to 2.7%, from 2.0%, *peak time* basic commercial target group audience share increased to 2.6%, from 2.2% and *peak time* key target group audience share increased to 2.8%, from 2.0% 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 0.6%, 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 1.2%, 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 0.4% and *peak time* key target group audience share increased to 1.0%, from 0.7% in the corresponding period of 2011 according to NAM.

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

- Our TVN 24 increased its audience share in all shifts of a day for basic commercial target group, all-day basic commercial target group audience share increased to 2.3% from 2.2%, *prime time* basic commercial target group audience share increased to 1.5% from 1.4%, *peak time* basic commercial target group audience shares increased to 1.5% from 1.4% in the corresponding period of 2011 according to NAM.

- Our Internet portal Onet.pl had 12.98 million real users and 2.4 billion page views in September 2012. Average monthly time spent per real user on Onet.pl portal in September 2012 was 5 hours and 6 minutes, according to Megapanel PBI/Gemius.

- Our ‘n’ DTH platform’s post-paid net subscriber number increased by almost 62,000 (not in thousands) during nine months ended September 30, 2012. As of September 30, 2012, the ‘n’ DTH platform had over 991,000 (not in thousands) active subscribers. As of September 30, 2012, the ‘n’ DTH platform recorded monthly average revenue per subscriber ("ARPU") of PLN 61.0 (not in thousands), compared to PLN 60.8 (not in thousands) in the corresponding period of 2011.

- TNK active pre-paid net customer base contracted by over 51,000 (not in thousands) during nine months ended September 30, 2012. As of September 30, 2012, TNK had a total customer base (active and inactive) of over 294,000 (not in thousands). As of September 30, 2012, TNK HD had over 88,000 active customers. The 'n' DTH platform including TNK and TNK HD, had reached a total active clients number of over 1,285,000 (not in thousands) as of September 30, 2012, compared to over 1,169,000 (not in thousands) as of September 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.

- 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. The Agreement provided for the disposal of 100% of the shares in Grupa Onet.pl to a wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. ("Vidalia"), for consideration consisting of cash for 75.98% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl. On November 6, 2012 we concluded the agreement with Ringier Axel Springer regarding the sale of the majority stake in Grupa Onet.pl to RAS. (see "Significant events since September 30, 2012")

Financial results

- Our Group reported revenue decreased by PLN 65,482, or 5.5% to PLN 1,127,570, from PLN 1,193,052 in the corresponding period of 2011. Including 'n' platform and Onet results our Group revenue would have increased by PLN 26,148, or 1.4% to PLN 1,898,115, from PLN 1,871,967 in the corresponding period of 2011.

- Our TV segment decreased its revenue by PLN 64,500, or 5.5% to PLN 1,103,968, from PLN 1,168,468 in the corresponding period of 2011.

- Our Digital satellite pay television segment increased its revenue by PLN 96,891, or 17.9%, to PLN 638,066, from PLN 541,175 in the corresponding period of 2011.

- Our Online segment decreased its revenue by PLN 11,126, or 5.7%, to PLN 183,434, from PLN 194,560 in the corresponding period of 2011.

- Our operating profit decreased by PLN 58,195, or 18.0% to PLN 264,533, from PLN 322,728 in the corresponding period of 2011. Including 'n' platform and Onet results our operating profit would have decreased by PLN 179,954 or 71,7% to PLN 70,925 from PLN 250,879 in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill in the second quarter of 2012 of PLN 216,029.

- Our EBITDA decreased by PLN 52,033, or 14.1% to PLN 317,531, from PLN 369,564 in the corresponding period of 2011. Our EBITDA margin decreased to 28.2% from 31.0% in the corresponding period of 2011. Including ‘n’ platform and Onet results our Group EBITDA would have decreased by PLN 309,439, or 69.2% to PLN 137,751, from PLN 447,190 in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill in the second quarter of 2012.

- We recorded a profit for the period from continuing operations of PLN 211,088 compared to the loss for the period from continuing operations of PLN 189,482 in the corresponding period of 2011.

- We recorded loss for the period from discontinued operations of PLN 206,642 compared to the loss for the period from discontinued operations of PLN 140,314 in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill in the second quarter of 2012.

- We recorded a profit for the period of PLN 4,446 compared to a loss for the period of PLN 329,796 in the corresponding period of 2011. Consequently, we recorded a profit attributable to the owners of TVN S.A. of PLN 16,292, compared to a loss attributable to the owners of TVN S.A. of PLN 329,796 in 2011.
- Our Net debt to EBITDA ratio before impairment as of September 30, 2012 was 4.8. As of September 30, 2012 we held in total PLN 490,380 cash and cash equivalents including bank deposits with maturity over three months. Including ‘n’ platform and Onet results our cash and cash equivalents including bank deposits with maturity over three months would have accounted to PLN 581,215.

Summary Historical Financial Data

The following tables set out our unaudited consolidated financial information as of and for the three and nine months ended September 30, 2012, for the three and nine months ended September 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 September 30, 2012 have been converted into Euro at a rate of PLN 4.1138 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on September 30, 2012). Złoty amounts for the three months ended September 30, 2012 have been converted into Euro at a rate of PLN 4.1354 per €1.00 (arithmetic average of the effective NBP exchange rates on July 31, 2012, August 31, 2012 and September 30, 2012). Złoty amounts for the nine months ended September 30, 2012 have been converted into Euro at a rate of PLN 4.1948 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, June 30, 2012, July 31, 2012, August 31, 2012 and September 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 September 30, 2011 have been converted into Euro at a rate of PLN 4.4112 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on September 30, 2011). Złoty amounts for the three months ended September 30, 2011 have been converted into Euro at a rate of PLN 4.1894 per €1.00 (arithmetic average of the effective NBP exchange rates on July 31, 2011, August 31, 2011 and September 30, 2011). Złoty amounts for the nine months ended September 30, 2011 have been converted into Euro at a rate of PLN 4.0413 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2011, February 28, 2011, March 31, 2011, April 30, 2011, May 31, 2011, June 30, 2011, July 31, 2011, August 31, 2011 and September 30, 2011). 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.

Unaudited consolidated financial information as of and for the three months ended September 30, 2012 and 2011.

Income statement data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Revenue	335,607	80,109	310,914	75,184
Operating profit	65,187	15,560	66,730	16,137
(Loss) / profit before income tax	(346,598)	(82,732)	53,727	12,992
(Loss)/ profit attributable to the owners of TVN S.A.	**(357,214)**	**(85,266)**	**61,967**	**14,985**

Cash flow data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Net cash generated by operating activities	117,383	28,019	61,560	14,886
Net cash (used in) / generated by investing activities	(56,177)	(13,409)	(87,262)	(21,101)
Net cash generated by / (used in) financing activities	1,802	430	(11)	(3)
Increase / (Decrease) in cash and cash equivalents	**63,008**	**15,030**	**(25,713)**	**(8,201)**

Earnings per share data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Weighted average number of ordinary shares in issue (not in thousands)	343,733,779	343,733,779	343,876,421	343,876,421
Weighted average number of potential ordinary shares in issue (not in thousands)	343,733,779	343,733,779	343,876,421	343,876,421
(Losses) / earnings per share attributable to the owners of TVN S.A. (not in thousands)	(1.04)	(0.25)	0.18	0.04
Diluted earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	(1.04)	(0.25)	0.18	0.04
Dividend paid or declared per share (not in thousands)	-	-	-	-

Other data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
EBITDA*	**80,995**	**19,333**	**84,685**	**20,478**
EBITDA margin	24.1%	24.1%	27.2%	27.2%
Operating margin	19.4%	19.4%	21.5%	21.5%

Balance sheet data

	As at December 31, 2011 PLN	As at December 31, 2011 EUR	As at September 30, 2012 PLN	As at September 30, 2012 EUR
Total assets	5,111,958	1,157,390	4,886,863	1,192,170
Current assets	2,821,069	638,713	4,176,438	1,015,226
Non-current liabilities	3,478,473	787,555	3,161,335	767,751
Current liabilities	456,414	103,335	443,903	115,905
Shareholders equity**	924,029	209,208	906,065	214,220
Share capital	68,775	15,571	68,775	16,718
Non-controlling interest	(558)	(126)	(12,404)	(3,015)

Unaudited consolidated financial information as of and for the nine months ended September 30, 2012 and 2011.

Income statement data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Revenue	1,193,052	295,215	1,127,570	268,802
Operating profit	322,728	79,858	264,533	63,062
(Loss) / profit before income tax	(227,425)	(56,275)	235,857	56,226
(Loss)/ profit attributable to the owners of TVN S.A.	**(329,796)**	**(81,606)**	**16,292**	**3,884**

Cash flow data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Net cash generated by operating activities	281,386	69,628	192,395	45,865
Net cash generated by/ (used in) investing activities	165,297	40,902	(139,298)	(27,750)
Net cash generated from/ (used in) financing activities	(150,996)	(37,363)	(197,800)	(47,154)
Increase / (decrease) in cash and cash equivalents	**295,687**	**73,166**	**(144,702)**	**(34,496)**

Earnings per share data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Weighted average number of ordinary shares in issue (not in thousands)	343,161,778	343,161,778	343,876,421	343,876,421
Weighted average number of potential ordinary shares in issue (not in thousands)	343,161,778	343,161,778	343,901,287	343,901,287
(Losses)/ earnings per share attributable to the owners of TVN S.A. (not in thousands)	(0.96)	(0.24)	0.05	0.01
Diluted (losses)/ earnings per share attributable to the owners of TVN S.A. (not in thousands)	(0.96)	(0.24)	0.05	0.01
Dividend paid or declared per share (not in thousands)	0.04	0.01	0.1	0.02

Other data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
EBITDA*	369,564	91,447	317,531	75,696
EBITDA margin	31.0%	31.0%	28.2%	28.2%
Operating margin	27.1%	27.1%	23.5%	23.5%

Balance sheet data

	As at December 31, 2011 PLN	As at December 31, 2011 EUR	As at September 30, 2012 PLN	As at September 30, 2012 EUR
Total assets	5,111,958	1,157,390	4,886,863	1,192,170
Current assets	2,821,069	638,713	4,176,438	1,015,226
Non-current liabilities	3,478,473	787,555	3,161,335	767,751
Current liabilities	456,414	103,335	443,903	115,905
Shareholders equity**	924,029	209,208	906,065	214,220
Share capital	68,775	15,571	68,775	16,718
Non-controlling interest	(558)	(126)	(12,404)	(3,015)

*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 September 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, Stavka Sp. z o.o. were consolidated using the equity consolidation method.

Our fiscal year ends on December 31.

Television broadcasting and production

Revenue

This segment primarily derives revenue from commercial advertising. During the three and nine months ended September 30 2012, we derived 37.5% and 42.0%, respectively, of our total Group revenue from commercial television advertising, compared to 40.3% and 44.9% 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 September 30,			**Nine months ended September 30,**		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
Our Rate-card pricing	53%	44%	39%	57%	50%	40%
Our Cost per GRP pricing	47%	56%	61%	43%	50%	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 nine months ended September 30, 2012, we tended to sell over 99.3% and 99.2%, respectively, of peak time advertising spots on our TVN channel and over 74.8% and 74.2%, respectively, of non-peak time advertising spots. We record our advertising revenue at the time the relevant advertisement is broadcast. As is common in the television broadcasting industry, we provide advertising agencies and advertisers with an incentive rebate. We recognize advertising revenue net of discounts and rebates.

Carriage fees from satellite and cable operators

We also generate revenue from the sale of licenses granting digital satellite platform and cable operators the right to distribute our channels' programming content to subscribers to their respective services. During the three and nine months ended September 30, 2012, 9.5% and 8.7%, respectively, of our total Group revenue came from such fees compared with 8.9% and 7.7% 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 23.7% and 23.4%, of our Group operating expenses in the three and nine months ended September 30, 2012, respectively, compared with 22.7% and 25.7% 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 nine months ended September 30, 2012, we commissioned and produced locally through third parties 74.5% and 77.3%, respectively, of programming content on our TVN channel, compared with 75.1% and 76.1% in the corresponding periods of 2011. During the three and nine months ended September 30, 2012, we acquired 25.5% and 22.7%, respectively, of our programming content from third parties, compared with 24.9% and 23.9% 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 nine months ended September 30 2012, we derived 36.1% and 31.3%, respectively of our total Group revenue from 'n' DTH platform subscription fees and recharges compared with 30.4% and 26.3% 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 31.0% and 23.1%, respectively, of our Group operating expenses in the three and nine months ended September 30, 2012, compared with 20,6% and 19,0% 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, costs related to 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 nine months ended September 30 2012, we derived 9.2% and 8.6%, respectively of our total Group revenue from online advertising, compared with 9.5% and 8.8% 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. Revenue from sale of goods/teleshopping accounted for approximately 1.2% and 1.2%, respectively, of our Group revenue in the three and nine months ended September 30, 2012, compared with 1.6% 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 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 2.5% GDP growth in 2012, according to the most recent view of the World Bank expressed in October 2012. Net television advertising expenditure in Poland was flat in 2011 despite of 4.3% GDP growth reported by Polish Central Statistical Office.

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 20.0% and 20.4%, respectively, of Poland's nationwide all-day audience in the three and nine months ended September 30, 2012, and our TVN channel achieved 15.5% and 17.0%, respectively, of our key target audience during *peak time* in the three and nine months ended September 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 September 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 132,478 loss from continuing operations.

In March and July 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 350,000, 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.

On August 2, 2012 we entered into EUR foreign exchange forward contract in order to limit the impact on the Group's net results of PLN/EUR exchange rate movements in relation to the payment of interest on 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018. The hedging strategy based on EUR foreign exchange forward contract has a notional value of EUR 10,000, settlement date on November 8, 2012 and PLN/EUR foreign exchange forward rate of 4.16.

In July and August 2012 ITI Neovision entered into EUR and USD foreign exchange forward contracts in order to limit the impact on its net results of exchange rates movements in relation to programming rights. The hedging strategy based on EUR foreign exchange forward contracts has in total a notional value of EUR 9,893 settlement dates between October 1, 2012 and December 27, 2012 and PLN/EUR foreign exchange rates between 4.1550 and 4.2088. The hedging strategy based on USD foreign exchange forward contracts has in total a notional value of USD 6,000 settlement dates between October 25, 2012 and January 25, 2013 and PLN/USD foreign exchange rates between 3.31 and 3.43.

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.

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, which was subsequently established under the name of Vidalia Investments Sp. z o.o. (“Vidalia”) in return for consideration consisting of cash for 75.98% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl. On November 6, 2012 we concluded the agreement with Ringier Axel Springer regarding the sale of the majority stake in Grupa Onet.pl to RAS. (see “Significant events since September 30, 2012”)

On August 1, 2012 we sold our share in the share capital of Film Miasto Sp. z o.o. for a consideration of PLN 2. We recognized a loss on this transaction in the amount of PLN 16.

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 93,334 or 27.5% to PLN 246,985 as of September 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 September 30, 2012 from PLN 952,657 as of December 31, 2011. Our brand decreased by PLN 643,427 to PLN 50,260 as of September 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 23,507, or 31.2%, to PLN 51,720 as of September 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 increased by PLN 21,247, or 5.1%, to PLN 441,954 as of September 30, 2012, from PLN 420,707 as of December 31, 2011. The increase is mainly due to higher acquired programming rights and capitalised local production cost.

Our derivative financial assets decreased by PLN 359 to PLN 1,221 as of September 30, 2012, from PLN 1,580 as of December 31, 2011.

Our prepayments and other assets increased by PLN 46,694 to PLN 104,299 as of September 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 20,000, partly from an increase of prepaid and deferred expenses by PLN 17,402 and partly from an increase of other assets by PLN 7,783.

Our bank deposits with maturity over three months decreased to PLN 69,935 as of September 30, 2012, compared to 75,000 as of December 31, 2011. This decrease results mainly from the fact that most these deposits matured before September 30, 2012.

Our assets of disposal group classified as held for sale increased to PLN 3,022,310 as of September 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. The Agreement provided for the disposal of 100% of the shares in Grupa Onet.pl to a wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. ("Vidalia"), for consideration consisting of cash for 75.98% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl.

Our share capital was maintained at the level of PLN 68,775 as of September 30, 2012. Our share premium was PLN 672,876 as of September 30, 2012 compared to PLN 672,931 as of December 31, 2011.

Our 10.75% Senior Notes, excluding accrued interest, amounted to PLN 2,369,949 as of September 30, 2012, compared to PLN 2,542,476 as of December 31, 2011. Our 7.875% Senior Notes, excluding accrued interest, amounted to PLN 701,164 as of September 30, 2012, compared to PLN 752,490 as of December 31, 2011. These decreases result primarily from lower PLN/EUR exchange rate as of September 30, 2012 in comparison to PLN/EUR exchange rate on December 31, 2011.

Our deferred tax liabilities decreased by PLN 92,516 or by 58.4% to PLN 65,785 as of September 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 48,459 or by 29.6% to PLN 115,180 as of September 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 70,352, or 28.1%, to PLN 179,619 as of September 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 40,563 and also is a result of the transfer 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".

Results of Operations

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

Revenue. Our revenue decreased by PLN 24,693, or 7.4%, to PLN 310,914 in the three months ended September 30, 2012, from PLN 335,607 in the corresponding period of 2011. This decrease resulted mainly from a decrease in advertising revenue of PLN 16,582 and from a decrease in sponsoring by PLN 2,131. These decreases were partly offset by an increase in carriage fees from satellite and cable operators of PLN 3,169. Including 'n' and Onet results, our revenue would have increased by PLN 4,388 or 0.8% to PLN 570,407 from PLN 566,019 in the corresponding period of 2011.

Our advertising revenue decreased by PLN 16,582, or 7.2%, to PLN 212,953 during the three months ended September 30, 2012, from PLN 229,535 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 sponsoring revenue decreased by PLN 2,131, or 8.3% to PLN 23,527 in the three months ended September 30, 2012 from PLN 25,658 in the corresponding period of 2011. This decrease results mainly from weaker sponsoring revenue of our main TVN channel.

Our call TV revenue decreased by PLN 1,398, or 48.7% to PLN 1,474 in the three months ended September 30, 2012 from PLN 2,872 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 3,169, or 6.3% to PLN 53,833 in the three months ended September 30, 2012 from PLN 50,664 in the corresponding period of 2011. This increase results mainly from increase in subscriber bases of thematic channels.

Cost of revenue. Cost of revenue decreased by PLN 15,386, or 7.5%, to PLN 189,168 in the three months ended September 30, 2012, from PLN 204,554 in the corresponding period of 2011. The decrease results mainly from lower staff expenses by PLN 4,783, or 32.0%, the decrease of call TV production by 3,085, or 89.4% and TVN local production costs by PLN 1,521, or 2.7%. Including 'n' and Onet results our cost of revenue would have decreased by PLN 17,636, or 4.5%, to PLN 375,797 from PLN 393,433 in the corresponding period of 2011.

As a percentage of revenue, our cost of revenue decreased in the three months ended September 30, 2012, to 60.8%, compared to 61.0% in the corresponding period of 2011. Including 'n' and Onet results, our cost of revenue as a percentage of revenue would have decreased in the three months ended September 30, 2012, to 65.9%, compared to 69.5% in the corresponding period of 2011.

Selling expenses. Our selling expenses decreased by PLN 4,709, or 17.6% to PLN 22,038 for the three months ended September 30, 2012, from PLN 26,747 in the corresponding period of 2011. Including 'n' and Onet results our selling expenses would have decreased by PLN 8,977, or 11.5% to PLN 68,838 for the three months ended September 30, 2012, from PLN 77,814 in the corresponding period of 2011.

As a percentage of revenue, our selling expenses decreased to 7.1% in the three months ended September 30, 2012, from 8.0% 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 three months ended September 30, 2012, from 13.7% in the corresponding period of 2011.

General and administration expenses. Our general and administration expenses decreased by PLN 5,887, or 15.3%, to PLN 32,545 in the three months ended September 30, 2012, compared with PLN 38,432 in the corresponding period of 2011. Including 'n' and Onet results our general and administration expenses would have decreased by PLN 6,214 or 11.5% to PLN 47,832 from PLN 54,046 in the corresponding period of 2011.

As a percentage of revenue, our general and administration expenses decreased to 10.5% in the three months ended September 30, 2012 from 11.5% in the corresponding period of 2011. Including 'n' and Onet results, our general and administration expenses as a percentage of revenue would have decreased to 8.4% in the three months ended September 30, 2012 from 9.5% in the corresponding period of 2011.

Operating profit. Operating profit increased by PLN 1,543, or 2.4%, to PLN 66,730 in the three months ended September 30, 2012, from an operating profit of PLN 65,187 in the corresponding period of 2011. Including 'n' and Onet results our operating profit would have increased by PLN 37,464, or 93.4%, to profit of PLN 77,590 from profit of PLN 40,126 in the corresponding period of 2011. Our operating margin increased to 21.5% from 19.4% in the corresponding period of 2011.

Interest income. We recorded an interest income of PLN 5,360 in the three months ended September 30, 2012, compared to an interest income of PLN 6,127 in the corresponding period of 2011. Including 'n' and Onet results we would have recorded interest income of PLN 6,251 for the three months ended September 30, 2012, compared to interest income of PLN 8,054 in the corresponding period of 2011.

Finance expense. We recorded finance expense of PLN 98,825 for the three months ended September 30, 2012, compared to finance expense of PLN 85,232 in the corresponding period of 2011. The increase is mainly due to an increase of interest expense on foreign exchange forward contracts by PLN 13,965 we recognized in the three months ended September 30, 2012 comparing to the corresponding period of 2011. Including 'n' and Onet results we would have recorded finance expense of PLN 99,757 for the three months ended September 30, 2012, compared to finance expense of PLN 86,041 in the corresponding period of 2011.

Foreign exchange gains, net. We recorded foreign exchange gains, net of PLN 80,463 for the three months ended September 30, 2012, compared to foreign exchange losses, net of PLN 332,579 in the corresponding period of 2011. We recorded foreign exchange gains and fair value hedge impact on our 10.75% Senior Notes of PLN 60,476 in the three months ended September 30, 2012, compared to foreign exchange losses and fair value hedge impact on our 10.75% Senior Notes of PLN 258,706 in the corresponding period of 2011. We recorded foreign exchange gains on our 7.875% Senior Notes and fair value hedge impact of PLN 17,727 in the three months ended September 30, 2012, compared to foreign exchange losses on our 7.875% Senior Notes of PLN 75,801 in the corresponding period of 2011. Including 'n' and Onet results we would have recorded foreign exchanges losses, net of PLN 81,430 for the three months ended September 30, 2012, compared to foreign exchanges losses, net of PLN 336,894 in the corresponding period of 2011.

Profit before income tax. Our profit before income tax for the three months ended September 30, 2012 was PLN 53,727 compared to a loss before income tax of PLN 346,598, in the corresponding period of 2011. This increase was primarily due to foreign exchange gains, net that we recognized in the three months ended September 30, 2012, as compared with foreign exchange losses recognized in the three months ended September 30, 2011. This increase results also from lower operating costs by PLN 25,982 we recognized in the three months ended September 30, 2012 compared to the three months ended September 30, 2011. Including 'n' and Onet results our profit before income tax would have been PLN 65,753 for the three months ended September 30, 2012, compared to a loss before income tax of PLN 375,601 in the corresponding period of 2011.

Income tax charge. For the three months ended September 30, 2012, we recorded a total income tax charge of PLN 4,781, compared to an income tax benefit of PLN 63,070 in the corresponding period of 2011. This increase is mostly due to the profit before income tax we recognized in the three months ended September 30, 2012 compared to a loss 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 8,324 for the three months ended September 30, 2012, compared to a total income tax benefit of PLN 18,387 in the corresponding period of 2011.

Profit for the period from continuing operations. Our profit from continuing operations amounted to PLN 48,946 in the three months ended September 30, 2012 compared to the loss from continued operations of PLN 283,528 in the corresponding period of 2011.

Profit for the period from discontinued operations. Our profit from discontinued operations amounted to PLN 8,483 in the three months ended September 30, 2012 compared to the loss from discontinued operations of PLN 73,686 in the corresponding period of 2011. This change results mainly from better performance of ITI Neovision Group that reduced its loss for the period to PLN 5,953 in the three months ended September 30, 2012 from a loss of PLN 90,828 in the corresponding period of 2011, with further positive impact of a profit for the period generated by Onet Group.

Profit for the period. Our profit amounted to PLN 57,429 in the three months ended September 30, 2012, compared to a loss of PLN 357,214 in the corresponding period of 2011. This change results mainly from foreign exchange gains of PLN 80,463 recorded in the three months ended September 30, 2012 compared to a foreign exchange losses of PLN 332,579 in the corresponding period of 2011.

Profit attributable to the owners of TVN S.A. Consequently, our profit attributable to the owners of TVN S.A. was PLN 61,967 in the three months ended September 30, 2012, compared to a loss of PLN 357,214 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 September 30, 2012 and 2011:

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items**		Total	
	Three months ended September 30, 2012	**Three months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**
Revenue from external customers	289,219	311,442	218,332	184,675	54,971	58,464	7,884	11,438	(259,492)	(230,412)	310,914	335,607
Inter-segment revenue	15,068	15,236	483	555	2,669	5,614	-	-	(18,220)	(21,405)	-	-
Total revenue	**304,287**	**326,678**	**218,815**	**185,230**	**57,640**	**64,078**	**7,884**	**11,438**	**(277,712)**	**(251,817)**	**310,914**	**335,607**
Operating profit/(loss)	79,394	84,822	(45,038)	(38,500)	10,953	13,723	(1,758)	(726)	23,180	5,868	66,731	65,187
EBITDA*	**97,287**	**100,557**	**(1,784)**	**4,874**	**19,016**	**21,237**	**(1,702)**	**(650)**	**(28,132)**	**(45,023)**	**84,685**	**80,995**
EBITDA* margin	**32.0%**	**30.8%**	**-**	**2.6%**	**33.0%**	**33.1%**	**-**	**-**	**-**	**-**	**27.2%**	**24.1%**

* 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 September 30, 2012 and 2011.

	Television Broadcasting & Production		**Digital satellite pay television**		**Online**		**Teleshopping**		**Other reconciling items**		**Total**	
	Three months ended September 30, 2012	**Three months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**
Operating profit/(loss)	79,394	84,822	(45,038)	(38,500)	10,953	13,723	(1,758)	(726)	23,180	5,868	66,731	65,187
Depreciation, amortization and impairment charges	17,893	15,735	43,254	43,374	8,063	7,514	56	76	(51,312)	(50,891)	17,954	15,808
EBITDA	**97,287**	**100,557**	**(1,784)**	**4,874**	**19,016**	**21,237**	**(1,702)**	**(650)**	**(28,132)**	**(45,023)**	**84,685**	**80,995**

Television Broadcasting and Production

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

	Three months ended September 30,					
	2012			2011		
	Revenue	**EBITDA**	**EBITDA %**	**Revenue**	**EBITDA**	**EBITDA %**
TVN channel	180,663	51,798	28.7	209,051	68,586	32.8
TVN 24 channel	52,592	26,502	50.4	53,132	23,574	44.4
Other	71,032	18,987	26.7	64,495	8,397	13.0
Total segment	**304,287**	**97,287**	**32.0**	**326,678**	**100,557**	**30.8**

Television broadcasting and production revenue in the three months ended September 30, 2012, decreased by PLN 22,391, or 6.9% to PLN 304,287, compared to PLN 326,678 in the corresponding period of 2011.

Our TVN channel revenue decreased by PLN 28,388, or 13.6%, in the three months ended September 30, 2012. This decrease was primarily due to weaker advertising sales revenue.

TVN 24 decreased its revenue by PLN 540, or 1,0% in the three months ended September 30, 2012 due to weaker advertising sales revenue partly offset by an increase in subscription and sponsoring 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 6,537, or 10.1%, in the three months ended September 30, 2012, mainly due to higher advertising sales and an increase in subscriptions revenue.

Our TVN channel's EBITDA decreased by PLN 16,788, or 24.5%, to PLN 51,798 in the three months ended September 30, 2012, from PLN 68,586 in the corresponding period of 2011. TVN channel's EBITDA margin decreased to 28.7% from 32.8% in the corresponding period of 2011. Our TVN 24 channel's EBITDA increased by PLN 2,928, to PLN 26,502 in the three months ended September 30, 2012 from PLN 23,574 in the corresponding period of 2011, and its EBITDA margin was 50.4%.

EBITDA of television, broadcasting and production segment presented as 'Other' mainly consists of EBITDA of our other channels. It increased by PLN 10,590, or 126.1% mostly due to higher advertising revenue and cost optimisation.

Digital Satellite Pay Television

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

	Three months ended September 30,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
‘n’ post-paid subscribers*	210,533	(4,044)	-	174,914	3,163	1.8
‘n’ pre-paid customers (Telewizja na kartę)	8,283	2,161	27.3	10,317	1,712	16.6
Total segment	**218,815**	**(1,784)**	**-**	**185,230**	**4,874**	**2.6**

* Includes revenue from other services

‘n’ DTH platform revenue increased by PLN 33,585, or 18.1%, to PLN 218,815 in the three months ended September 30, 2012 from PLN 185,230 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 139,333 (not in thousands) to an average of 986,832 (not in thousands) in the three month period ended September 30, 2012, from an average of 847,499 (not in thousands) subscribers in the corresponding period of 2011. The ‘n’ DTH platform recorded average ARPU of PLN 61.4 (not in thousands) in the three months ended September 30, 2012, compared to the ARPU of PLN 61.3 (not in thousands) in the corresponding period of 2011. The ‘n’ DTH platform recorded 37,100 (not in thousands) post-paid subscriber gross additions during the three months ended September 30 2012, compared to 50,747 (not in thousands) during the three months ended September 30, 2011.

TNK active pre-paid net customer base contracted by over 33,000 (not in thousands) during three months ended September 30, 2012. As of September 30, 2012, TNK had a total customer base (active and inactive) of over 294,000 (not in thousands). As of September 30, 2012, TNK HD had over 88,000 active customers. In the three months ended September 30, 2012, TNK recorded average ARPU for combined SD and HD offerings of PLN 15.0 (not in thousands).

The ‘n’ DTH platform recorded a loss at the EBITDA level of PLN 1,784 in the three months ended September 30, 2012, compared to a profit at EBITDA level of PLN 4,874 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 September 30, 2012 and 2011:

	Three months ended September 30,							
	2012				2011			
	Revenue	EBITDA	EBITDA %	Cash EBITDA %	Revenue	EBITDA	EBITDA %	Cash EBITDA %
Onet.pl	52,264	20,516	39.3	42.5	56,331	21,672	38.5	42.0
Other	5,376	(1,500)	-	-	7,747	(435)	-	-
Total segment	**57,640**	**19,016**	**33.0**	**35.3**	**64,078**	**21,237**	**33.1**	**35.6**

Online revenue decreased by PLN 6,438, or 10.0%, to PLN 57,640 in the three months ended September 30, 2012, from PLN 64,078 in the corresponding period of 2011. This decrease results mostly from weaker performance of display advertising market. Onet.pl revenue decreased by PLN 4,067 to PLN 52,264 in the three months ended September 30, 2012, from PLN 56,331 in the corresponding period of 2011. Revenue of our Internet vortals, presented in the table above as ‘Other’, decreased by PLN 2,371, or 30.6%, to PLN 5,376 in the three months ended September 30, 2012, from PLN 7,747 in the corresponding period of 2011, mainly due to decrease in Zumi and Onet VOD advertising revenue.

Segment EBITDA decreased by PLN 2,221, or 10.5%, to PLN 19,016 in the three months ended September 30, 2012, from PLN 21,237 in corresponding period of 2011. EBITDA margin decreased to 33.0% in the three months ended September 30, 2012 from 33.1% in the corresponding period of 2011. Onet.pl EBITDA decreased by PLN 1,156, or 5.3%. EBITDA of our Internet vortals presented in the table above as ‘Other’ decreased by PLN 1,065 to a negative level of 1,500 PLN in the three months ended September 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 September 30, 2012 and 2011.

	Three months ended September 30,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	7,884	(1,702)	-	11,438	(650)	-
Total segment	**7,884**	**(1,702)**	**-**	**11,438**	**(650)**	**-**

“Teleshopping” revenue decreased by PLN 3,554, or 31.1%, to PLN 7,884 in the three months ended September 30, 2012, from PLN 11.438 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 1,052, to a loss at EBITDA level of PLN 1,702 in the three months ended September 30, 2012 from a loss at EBITDA level of PLN 650 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 September 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 277,712 in the three months ended September 30, 2012, compared to a negative impact of PLN 251,817 in the corresponding period of 2011.

Nine Months Ended September 30, 2012 Compared to Nine Months Ended September 30, 2011

Revenue. Our revenue decreased by PLN 65,482, or 5.5%, to PLN 1,127,570 in the nine months ended September 30, 2012, from PLN 1,193,052 in the corresponding period of 2011. This decrease resulted mainly from an decrease in advertising revenue of PLN 62,946 and from decrease in call TV by PLN 10,547. These decreases were partly offset by an increase in carriage fees from satellite and cable operators of PLN 16,488 and by an increase in sponsoring of PLN 3,452. Including 'n' and Onet results our revenue would have increased by PLN 26,148 or 1.4% to PLN 1,898,115 from PLN 1,871,967 in the corresponding period of 2011.

Our advertising revenue decreased by PLN 62,946, or 7.4%, to PLN 787,155 during the nine months ended September 30, 2012, from PLN 850,101 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 10,547, or 63.2% to PLN 6,135 in the nine months ended September 30, 2012 from PLN 16,682 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 16,488, or 11.3% to PLN 162,843 in the nine months ended September 30, 2012 from PLN 146,355 in the corresponding period of 2011. This increase results partly from increase in subscriber bases of thematic channels partly from a year-on-year depreciation of Zloty in 2012.

Our sponsoring revenue increased by PLN 3,452, or 3.8% to PLN 94,208 in the nine months ended September 30, 2012 from PLN 90,756 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 decreased to PLN 670,248 in the nine months ended September 30, 2012, from PLN 670,348 in the corresponding period of 2011. The decrease results mostly from an lower call TV production costs by PLN 10,703, or 87.6% offset by an increase of TVN local production costs by PLN 13,227, or 6.3%. Including 'n' and Onet results our cost of revenue would have decreased by PLN 3,420, or 0.3%, to PLN 1,214,223 from PLN 1,217,643 in the corresponding period of 2011.

As a percentage of revenue, our cost of revenue increased in the nine months ended September 30, 2012, to 59.4%, compared to 56.2% in the corresponding period of 2011. Including 'n' and Onet results, our cost of revenue as a percentage of revenue would have increased to 64.0% in the nine months ended September 30, 2012 from 65.0% in the corresponding period of 2011.

Selling expenses. Our selling expenses decreased by PLN 4,159, or 4.7%, to PLN 84,553 for the nine months ended September 30, 2012, from PLN 88,712 in the corresponding period of 2011. Including 'n' and Onet results our selling expenses would have decreased by PLN 20,763, or 8.3%, to PLN 229,638 from PLN 250,401 in the corresponding period of 2011.

As a percentage of revenue, our selling expenses increased to 7.5% in the nine months ended September 30, 2012, from 7.4% 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 nine months ended September 30, 2012, from 13.4% in the corresponding period of 2011.

General and administration expenses. Our general and administration expenses decreased by PLN 1,115, or 1.0%, to PLN 108,449 in the nine months ended September 30, 2012, compared with PLN 109,564 in the corresponding period of 2011. This decrease resulted mainly from lower consulting services by PLN 6,865. These decrease was partly offset by higher staff expenses by PLN 1,872 and depreciation and amortisation by PLN 1,753. Including 'n' and Onet results our general and administration expenses would have increased by PLN 15,520, or 10.2%, to PLN 167,314 from PLN 151,794 in the corresponding period of 2011.

As a percentage of revenue, our general and administration expenses increased to 9.6% in the nine months ended September 30, 2012 from 9.2% 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 8.8% in the nine months ended September 30, 2012 from 8.1% in the corresponding period of 2011.

Operating profit. Operating profit decreased by PLN 58,195, or 18.0%, to PLN 264,533 in the nine months ended September 30, 2012, from an operating profit PLN 322,728 in the corresponding period of 2011. Our operating margin decreased to 23.5% from 27.1% in the corresponding period of 2011. Including 'n' and Onet results our operating profit would have decreased by PLN 179,954, or 71.7%, to PLN 70,925 from PLN 250,879 in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill.

Interest income. We recorded interest income of PLN 16,957 for the nine months ended September 30, 2012, compared to interest income of PLN 14,126 in the corresponding period of 2011. Including 'n' and Onet results we would have recorded interest income of PLN 21,261 for the nine months ended September 30, 2012, compared to interest income of PLN 18,851 in the corresponding period of 2011.

Finance expense. We recorded finance expense of PLN 282,288 for the nine months ended September 30, 2012, compared to finance expense of PLN 261,676 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 252,531 we recognized in the nine months ended September 30, 2012. Including 'n' and Onet results we recorded finance expense of PLN 284,875 for the nine months ended September 30, 2012, compared to finance expense of PLN 263,935 in the corresponding period of 2011.

Foreign exchange gains, net. We recorded foreign exchange gains, net of PLN 236,672 for the nine months ended September 30, 2012, compared to foreign exchange losses, net of PLN 302,451 in the corresponding period of 2011. We recorded foreign exchange gains and fair value hedge on our 10.75% Senior Notes impact of PLN 180,340 in the nine months ended September 30, 2012, compared to foreign exchange losses on our 10.75% Senior Notes of PLN 237,197 in the corresponding period of 2011. We recorded foreign exchange gains and fair value hedge impact on our 7.875% Senior Notes of PLN 52,968 in the nine months ended September 30, 2012, compared to foreign exchange losses on our 7.875% Senior Notes of PLN 69,549 in the corresponding period of 2011. Including 'n' and Onet results we would have recorded foreign exchanges gains, net of PLN 239,186 for the nine months ended September 30, 2012, compared to foreign exchanges losses, net of PLN 305,540 in the corresponding period of 2011.

Profit before income tax. Our profit before income tax for the nine months ended September 30, 2012 was PLN 235,857 compared to a loss before income tax of PLN 227,425, in the corresponding period of 2011. This increase was primarily due to foreign exchange gains, net that we recognized in the nine months ended September 30, 2012, as compared with foreign exchange losses recognized in the nine months ended September 30, 2011 and lower operating profit we recognized in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. Including 'n' and Onet results our profit before income tax would have been PLN 47,225 for the nine months ended

September 30, 2012, compared to a loss before income tax of PLN 300,392 in the corresponding period of 2011.

Income tax charge. For the nine months ended September 30, 2012, we recorded a total income tax charge of PLN 24,769, compared to an income tax benefit of PLN 37,943 in the corresponding period of 2011. Including 'n' and Onet results we would have recorded a total income tax charge of PLN 42,779 for the nine months ended September 30, 2012, compared to a total income tax charge of PLN 29,404 in the corresponding period of 2011.

Profit for the period from continuing operations. Our profit from continuing operations amounted to PLN 211,088 in the nine months ended September 30, 2012 compared to the loss from continued operations of PLN 189,482 in the corresponding period of 2011.

Loss for the period from discontinued operations Our loss from discontinued operations amounted to PLN 206,642 in the nine months ended September 30, 2012 compared to the loss from discontinued operations of PLN 140,314 in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill.

Profit for the period. Our profit amounted to PLN 4,446 in the nine months ended September 30, 2012, compared to a loss of PLN 329,796 in the corresponding period of 2011. This decrease results mainly from recognition of impairment of Onet goodwill.

Profit attributable to the owners of TVN S.A. Consequently*,* our profit attributable to the owners of TVN S.A. was PLN 16,292 in the nine months ended September 30, 2012, compared to a loss of PLN 329,796 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 nine months ended September 30, 2012 and 2011:

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items**		Total	
	Nine months ended September 30, 2012	**Nine months ended September 30, 2011**	**Nine months ended September 30, 2012**	**Nine months ended September 30, 2011**	**Nine months ended September 30, 2012**	**Nine months ended September 30, 2011**	**Nine months ended September 30, 2012**	**Nine months ended September 30, 2011**	**Nine months ended September 30, 2012**	**Nine months ended September 30, 2011**	**Nine months ended September 30, 2012**	**Nine months ended September 30, 2011**
Revenue from external customers	1,059,397	1,119,957	636,453	539,395	174,721	177,961	27,543	34,654	(770,544)	(678,915)	1,127,570	1,193,052
Inter-segment revenue	44,571	48,511	1,613	1,780	8,713	16,599	172	-	(55,069)	(66,890)	-	-
Total revenue	**1,103,968**	**1,168,468**	**638,066**	**541,175**	**183,434**	**194,560**	**27,715**	**34,654**	**(825,613)**	**(745,805)**	**1,127,570**	**1,193,052**
Operating profit/(loss)	307,871	376,771	(133,803)	(116,418)	(175,878)	44,736	(3,821)	(536)	270,164	18,175	264,533	322,728
EBITDA*	**360,681**	**423,375**	**(2,903)**	**9,976**	**64,534**	**67,365**	**(3,632)**	**(302)**	**(101,149)**	**(130,850)**	**317,531**	**369,564**
EBITDA* margin	**32.7%**	**36.2%**	**-**	**1.8%**	**35.2%**	**34.6%**	**-**	**-**	**-**	**-**	**28.2%**	**30.1%**

* 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 nine months ended September 30, 2012 and 2011.

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items		Total	
	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Operating profit/(loss)	307,871	376,771	(133,803)	(116,418)	(175,878)	44,736	(3,821)	(536)	270,164	18,175	264,533	322,728
Depreciation, amortization and impairment charges	52,810	46,604	130,900	126,394	240,412	22,629	189	234	(371,313)	(149,025)	52,998	46,836
EBITDA	**360,681**	**423,375**	**(2,903)**	**9,976**	**64,534**	**67,365**	**(3,632)**	**(302)**	**(101,149)**	**(130,850)**	**317,531**	**369,564**

Television Broadcasting and Production

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

	Nine months ended September 30,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
TVN channel	700,158	224,825	32.1	791,464	303,156	38.3
TVN 24 channel	170,613	84,882	49.8	167,456	80,569	48.1
Other	233,197	50,974	21.9	209,548	39,650	18.9
Total segment	**1,103,968**	**360,681**	**32.7**	**1,168,468**	**423,375**	**36.2**

Television broadcasting and production revenue in the nine months ended September 30, 2012, decreased by PLN 64,500, or 5.5% to PLN 1,103,968, compared to PLN 1,168,468 in the corresponding period of 2011 due to weaker advertising sales revenue of our main TVN channel

Our TVN channel revenue decreased by PLN 91,306, or 11.5%, in the nine months ended September 30, 2012. This decrease was primarily due to weaker advertising sales revenue.

TVN 24 increased its revenue by PLN 3,157, or 1.9%, in the nine months ended September 30, 2012 due to an increase in subscriptions revenue.

Our other revenue in the television, broadcasting and production segment consists mainly of revenue of our thematic channels, services to group companies and increased by PLN 23,649, or 11.3%, in the nine months ended September 30, 2012, mainly due to higher advertising sales of our thematic channels and an increase in subscriptions revenue.

Our TVN channel's EBITDA decreased by PLN 78,331, or 25.8%, to PLN 224,825 in the nine months ended September 30, 2012, from PLN 303,156 in the corresponding period of 2011. TVN channel's EBITDA margin decreased to 32.1% from 38.3% in the corresponding period of 2011. Our TVN 24 channel's EBITDA increased by PLN 4,313, or 5.4%, to PLN 84,882 in the nine months ended September 30, 2012 from PLN 80,569 in the corresponding period of 2011, and its EBITDA margin was 49.8%.

EBITDA of television, broadcasting and production segment presented as 'Other' mainly consists of EBITDA of our other channels. It increased by PLN 11,324 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 nine months ended September 30, 2012 and 2011.

	Nine months ended September 30,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
‘n’ post-paid subscribers*	608,638	(10,652)	-	512,993	8,534	1.7
‘n’ pre-paid customers (Telewizja na kartę)	29,428	7,748	26.3	28,182	1,443	5.1
Total segment	**638,066**	**(2,903)**	**-**	**541,175**	**9,976**	**1.8**

* Includes revenue from other services

‘n’ DTH platform revenue increased by PLN 96,891, or 17.9%, to PLN 638,066 in the nine months ended September 30, 2012 from PLN 541,175 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 140,423 (not in thousands) to an average of 973,199 (not in thousands) in the nine months period ended September 30, 2012, from an average of 832,776 (not in thousands) subscribers in the corresponding period of 2011. The ‘n’ DTH platform recorded average ARPU of PLN 61.0 (not in thousands) in the nine months ended September 30, 2012, compared to the ARPU of PLN 60.8 (not in thousands) in the corresponding period of 2011. The ‘n’ DTH platform recorded 161,390 (not in thousands) post-paid subscriber gross additions during the nine months ended September 30 2012, compared to 170,582 (not in thousands) during the nine months ended September 30, 2011.

TNK active pre-paid net customer base contracted by over 60,000 (not in thousands) during nine months ended September 30, 2012. As of September 30, 2012, TNK had a total customer base (active and inactive) of over 294,000 (not in thousands). As of September 30, 2012, TNK HD had over 88,000 active customers. In the nine months ended September 30, 2012, TNK recorded average ARPU from combined SD and HD offerings of PLN 14.6 (not in thousands).

The ‘n’ DTH platform recorded a loss at the EBITDA level of PLN 2,903 in the nine months ended September 30, 2012, compared to a profit at EBITDA level of PLN 9,976 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 nine months ended September 30, 2012 and 2011:

	Nine months ended September 30,							
	2012				2011			
	Revenue	EBITDA	EBITDA %	Cash EBITDA %	Revenue	EBITDA	EBITDA %	Cash EBITDA %
Onet.pl	166,318	69,605	41.9	46.0	167,647	66,173	39.5	43.1
Other	17,116	(5,071)	-	-	26,913	1,192	4.4	4.4
Total segment	**183,434**	**64,534**	**35.2**	**38.2**	**194,560**	**67,365**	**34.6**	**37.3**

Online revenue decreased by PLN 11,126, or 5.7%, to PLN 183,434 in the nine months ended September 30, 2012, from PLN 194,560 in the corresponding period of 2011. This decrease results mostly from weaker performance of display advertising market. Onet.pl revenue decreased by PLN 1,329, or 0.8% to PLN 166,318 in the nine months ended September 30, 2012, from PLN 167,647 in the corresponding period of 2011. Revenue of our Internet vortals, presented in the table above as ‘Other’, decreased by PLN 9,797, or 36.4%, to PLN 17,116 in the nine months ended September 30, 2012, from PLN 26,913 in the corresponding period of 2011, mainly due to decrease in Zumi and Onet VOD advertising revenue.

Segment EBITDA decreased by PLN 2,831, or 4.2% to PLN 64,534 in the nine months ended September 30, 2012. EBITDA margin increased to 35.2% in the nine months ended September 30, 2012 from 34.6% in the corresponding period of 2011. Onet.pl EBITDA increased by PLN 3,432, or 5.2%. EBITDA of our Internet vortals presented in the table above as ‘Other’ decreased by PLN 6,263 to a negative level of 5,071 PLN in the nine months ended September 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 nine months ended September 30, 2012 and 2011.

	Nine months ended September 30,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	27,715	(3,632)	-	34,654	(302)	-
Total segment	**27,715**	**(3,632)**	**-**	**34,654**	**(302)**	**-**

“Teleshopping” revenue decreased by PLN 6,939, or 20.0%, to PLN 27,715 in the nine months ended September 30, 2012, from PLN 34,654 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 3,330, to a loss at EBITDA level of PLN 3,632 in the nine months ended September 30, 2012 from a loss at EBITDA level of PLN 302 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 nine months ended September 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 825,613 in the nine months ended September 30, 2012, compared to a negative impact of PLN 745,805 in the corresponding period of 2011.

Liquidity and Capital Resources

Historical Overview

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

	Nine months ended September 30,		
	2011	2012	2012
	PLN	PLN	Euro [1]
Cash generated from operations....................................	306,659	236,166	56,300
Net cash generated by operating activities.....................	281,386	192,396	45,865
Net cash generated by/ (used in) investing activities.......	165,297	(139,298)	(33,207)
Net cash used in financing activities……………………..	(150,996)	(197,800)	(47,154)
Increase / (decrease) in cash and cash equivalents……	295,687	(144,703)	(34,496)

(1) For the convenience of the reader, we have converted Złoty amounts for the nine months ended September 30, 2012 into Euro at the rate of PLN 4.1948 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, June 30, 2012, July 31, 2012, August 31, 2012 and September 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 70,493, or 23.0% to PLN 236,166 in the nine months ended September 30, 2012, from PLN 306,659 in the corresponding period of 2011. The decrease results mainly from lower EBITDA level and increase in payments to acquire programming rights by PLN 95,595.

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 192,396 in the nine months ended September 30, 2012, compared to PLN 281,386 generated by operating activities for the corresponding period in 2011. The decrease is a result of cash generated from operations lower by PLN 70,493 and tax paid being higher by PLN 18,498 due to introduction of tax withholding system.

Net Cash used in Investing Activities

Net cash used in investing activities amounted to PLN 139,298 in the nine months ended September 30, 2012, in comparison to net cash generated by investing activities of PLN 165,297 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 122,636 as well as payments to acquire intangible assets of PLN 43,613. These payments were partly offset by interest received in the amount of PLN 19,982 and cash inflow from bank deposits with maturity over three months of PLN 5,065. For comparison 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 178,207 in the nine months ended September 30, 2011.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to PLN 197,800 in the nine months ended September 30, 2012, compared to net cash used in financing activities of PLN 150,996 in the corresponding period of 2011. In the nine months ended September 30, 2012, we recorded cash outflows related to interest paid of PLN 163,412 and to dividend of PLN 34,388. In the corresponding period of 2011 we recorded cash outflow related to interest paid of PLN 154,737 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 36,960 related to settlement of foreign exchange forward contracts.

Total cash and cash equivalents, that we held as of September 30, 2012 amounted to PLN 511,280 in comparison to PLN 785,613 as of September 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 prior to the closing of the transaction with Group Canal+, capital expenditure relating to television and broadcasting facilities, Internet infrastructure and equipment, the launch or acquisition of new channels and Internet services and debt service on our Senior Notes. We believe that our existing cash balances and cash generated from our operations will be sufficient to fund these needs.

The table below sets forth the components of our gross debt, cash and cash equivalents, of September 30, 2012:

	Value	**Coupon/ effective interest**	**Maturity**
7.875% Senior Notes (nominal value[2])……………….	719,915	7.875%	2018
10.75% Senior Notes (nominal value[1])……………….	2,439,483	10.75%	2017
Accrued interest on long term debt…………………	119,602	-	-
Total debt…………………………	**3,279,000**	**-**	**-**
Cash at bank and in hand……………	511,280	-	-
Bank deposits with maturity over three months……………	69,935		
Cash and cash equivalents and bank deposits with maturity over three months………	**581,215**	-	-
Net debt ………………………	**2,697,785**	**-**	**-**

(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 4.1138 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of September 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 4.1138 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of September 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 3.0 as of September 30, 2012 and 2.9 as of December 31, 2011.

Our consolidated net debt to EBITDA ratio before impairment was 4.8 as of September 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 831,867 at September 30, 2012, compared to PLN 710,014 as of December 31, 2011.

Our borrowed funds excluding accrued interest as of September 30, 2012, consisted of PLN 2,369,949 of indebtedness represented by the 10.75% Senior Notes and of PLN 701,164 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 September 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 September 30, 2012, the Guarantee Facility had been used for the following bank guarantees and letter of credit issued at PLN 144,629:

- 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 September 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 September 30,						
	2012	**2013**	**2014**	**2015**	**2016**	**thereafter**	**Total**
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases	7,257	40,354	40,354	37,644	37,502	71,929	235,040
Other technical leases………	21,664	21,664	21,664	21,664	21,664	-	108,320
Operating leases – other……	9,035	28,192	22,441	20,325	13,086	310	93,389
Programming rights……………	39,480	188,163	109,728	82,835	70,657	69,026	559,889
Total operating leases…….	**77,436**	**278,373**	**194,187**	**162,468**	**142,909**	**141,265**	**996,638**
Commitments to purchase equipment and software (2)…	731	-	-	-	-	-	731
Total cash commitments …	**78,167**	**278,373**	**194,187**	**162,468**	**142,909**	**141,265**	**997,369**
Barter commitments (1)……	1,183	-	-	-	-	-	1,183
Total cash commitments and other obligations ……	**79,350**	**278,373**	**194,187**	**162,468**	**142,909**	**141,265**	**998,552**

(1) As of September 30, 2012, pursuant to barter agreements, we had contractual commitments outstanding amounting to PLN 1,183, settlement of which will be in form of advertising and is intended to be rendered on arm's-length terms and conditions and at market prices.
(2) Additionally we have an undertaking to invest PLN 215,782 in the special economic zone in Kraków by December 31, 2013 and 2017. On September 30, 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 nine 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 September 30, 2012 was 3.8%, compared with 3.9% 2011, 4.3% in June 30, 2012, 3.9% in March 31, 2012, 4.6% in December 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.

Significant events since September 30, 2012

On November 6, 2012, following the antitrust regulatory approval of the transaction which was unconditionally granted by the Office of Competition and Consumer Protection (UOKiK) on September 18, 2012, the Group and Ringier Axel Springer agreed that closing of the transaction regarding the sale of the majority stake in Grupa Onet.pl to RAS should take place in early November 2012 and concluded amendment to the Agreement signed on June 4, 2012 (the “Amendment Agreement”) in order to reflect the decision on acceleration of the closing date and in order to reflect certain technical matters agreed by the parties following 4 June 2012.

The Amended Agreement provides for the disposal of 100% of the shares in Grupa Onet.pl to Vidalia, a wholly owned subsidiary of RAS, for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl.

On November 6, 2012 we concluded the agreement with Ringier Axel Springer regarding the sale of the majority stake in Grupa Onet.pl to RAS (for more details see Note 19 to Condensed Consolidated Financial Statements as of and for the three and nine months ended September 30, 2012)

PART II

ADDITIONAL INFORMATION

Our Comment on Previously Published Forecasts

We did not publish any forecasts.

TVN Group Organizational Structure

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

Entity	Country of incorporation and residence	September 30, 2012 Ownership (%)	September 30, 2012 Voting Power (%)
TVN S.A	Poland	n/a	n/a
Grupa Onet.pl S.A.	Poland	100	100
Dream Lab Onet Sp. z o.o.	Poland	100	100
Tivien Sp. z o.o.	Poland	100	100
El-Trade Sp. z o.o.	Poland	100	100
NTL Radomsko Sp. z o.o.	Poland	100	100
Mango Media Sp. z o.o.	Poland	100	100
SunWeb Sp. z o.o. in liquidation [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.	The Netherlands	100	100
Media Entertainment Ventures Int Ltd plc [2]	Malta	100	100
DTH Poland Holding Coöperatief U.A. [4]	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
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Channel Poland Ltd (joint venture)	UK	45	45
Film Miasto Sp. z o.o. [3]	Poland	0	0
Polskie Badania Internetu Sp. z o.o.	Poland	16	16

1) *Liquidation process initiated on July 13, 2012*
2) *Liquidated on September 10, 2012*
3) *On August 1, 2012 the Group sold its share in the share capital of Film Miasto Sp. z o.o. for a consideration of 2. The Group recognized a loss on this transaction in the amount of 16.*
4) *DTH Poland Holding B.V. from October 2, 2012*

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, which was subsequently established under the name of Vidalia Investments Sp. z o.o. (“Vidalia”), for consideration consisting of cash for 75.98% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl.

On September 14, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the combination of ‘n’ and Cyfra+ platforms. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with Canal+ Group.

On September 18, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the sale of the majority stake in Grupa Onet.pl to RAS. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with RAS. On November 6, 2012 we concluded the agreement with Ringier Axel Springer regarding the sale of the majority stake in Grupa Onet.pl to RAS. (see “Significant events since September 30, 2012”)

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

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

The table below shows the ownership of TVN shares as of November 7, 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

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

Management Board Members

The following table presents share options (not in thousands) allocated to members of our Management Board, under the Stock Option Plans we introduced in December 2005 and July 2006, as of November 7, 2012.

Name	Total number of options granted up to November 7, 2012 (not in thousands)	Total number of options vested up to November 7, 2012 (not in thousands)	Total number of options vested and held as of November 7, 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, November 7, 2012 and changes in their holdings since the date of publication of our previous quarterly report on August 9, 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 August 9, 2012**	**Increases**	**Decreases**	**Balances as of November 7, 2012**
Markus Tellenbach	-	-	-	-
Piotr Walter	-	-	-	-
John Driscoll	-	-	-	-
Robert Bednarski	-	-	-	-

Supervisory Board Members

The following table presents TVN S.A. shares (not in thousands) held by the Supervisory Board members, as of November 7, 2012, and changes in their holdings since the date of publication of our previous quarterly report on August 9, 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 August 9, 2012**	**Increases**	**Decreases**	**Balances as of November 7, 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.*

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.

Related Party Transactions Concluded During the Three Months Ended September 30, 2012

During the three months ended September 30, 2012, we did not enter into any material transactions with related parties that are not on regular market conditions.

Discussion on Guarantees Granted to Third Parties by TVN Group During the Three Months Ended September 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 335,415 as of September 30, 2012. TVN Media granted guarantees for ITI Neovision liabilities in total of PLN 179,979 as of September 30, 2012 and TVN Media granted guarantees for TVN S.A. liabilities in total of PLN 657,113 as of September 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.

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 nine months ended September 30, 2012

Page

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 nine months ended September 30, 2012

Page

MANAGEMENT REPRESENTATIONS

These interim condensed consolidated financial statements of TVN S.A. and its subsidiaries (the “TVN Group”) as of and for the three and nine months ended September 30, 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 three and nine months ended September 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.

These interim condensed consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on November 6, 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, November 6, 2012

TVN Group

Interim Condensed Consolidated Financial Statements
As of and for the three and nine months ended September 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. in liquidation
  ul. G. Zapolskiej 44
  30-126 Kraków
- DreamLab Onet.pl Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków

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 B.V.
  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

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

	Note	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Continuing operations					
Revenue	**6**	1,127,570	1,193,052	310,914	335,607
Cost of revenue	**7**	(670,248)	(670,348)	(189,168)	(204,554)
Selling expenses	**7**	(84,553)	(88,712)	(22,038)	(26,747)
General and administration expenses	**7**	(108,449)	(109,564)	(32,545)	(38,432)
Other operating income/ (expenses), net		213	(1,700)	(433)	(687)
Operating profit		**264,533**	**322,728**	**66,730**	**65,187**
Interest income	**8**	16,957	14,126	5,360	6,127
Finance expense	**8**	(282,288)	(261,676)	(98,825)	(85,232)
Foreign exchange gains/ (losses), net	**8**	236,672	(302,451)	80,463	(332,579)
Share of loss of associate		(17)	(152)	(1)	(101)
Profit/ (loss) before income tax		**235,857**	**(227,425)**	**53,727**	**(346,598)**
Income tax (charge)/ benefit	**17**	(24,769)	37,943	(4,781)	63,070
Profit/ (loss) for the period from continuing operations		**211,088**	**(189,482)**	**48,946**	**(283,528)**
Discontinued operations					
(Loss)/ profit for the period from discontinued operations	**19**	**(206,642)**	**(140,314)**	**8,483**	**(73,686)**
Profit/ (loss) for the period		**4,446**	**(329,796)**	**57,429**	**(357,214)**
Profit/ (loss) attributable to:					
Owners of the parent		16,292	(329,796)	61,967	(357,214)
Non-controlling interests		(11,846)	-	(4,538)	-
		4,446	**(329,796)**	**57,429**	**(357,214)**
Earnings/ (losses) per share from continuing and discontinued operations attributable to the owners of TVN S.A. (not in thousands)					
Basic earnings/ (losses) per share					
- from continuing operations		0.65	(0.55)	0.16	(0.83)
- from discontinued operations		(0.60)	(0.41)	0.02	(0.21)
	9	**0.05**	**(0.96)**	**0.18**	**(1.04)**
Diluted earnings/ (losses) per share					
- from continuing operations		0.65	(0.55)	0.16	(0.83)
- from discontinued operations		(0.60)	(0.41)	0.02	(0.21)
	9	**0.05**	**(0.96)**	**0.18**	**(1.04)**

The interim condensed consolidated income statement for the three and nine months ended September 30, 2012 and for the three and nine months ended September 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	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Profit/ (loss) for the period		**4,446**	**(329,796)**	**57,429**	**(357,214)**
Other comprehensive income:					
Foreign exchange forward contracts	**11**	292	3,315	867	4,503
Income tax relating to components of other comprehensive income	**17**	(105)	(349)	(161)	(415)
Other comprehensive income for the period, net of tax		187	2,966	706	4,088
Total comprehensive income/ (loss) for the period		**4,633**	**(326,830)**	**58,135**	**(353,126)**
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		16,479	(326,830)	62,673	(353,126)
Non-controlling interests		(11,846)	-	(4,538)	-
		4,633	**(326,830)**	**58,135**	**(353,126)**
Total comprehensive income/ (loss) attributable to owners of the parent:					
- from continuing operations		223,382	(187,994)	54,482	(281,762)
- from discontinued operations		(206,903)	(138,836)	8,191	(71,364)
		16,479	**(326,830)**	**62,673**	**(353,126)**

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

	Note	As at September 30, 2012	As at December 31, 2011
ASSETS			
Non-current assets			
Property, plant and equipment		246,985	340,319
Goodwill		150,452	952,657
Brands		50,260	693,687
Other intangible assets		51,720	75,227
Non-current programming rights		177,311	179,242
Investments in associates		-	1,194
Deferred tax asset	**17**	29,038	43,056
Other non-current assets		4,659	5,507
		710,425	**2,290,889**
Current assets			
Current programming rights		264,643	241,465
Trade receivables		253,817	376,430
Derivative financial assets	**11**	1,221	1,580
Prepayments and other assets		104,299	57,605
Corporate income tax receivable		39,768	13,495
Bank deposits with maturity over three months	**12**	69,935	75,000
Cash and cash equivalents	**12**	420,445	592,126
		1,154,128	**1,357,701**
Assets of disposal groups classified as held for sale	**19**	3,022,310	1,463,368
		4,176,438	**2,821,069**
TOTAL ASSETS		**4,886,863**	**5,111,958**
EQUITY			
Shareholders' equity			
Share capital	**13**	68,775	68,775
Share premium		672,876	672,931
8% obligatory reserve		23,301	23,301
Other reserves and deficits		(451,598)	(451,785)
Accumulated profit		592,711	610,807
		906,065	**924,029**
Non-controlling interests		(12,404)	(558)
		893,661	**923,471**
LIABILITIES			
Non-current liabilities			
10.75% Senior Notes due 2017	**14**	2,369,949	2,542,476
7.875% Senior Notes due 2018	**14**	701,164	752,490
Deferred tax liability	**17**	65,785	158,301
Non-current trade payables		14,712	15,010
Other non-current liabilities		9,725	10,196
		3,161,335	**3,478,473**
Current liabilities			
Current trade payables		115,180	163,639
Accrued interest on borrowings	**14**	119,602	42,804
Derivative financial liabilities	**11**	29,502	-
Other liabilities and accruals	**15**	179,619	249,971
		443,903	**456,414**
Liabilities of disposal groups classified as held-for-sale	**19**	387,964	253,600
		831,867	**710,014**
Total liabilities		**3,993,202**	**4,188,487**
TOTAL EQUITY AND LIABILITIES		**4,886,863**	**5,111,958**

The interim condensed consolidated balance sheet as at September 30, 2012 has been reclassified in order to conform with the presentation requirements of IFRS 5. According to the requirements of IFRS 5, the 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 income/ (loss) for the period	-	-	-	-	2,966	(329,796)	(326,830)
Issue of shares [(1)]	1,434,509	287	28,396	-	(13,232)	-	15,451
Share issue cost [(2)]	-	-	(90)	-	-	-	(90)
Dividend declared and paid [(3)]	-	-	-	-	-	(13,728)	(13,728)
Balance at September 30, 2011	**343,788,701**	**68,758**	**671,355**	**23,301**	**(448,302)**	**598,376**	**913,488**

(*) Other reserves 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	(13,232)	-	-	(13,232)
Credit for the period	-	3,315	-	3,315
Deferred tax on credit for the period	-	(349)	-	(349)
Balance at September 30, 2011	**99,880**	**2,966**	**(551,148)**	**(448,302)**

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 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	-	-	-	-	187	16,292	16,479	(11,846)	4,633
Share issue cost [(2)]	-	-	(55)	-	-	-	(55)	-	(55)
Dividend declared and paid [(3)]	-	-	-	-	-	(34,388)	(34,388)	-	(34,388)
Balance at September 30, 2012	**343,876,421**	**68,775**	**672,876**	**23,301**	**(451,598)**	**592,711**	**906,065**	**(12,404)**	**893,661**

(*) 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	-	292	-	292
Deferred tax on credit for the period	-	(105)	-	(105)
Balance at September 30, 2012	**99,163**	**387**	**(551,148)**	**(451,598)**

(1) During the nine months ended September 30, 2011 1,434,509 (not in thousands) of C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes (see Note 22).

(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 September 30, 2012 is an amount of 2,552,419 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	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Operating activities			
Cash generated from operations	**16**	236,166	306,659
Tax paid		(43,771)	(25,273)
Net cash generated by operating activities		**192,395**	**281,386**
Investing activities			
Payments to acquire property, plant and equipment		(122,636)	(126,220)
Proceeds from sale of property, plant and equipment		1,904	1,066
Payments to acquire intangible assets		(43,613)	(51,987)
Bank deposits with maturity over three months	**12**	5,065	320,997
Interest received		19,982	21,441
Net cash (used in)/ generated by investing activities		**(139,298)**	**165,297**
Financing activities			
Issue of shares, net of issue cost		-	15,361
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		-	111,535
Interest paid		(163,412)	(154,737)
Net cash used in financing activities		**(197,800)**	**(150,996)**
(Decrease)/ increase in cash and cash equivalents		**(144,703)**	**295,687**
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 – Onet Group	**19**	(9,543)	-
Effects of changes in cash and cash equivalents of disposal group classified as held for sale – ITI Neovision Group	**19**	49,474	-
Effects of exchange rate changes		3,038	9,632
Cash and cash equivalents at the end of the period		**420,445**	**785,613**

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

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

1. TVN

These interim condensed consolidated financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on November 6, 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.).

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 provided for the disposal of 100% of the shares in Grupa Onet.pl to a wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. ("Vidalia"), for consideration consisting of cash for 75.98% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl. (see Note 19).

On September 14, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the combination of 'n' and Cyfra+ platforms. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with Canal+ Group.

On September 18, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the sale of the majority stake in Grupa Onet.pl to RAS. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with RAS.

1. TVN (CONTINUED)

On November 6, 2012, following the antitrust regulatory approval of the transaction, the Group and RAS concluded amendment to the Agreement signed on June 4, 2012 (the "Amendment Agreement") (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 three and nine months ended September 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 September 30, 2012 and September 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 129,813 (a loss of 138,575 as of September 30, 2011) and is presented below:

	Nine months ended September 30, 2012	**Nine months ended September 30, 2011**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
10.75% Senior Notes due 2017 including accrued interest	(102,782)	(110,212)
7.875% Senior Notes due 2018 including accrued interest	(30,018)	(32,188)
Trade payables	(458)	(286)
Other	(884)	(652)
Assets:		
Bank deposits with maturity over three months	2,832	-
Cash and cash equivalents	1,411	4,677
Trade receivables	86	86
	(129,813)	**(138,575)**

* 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 September 30, 2012 and September 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 2,665 (a loss of 2,619 as of September 30, 2011) and is presented below:

	Nine months ended September 30, 2012	**Nine months ended September 30, 2011**
Assumed USD appreciation against PLN:	5%	5%
Liabilities		
Trade payables	(2,920)	(2,876)
Assets:		
Trade receivables	244	248
Cash and cash equivalents	11	9
	(2,665)	**(2,619)**

* 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 September 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 September 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 September 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 nine months ended September 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)	**September 30, 2012**	**December 31, 2011**
Receivables from advertising agencies	77%	73%
Receivables from individual customers	18%	21%
Receivables from related parties	5%	6%
	100%	**100%**

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

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

(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) **	**September 30, 2012**	**December 31, 2011 ***
Agency A	11%	13%
Agency B	11%	12%
Agency C	9%	7%
Agency D	8%	7%
Agency E	6%	2%
Sub-total	**45%**	**41%**
Total other counterparties	55%	59%
	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) **	**September 30, 2012**	**December 31, 2011 ***
Agency Group F	22%	19%
Agency Group G	22%	22%
Agency Group H	9%	8%
Agency Group I	5%	5%
Agency Group J	4%	4%
Sub-total	**62%**	**58%**
Total other counterparties	38%	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 September 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 September 30, 2012 the Group had cash and cash equivalents and bank deposits with maturity over three months totaling 490,380 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 September 30, 2012			
10.75% Senior Notes due 2017	262,244	262,244	3,357,337
7.875% Senior Notes due 2018	56,694	56,694	975,038
Trade payables	115,180	14,712	-
Other liabilities and accruals	116,238	7,790	-
	550,356	**341,440**	**4,332,375**
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 September 30, 2012	**Twelve months ended December 31, 2011**
Net debt	2,697,786	2,706,961
EBITDA before impairment of Onet goodwill	566,386	659,796
Impairment of Onet goodwill	(216,029)	-
EBITDA after impairment of Onet goodwill	350,357	659,796
Net debt/ EBITDA ratio before impairment	4.8	4.1
Net debt/ EBITDA ratio after impairment	7.7	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 September 30, 2012				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	1,221	-	1,221
	-	**1,221**	**-**	**1,221**
Liabilities				
Derivative financial liabilities				
Foreign exchange forward contracts	-	29,502	-	29,502
	-	**29,502**	**-**	**29,502**
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 cash-generating unit.

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).

During the year the Group monitors cash-generating units against impairment indicators through the review of actual financial and operating results. As of September 30, 2012 the Group assessed that neither the operating and financial results of the on-line cash-generating unit nor the current estimations of the expected amount of cash and cash equivalents of Onet Group as at the transaction closing date indicate further impairment.

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 September 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. Currently the Management is in the process of review of results and future strategy of teleshopping segment which should be completed in the fourth quarter of 2012.

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 require 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:

	December 31, 2011
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 unfavorable 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 September 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 September 30, 2012 the Group did not recognize a deferred tax asset in the amount of 224,699 (December 31, 2011: 245,335) related to the tax value of brands recognized by TVN Media.

As at September 30, 2012 the Group also did not recognize a deferred tax asset on a temporary difference of 783,698 between the carrying amount of the investment in its digital satellite pay television of 1,211,636 and its tax base of 1,995,334. The deferred tax asset in the amount of 148,903 (December 31, 2011: 145,642) was not recognized on this temporary difference in the consolidated financial statements as the Group concluded that the criteria for the deferred tax assets recognition are not met as at September 30, 2012.

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 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:

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
EBITDA from continuing operations	**317,531**	**369,564**
Depreciation of property, plant and equipment	(42,798)	(40,058)
Amortization of intangible assets	(10,200)	(6,778)
Operating profit from continuing operations	**264,533**	**322,728**
Interest income (see Note 8)	16,957	14,126
Finance expense (see Note 8)	(282,288)	(261,676)
Foreign exchange gains/ (losses), net (see Note 8)	236,672	(302,451)
Share of loss of associate	(17)	(152)
Profit/ (loss) before income tax from continuing operations	**235,857**	**(227,425)**

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

5. SEGMENT REPORTING (CONTINUED)

Nine months ended September 30, 2011	**Television broadcasting and production**	**Digital satellite pay television**	**On-line**	**Teleshopping**	**Discontinued operations**	**Other reconciling items**		**Total**
Revenue from external customers	1,119,957	539,395	177,961	34,654	(678,915)	-		1,193,052
Inter-segment revenue	48,511	1,780	16,599	-	-	(66,890)		-
Total revenue	**1,168,468**	**541,175**	**194,560**	**34,654**	**(678,915)**	**(66,890)**		**1,193,052**
EBITDA	**423,375**	**9,976**	**67,365**	**(302)**	**(77,341)**	**(53,509)**	*	**369,564**
Depreciation of property, plant and equipment	(39,858)	(103,926)	(13,182)	(201)	117,108	1		(40,058)
Amortization of intangible assets	(6,746)	(22,468)	(9,447)	(33)	31,915	1		(6,778)
Operating profit/ (loss)	**376,771**	**(116,418)**	**44,736**	**(536)**	**71,682**	**(53,507)**		**322,728**
Additions to property, plant and equipment and other intangible assets	48,102	85,963	20,691	233	(106,654)	(54)		48,281
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)

Nine months ended September 30, 2012	Television broadcasting and production	Digital satellite pay television	On-line	Teleshopping	Discontinued operations	Other reconciling items		Total
Revenue from external customers	1,059,397	636,453	174,721	27,543	(770,544)	-		1,127,570
Inter-segment revenue	44,571	1,613	8,713	172	-	(55,069)		-
Total revenue	**1,103,968**	**638,066**	**183,434**	**27,715**	**(770,544)**	**(55,069)**		**1,127,570**
EBITDA	**360,681**	**(2,903)**	**64,534**	**(3,632)**	**(61,631)**	**(39,518)**	*	**317,531**
Depreciation of property, plant and equipment	(42,650)	(104,916)	(14,964)	(148)	119,880	-		(42,798)
Amortization of intangible assets	(10,160)	(25,984)	(9,153)	(41)	35,137	1		(10,200)
Impairment of intangible assets	-	-	(266)	-	266	-		-
Segments' operating profit/ (loss)	**307,871**	**(133,803)**	**40,151**	**(3,821)**	**93,652**	**(39,517)**		**264,533**
Impairment of goodwill	-	-	(216,029)	-	216,029	-		-
Operating profit/ (loss)	**307,871**	**(133,803)**	**(175,878)**	**(3,821)**	**309,681**	**(39,517)**		**264,533**
Additions to property, plant and equipment and other intangible assets	77,991	34,939	22,321	28	(57,260)	(209)		77,810
As at September 30, 2012								
Segment assets including:	**1,832,022**	**1,382,203**	**1,513,577**	**74,705**	**141,480**	**(57,124)**	**	**4,886,863**
Investment in associates	-	1,162	138	-	(1,300)	-		-

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

** Other reconciling items to segment assets include: deferred tax assets (29,038) and other assets and consolidation adjustments (deficit of 86,162)

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

6. REVENUE

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Revenue from advertising spot sales	787,155	850,101	212,953	229,535
Subscription fees	162,843	146,355	53,833	50,664
Revenue from sponsoring	94,208	90,756	23,527	25,658
Revenue from sales of goods	22,935	27,613	6,625	9,057
Other revenue	60,429	78,227	13,976	20,693
	1,127,570	**1,193,052**	**310,914**	**335,607**

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 nine months ended September 30, 2012 are revenues from related parties in the amount of 4,107 (the nine months ended September 30, 2011: 2,912) and for the three months ended September 30, 2012 of 635 (the three months ended September 30, 2011: 209) (see Note 21 (i)).

7. OPERATING EXPENSES

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Amortization of locally produced content	320,017	308,279	85,737	87,983
Amortization of acquired programming rights and co-production	107,069	108,038	31,253	31,503
Staff expenses	119,471	119,398	30,525	40,674
Depreciation and amortization	52,998	46,836	17,953	15,809
Broadcasting expenses	50,871	39,602	18,195	13,825
Marketing and research	40,748	38,293	9,372	11,190
Royalties	37,275	45,342	9,450	12,577
Rental	30,761	29,781	10,279	10,538
Cost of services and goods sold	23,094	28,952	5,573	10,481
Impaired accounts receivable	89	477	712	(961)
Other	80,857	103,626	24,702	36,114
	863,250	**868,624**	**243,751**	**269,733**

Included in the above operating expenses are operating lease expenses for the nine months ended September 30, 2012 of 90,648 (the nine months ended September 30, 2011: 80,425) and for the three months ended September 30, 2012 of 31,804 (the three months ended September 30, 2011: 27,825).

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

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

Interest income	**Nine months ended September 30, 2012**	**Nine months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**
Interest income on foreign exchange forward contracts – cash flow hedges (see Note 11)	491	-	295	-
Other interest income	16,466	14,126	5,065	6,127
	16,957	**14,126**	**5,360**	**6,127**
Finance expense				
Interest expense on 10.75% Senior Notes due 2017 (see Note 14)	(207,517)	(199,710)	(68,353)	(68,930)
Interest expense on 7.875% Senior Notes due 2018 (see Note 14)	(45,014)	(43,124)	(14,825)	(14,825)
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)	(25,269)	(10,741)	(14,300)	(335)
Premium on early repayment of PLN Bonds due 2013	-	(3,971)	-	-
Pre-issuance costs written off *	-	(217)	-	-
Guarantee fees to related party (see Note 21 (vi))	(1,086)	(954)	(362)	(318)
Bank and other charges	(3,402)	(1,570)	(985)	(824)
	(282,288)	**(261,676)**	**(98,825)**	**(85,232)**
Foreign exchange gains/ (losses), net				
Foreign exchange gains/ (losses) on 10.75% Senior Notes due 2017, including:	180,340	(237,197)	60,476	(258,706)
- unrealized foreign exchange gains/ (losses) on 10.75% Senior Notes due 2017	*181,185*	*(274,381)*	*88,986*	*(258,706)*
- realized foreign exchange gains on 10.75% Senior Notes due 2017	*1,692*	*1,214*	*-*	*-*
- fair value hedge impact (see Note 11)	*(2,537)*	*35,970*	*(28,510)*	*-*
Foreign exchange gains/ (losses) on 7.875% Senior Notes due 2018, including:	52,968	(69,549)	17,727	(75,801)
- unrealized foreign exchange gains/ (losses) on 7.875% Senior Notes due 2018	*53,351*	*(80,421)*	*26,141*	*(75,801)*
- realized foreign exchange gains on 7.875% Senior Notes due 2018	*366*	*257*	*-*	*-*
- fair value hedge impact (see Note 11)	*(749)*	*10,615*	*(8,414)*	*-*
Other foreign exchange gains, net	3,364	4,295	2,260	1,928
	236,672	**(302,451)**	**80,463**	**(332,579)**

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

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

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

Basic

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

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Profit/ (loss) attributable to the owners of TVN S.A. (in thousands):				
- from continuing operations	222,934	(189,482)	53,484	(283,528)
- from discontinued operations	(206,642)	(140,314)	8,483	(73,686)
	16,292	**(329,796)**	**61,967**	**(357,214)**
Weighted average number of ordinary shares in issue	343,876,421	343,161,778	343,876,421	343,733,779
Basic earnings/ (losses) per share				
- from continuing operations	0.65	(0.55)	0.16	(0.83)
- from discontinued operations	(0.60)	(0.41)	0.02	(0.21)
	0.05	**(0.96)**	**0.18**	**(1.04)**

Diluted

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

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

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Profit/ (loss) attributable to the owners of TVN S.A. (in thousands):				
- from continuing operations	222,934	(189,482)	53,484	(283,528)
- from discontinued operations	(206,642)	(140,314)	8,483	(73,686)
	16,292	**(329,796)**	**61,967**	**(357,214)**
Weighted average number of ordinary shares in issue	343,876,421	343,161,778	343,876,421	343,733,779
Adjustment for share options	24,866	-	-	-
Weighted average number of potential ordinary shares for diluted earnings per share	343,901,287	343,161,778	343,876,421	343,733,779
Diluted earnings/ (losses) per share				
- from continuing operations	0.65	(0.55)	0.16	(0.83)
- from discontinued operations	(0.60)	(0.41)	0.02	(0.21)
	0.05	**(0.96)**	**0.18**	**(1.04)**

10. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	**Loans and receivables**	**Derivatives used for hedging**	**Total**
September 30, 2012			
Trade receivables	253,817	-	253,817
Derivative financial assets	-	1,221	1,221
Bank deposits with maturity over three months	69,935	-	69,935
Cash and cash equivalents	420,445	-	420,445
	744,197	**1,221**	**745,418**
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**

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

10. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Liabilities as per balance sheet	**Derivatives used for hedging**	**Other financial liabilities**	**Total**
September 30, 2012			
10.75% Senior Notes due 2017	-	2,369,949	2,369,949
7.875% Senior Notes due 2018	-	701,164	701,164
Accrued interest on borrowings	-	119,602	119,602
Non-current trade payables	-	14,712	14,712
Current trade payables	-	115,180	115,180
Derivative financial liabilities	29,502	-	29,502
Other liabilities and accruals*	-	124,028	124,028
	29,502	**3,444,635**	**3,474,137**
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

	September 30, 2012	December 31, 2011
Derivative financial assets		
Foreign exchange forward contracts	1,221	1,580
	1,221	**1,580**
Derivative financial liabilities		
Foreign exchange forward contracts	29,502	-
	29,502	**-**

In March and July 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 350,000, settlement date on October 2, 2012 and PLN/EUR foreign exchange forward rate of 4.20 (see Note 24). 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.

On August 2, 2012 the Group entered into EUR foreign exchange forward contract in order to limit the impact on the Group's net results of PLN/EUR exchange rate movements in relation to the payment of interest on 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018. The hedging strategy based on EUR foreign exchange forward contract has a notional value of EUR 10,000, settlement date on November 8, 2012 and PLN/EUR foreign exchange forward rate of 4.16. The Group has designated this EUR foreign exchange forward contract for cash flow hedge accounting.

The fair value of foreign exchange forward contracts as at September 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):

	September 30, 2012	December 31, 2011
Derivative financial assets		
Bank rated BBB+	1,221	-
Bank rated A+	-	1,580
	1,221	**1,580**
Derivative financial liabilities		
Bank rated AA	29,297	-
Bank rated A+	205	-
	29,502	**-**

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

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

	September 30, 2012	December 31, 2011
Cash at bank and in hand *	420,445	592,126
	420,445	**592,126**
Bank deposits with maturity over three months	69,935	75,000
	69,935	**75,000**

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

	September 30, 2012	December 31, 2011
Bank rated BBB+	285,903	424,859
Bank rated AA	126,770	98,935
Banks rated BBB and other	7,772	68,332
	420,445	**592,126**

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

	September 30, 2012	December 31, 2011
Bank rated BBB+	69,935	-
Bank rated AA	-	75,000
	69,935	**75,000**

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

	September 30, 2012	December 31, 2011
EUR	69,935	-
PLN	-	75,000
	69,935	**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 September 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 September 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 September 30, 2012 are registered by the Court.

14. BORROWINGS

	September 30, 2012	December 31, 2011
10.75% Senior Notes due 2017	2,369,949	2,542,476
Interest accrued on 10.75% Senior Notes due 2017	98,342	35,195
7.875% Senior Notes due 2018	701,164	752,490
Interest accrued on 7.875% Senior Notes due 2018	21,260	7,609
	3,190,715	**3,337,770**
Less: current portion of borrowings	(119,602)	(42,804)
Non-current portion of borrowings	**3,071,113**	**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 September 30, 2012 was estimated to be PLN 2,623,055 or EUR 637,623. The fair value of the 7.875% Senior Notes due 2018, excluding accrued interest, as at September 30, 2012 was estimated to be PLN 748,712 or EUR 182,000. Fair values of 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 reflect their market price quoted by Reuters based on the last value date on September 30, 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 September 30, 2012 the revolving guarantee facility had been used for the bank guarantees issued at 144,629 (December 31, 2011: 203,943).

15. OTHER LIABILITIES AND ACCRUALS

	September 30, 2012	December 31, 2011
VAT and other taxes payable	29,636	70,199
Employee benefits	27,303	43,284
Accrued production and programming costs	15,658	12,038
Deferred income	6,442	15,693
Satellites	5,057	4,875
Sales and marketing related costs	2,970	5,431
Other liabilities and accrued costs	92,553	98,451
	179,619	**249,971**

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

16. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Note	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Profit/ (loss) for the period		4,446	(329,796)
Tax charge		42,778	29,405
Depreciation, amortization and impairment		66,827	196,311
Impairment of goodwill		216,029	-
Amortization of acquired programming rights and co-production		186,049	143,482
Impaired accounts receivable		4,845	9,459
Loss on sale of property, plant and equipment		235	788
Interest income	**8, 19**	(21,752)	(18,851)
Finance expense	**8, 19**	285,366	263,936
Foreign exchange (gains)/ losses, net	**8, 19**	(239,186)	305,539
Share of (profit)/ loss of associates		(729)	646
Guarantee fee	**8**	(1,425)	(1,273)
Payments to acquire programming rights		(244,065)	(148,470)
Change in local production balance		(3,042)	(19,540)
Changes in working capital:			
Trade receivables		56,177	(13,791)
Prepayments and other assets		(47,836)	15,208
Trade payables		(56,362)	(28,154)
Other short term liabilities and accruals		(12,189)	(98,240)
		(60,210)	(124,977)
Cash generated from operations		**236,166**	**306,659**

Non-cash transactions

Barter revenue, net		1,666	757

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

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

17. TAXATION

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Current tax charge	(1,898)	(39,935)	(997)	(8,654)
Deferred tax (charge)/ credit	(22,871)	77,878	(3,784)	71,724
	(24,769)	**37,943**	**(4,781)**	**63,070**
Reconciliation of accounting profit/ (loss) to tax (charge)/ credit				
Profit/ (loss) before income tax	**235,857**	**(227,425)**	**53,727**	**(346,598)**
Income tax (charge)/ credit at the enacted statutory rate of 19%	(44,813)	43,211	(10,208)	65,854
Impact of tax amortization of brands recognized by TVN Media	20,636	-	6,879	-
Net tax impact of expenses and losses not deductible for tax purposes, revenue not taxable and other adjustments	(592)	(5,268)	(1,452)	(2,784)
Tax for the period	**(24,769)**	**37,943**	**(4,781)**	**63,070**

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 September 30, 2012.

Deferred tax assets not recognized are disclosed in Note 4 (v).

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Movements in deferred tax asset		
Balance at beginning of period	43,056	46,505
Charge to the income statement	(649)	(3,949)
Transferred to disposal group classified as held for sale (see Note 19)	(13,369)	-
Balance at end of period	**29,038**	**42,556**

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

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

17. TAXATION (CONTINUED)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Movements in deferred tax liability		
Balance at beginning of period	(158,301)	(168,255)
Deferred tax charged to other comprehensive income, net	(105)	(349)
(Charge)/ credit to the income statement	(22,222)	17,453
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	**(65,785)**	**(151,151)**

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 September 30, 2012. These commitments are scheduled to be paid as follows:

Due in 2012	39,480
Due in 2013	188,163
Due in 2014	109,728
Due in 2015	82,835
Due in 2016	70,657
Due in 2017 and thereafter	69,026
	559,889

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

	Related parties	Non-related parties	Total
Due in 2012	3,680	5,355	9,035
Due in 2013	14,289	13,903	28,192
Due in 2014	14,217	8,224	22,441
Due in 2015	14,217	6,108	20,325
Due in 2016	9,590	3,496	13,086
Due in 2017	310	-	310
	56,303	**37,086**	**93,389**

(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 and Poland Media Properties are subsidiaries of ITI Group.

Commitments in foreign currencies were calculated using exchange rates as at September 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	7,257
Due in 2013	40,354
Due in 2014	40,354
Due in 2015	37,644
Due in 2016	37,502
Due in 2017 and thereafter	71,929
	235,040

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 1,183 to settle sundry amounts payable recorded as of September 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 September 30, 2012, the Group assumed contractual commitments of 731 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

	September 30, 2012	December 31, 2011
ITI Neovision Group	1,508,399	1,463,368
Onet Group	1,513,911	-
	3,022,310	**1,463,368**

Liabilities of disposal groups classified as held for sale

	September 30, 2012	December 31, 2011
ITI Neovision Group	215,027	253,600
Onet Group	172,937	-
	387,964	**253,600**

(Loss)/ profit for the period from discontinued operations

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
ITI Neovision Group	(23,020)	(183,651)	(5,953)	(90,828)
Onet Group (including impairment of goodwill)	(183,622)	43,337	14,436	17,142
	(206,642)	**(140,314)**	**8,483**	**(73,686)**

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 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.

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

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".

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.

On September 14, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the combination of 'n' and Cyfra+ platforms. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with Canal+ Group.

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.

The likelihood of payment of the above mentioned break-up fees is remote.

(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

	September 30, 2012	December 31, 2011
Non-current assets		
Property, plant and equipment	378,605	361,226
Goodwill	724,957	724,957
Brand	74,575	74,575
Other intangible assets	98,149	84,614
Non-current programming rights	1,022	-
Investment in associate	1,162	413
Deferred tax asset	4,843	5,991
	1,283,313	**1,251,776**
Current assets		
Current programming rights	91,653	20,200
Trade receivables	69,627	50,181
Derivative financial assets	-	656
Prepayments and other assets	51,522	78,805
Corporate income tax receivable	939	931
Cash and cash equivalents	11,345	60,819
	225,086	**211,592**
	1,508,399	**1,463,368**

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

	September 30, 2012	December 31, 2011
Non-current liabilities		
Deferred tax liability	19,887	19,887
Other non-current liabilities	1,873	2,261
	21,760	**22,148**
Current liabilities		
Current trade payables	51,516	90,262
Derivative financial liabilities	1,371	-
Other liabilities and accruals	140,380	141,190
	193,267	**231,452**
	215,027	**253,600**

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

Commitments to acquire programming:

Due in 2012	46,665
Due in 2013	155,451
Due in 2014	134,699
Due in 2015	77,591
Due in 2016	31,513
Due in 2017	31,115
	477,034

(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 September 30, 2012:

	Related parties	Non-related Parties	Total
Due in 2012	708	105	813
Due in 2013	2,832	420	3,252
Due in 2014	2,832	-	2,832
Due in 2015	2,832	-	2,832
	9,204	**525**	**9,729**

Satellite capacity commitments:

Due in 2012	11,722
Due in 2013	46,889
Due in 2014	46,889
Due in 2015	31,265
Due in 2016 and thereafter	52,759
	189,524

As at September 30, 2012, the ITI Neovision Group assumed contractual commitments of 22,802 to acquire property, plant and equipment and intangible assets.

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

Prior to September 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

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Revenue	595,828	507,512	204,383	173,734
Cost of revenue	(479,576)	(472,996)	(169,366)	(164,060)
Selling expenses	(96,527)	(124,209)	(29,247)	(38,286)
General and administration expenses	(33,584)	(26,612)	(10,220)	(10,228)
Other operating (expense)/ income, net	(3,044)	458	(2,030)	179
Operating loss	**(16,903)**	**(115,847)**	**(6,480)**	**(38,661)**
Interest income	1,007	375	254	173
Finance expense	(2,965)	(2,237)	(975)	(807)
Foreign exchange gains/ (losses), net	3,065	(3,454)	1,133	(4,591)
Share of profit/ (loss) of associate	745	(495)	241	(745)
Loss before income tax	**(15,051)**	**(121,658)**	**(5,827)**	**(44,631)**
Income tax charge	(7,969)	(61,993)	(126)	(46,197)
Loss for the period from discontinued operations	**(23,020)**	**(183,651)**	**(5,953)**	**(90,828)**

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

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Net cash used in operating activities	(42,023)	(33,449)
Net cash used in investing activities	(54,906)	(101,820)
Net cash generated by financing activities	47,455	144,646
	(49,474)	**9,377**

Onet Group

The assets and liabilities related to Onet Group (included in the On-line segment) are presented as held for sale as at September 30, 2012, following conclusion of a share purchase agreement (the “Agreement”) between the Group and Ringier Axel Springer Media AG (“RAS”) which was signed on June 4, 2012 (see Note 1). The operations of Onet Group are presented as discontinued operations.

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

On November 6, 2012, following the antitrust regulatory approval of the transaction which was unconditionally granted by the Office of Competition and Consumer Protection (UOKiK) on September 18, 2012, the Group and RAS agreed that closing of the transaction should take place in early November 2012 and concluded amendment to the Agreement signed on June 4, 2012 (the “Amendment Agreement”) in order to reflect the decision on acceleration of the closing date and in order to reflect certain technical matters agreed by the parties following 4 June 2012.

The Amended Agreement provides for the disposal of 100% of the shares in Grupa Onet.pl to Vidalia, a wholly owned subsidiary of RAS, for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl.

Under the Amended Agreement 75% of shares in Grupa Onet.pl will be sold by Grupa Onet Poland Holding, a wholly–owned subsidiary of TVN Group, to Vidalia. The selling price is 956,250 (“Part Consideration”) and will be paid on the closing date.

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 25% shares in Grupa Onet.pl will be exchanged for a stake of 25% in the increased share capital of Vidalia, valued at 318,750.

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 Amended 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 Amended Agreement also provides for certain indemnification provisions granted by TVN and the Grupa Onet Poland Holding in favor RAS, Grupa Onet.pl and Vidalia.

Once the transaction is finalized, the shares in Grupa Onet.pl will be transferred to Vidalia, RAS will hold 75% of all shares in Vidalia, the Group will hold 25% of all shares in Vidalia, and Vidalia will hold 100% of all shares in Grupa Onet.pl. The Group’s investment in Vidalia 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 Vidalia, 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 transaction is finalized. The Shareholders Agreement contains in particular a swap option for TVN to exchange a number of its (its subsidiary) shares in Vidalia 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 Vidalia 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 Vidalia, which ever period ends later; and
- Call option for RAS to acquire the shares in Vidalia 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 Vidalia, which ever period ends later; and
- Second put option for TVN (or its subsidiary) to sell its shares in Vidalia 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 Vidalia.

The transaction was finalized on November 6, 2012.

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

	September 30, 2012
Non-current assets	
Property, plant and equipment	111,331
Goodwill	586,176
Brand	643,427
Other intangible assets	36,317
Investment in associate	138
Deferred tax asset	11,367
Other non-current assets	437
	1,389,193
Current assets	
Trade receivables	42,145
Prepayments and other assets	3,083
Cash and cash equivalents	79,490
	124,718
	1,513,911

(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

	September 30, 2012
Non-current liabilities	
Deferred tax liability	122,357
	122,357
Current liabilities	
Current trade payables	8,407
Corporate income tax payable	5,957
Other liabilities and accruals	36,216
	50,580
	172,937

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

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

	Non-related Parties	Total
Due in 2012	4,104	4,104
Due in 2013	2,043	2,043
Due in 2014	1,925	1,925
Due in 2015	1,572	1,572
Due in 2016	190	190
	9,834	**9,834**

Commitments in foreign currencies were calculated using exchange rates as at September 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 September 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

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Revenue	174,717	171,403	55,110	56,678
Cost of revenue	(64,399)	(74,299)	(17,264)	(24,820)
Selling expenses	(48,558)	(37,480)	(17,554)	(12,781)
General and administration expenses	(25,281)	(15,618)	(5,067)	(5,388)
Other operating income/ (expense), net	2,845	(8)	2,113	(89)
Impairment of goodwill	(216,029)	-	-	-
Operating (loss)/ profit	**(176,705)**	**43,998**	**17,338**	**13,600**
Interest income	3,788	4,350	933	1,754
Finance expense	(113)	(22)	(252)	(2)
Foreign exchange (losses)/ gains, net	(551)	365	(166)	276
(Loss)/ profit before income tax	**(173,581)**	**48,691**	**17,853**	**15,628**
Income tax (charge)/ credit	(10,041)	(5,354)	(3,417)	1,514
(Loss)/ profit for the period from discontinued operations	**(183,622)**	**43,337**	**14,436**	**17,142**

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

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Net cash generated by operating activities	44,871	64,972
Net cash (used in)/ generated by investing activities	(17,379)	57,419
Net cash used in financing activities	(133,386)	(24)
	(105,894)	**122,367**

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

20. GROUP COMPANIES

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

	Country of incorporation	September 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. in liquidation *	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 **	Malta	-	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
Polskie Badania Internetu Sp. z o.o.	Poland	16	16

* Liquidation process initiated on July 13, 2012

** Liquidated on September 10, 2012

*** On August 1, 2012 the Group sold its share in the share capital of Film Miasto Sp. z o.o. for a consideration of 2. The Group recognized a loss on this transaction in the amount of 16.

**** DTH Poland Holding B.V. from October 2, 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:

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
ITI Group	4,039	2,906	592	207
Wydawnictwo Pascal	65	-	43	-
Poland Media Properties	3	6	-	2
	4,107	**2,912**	**635**	**209**

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:

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
ITI Group	33,389	30,781	10,785	12,305
Sieger & Sieger Ltd	2,206	2,199	570	1,014
Poland Media Properties	831	1,530	-	523
Besta Film	66	-	-	-
	36,492	**34,510**	**11,355**	**13,842**

Operating expenses from ITI Group comprise rent of office premises and the provision of certain management, sales, financial advisory and other services.

Operating expenses from Poland Media Properties comprise rent of office premises.

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

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

	September 30, 2012	December 31, 2011
Receivables:		
ITI Group	11,398	23,883
Wydawnictwo Pascal	704	-
Poland Media Properties	-	3
	12,102	**23,886**

	September 30, 2012	December 31, 2011
Payables:		
ITI Group	7,550	9,826
Sieger & Sieger Ltd	1,057	920
Wydawnictwo Pascal	6	-
Poland Media Properties	-	3
	8,613	**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 nine months ended September 30, 2012, the Group recorded finance costs related to ITI Holdings guarantees of 1,086 (the nine months ended September 30, 2011: 954) and 362 during the three months ended September 30, 2012 (the three months ended September 30, 2011: 318).

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)

	Nine months ended September 30, 2012		**Nine months ended September 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 10.77	(1,434,509)
At 30 September	PLN 10.88	**9,126,602**	PLN 10.87	**9,214,322**

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 October 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
September 30, 2012	3.1780	4.1138
December 31, 2011	3.4174	4.4168
September 30, 2011	3.2574	4.4112

The movement in the consumer price index for the nine months ended September 30, 2012 amounted to 1.9% (the nine months ended September 30, 2011: 2.8%).

24. EVENTS AFTER THE REPORTING PERIOD

On October 1, 2012 foreign exchange forward contracts with Rabobank Polska S.A. for a purchase of EUR 200,000, originally entered into in March 2012 and with original settlement date on October 2, 2012 (see Note 11), were rolled over with a new settlement date on January 4, 2013 and a new PLN/EUR foreign exchange forward rate of PLN 4.25 based technically on extension of existing contracts. It is economically equal to settlement of the previous foreign exchange forward contracts and entrance into new foreign exchange forward contracts with PLN/EUR foreign exchange forward rate of about PLN 4.14. Rolled over foreign exchange forward contracts are aimed at foreign exchange risk hedge relating to conversion of proceeds from the transaction of the disposal of shares in Grupa Onet.pl.

24. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

On November 6, 2012 the Group signed with MBC Real Estate a preliminary agreement which provides for an acquisition from MBC Real Estate of a building located in Warsaw at 166 Wiertnicza Street ("MBC Building"). According to the preliminary agreement the consideration for MBC Building amounts to EUR 45,000 and is payable in two parts. The first part of the consideration in the amount of EUR 8,000 will be paid on November 6, 2012 in a form of a refundable cash advance payment of EUR 7,500 and in a form of a non-refundable down payment of EUR 500. The Group is having advance discussions with two banks on financing of the acquisition of MBC Building with EUR 26,000 mortgage loan. The transaction closing date is planned not later than December 20, 2012 subject to receiving financing from a bank.

MANAGEMENT REPRESENTATIONS

These interim condensed separate financial statements of TVN S.A. (the “Company”) as of and for three and nine months ended September 30, 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 three and nine months ended September 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.

These interim condensed separate financial statements were authorized for issuance

by the Management Board of TVN S.A. on November 6, 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, November 6, 2012

TVN S.A.

Interim Condensed Separate Financial Statements
As of and for the three and nine months ended September 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. in liquidation
  ul. G. Zapolskiej 44
  30-126 Kraków
- DreamLab Onet.pl Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków

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

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

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

	Note	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Revenue	5	1,012,330	1,168,013	273,835	326,547
Cost of revenue	6	(696,552)	(650,543)	(200,778)	(198,005)
Selling expenses	6	(30,584)	(87,143)	(6,102)	(25,368)
General and administration expenses	6	(109,188)	(104,650)	(22,987)	(37,167)
Dividend income		135,579	-	933	-
Other operating income/ (expenses), net		1,417	1,440	(196)	604
Impairment on investment in Onet		(127,293)	-	-	-
Operating profit		**185,709**	**327,117**	**44,705**	**66,611**
Interest income	7	10,693	140,539	3,212	52,159
Finance expense	7	(300,795)	(274,639)	(105,273)	(89,369)
Foreign exchange gains/ (losses), net	7	229,897	(87,102)	77,921	(129,916)
Profit/ (loss) before income tax		**125,504**	**105,915**	**20,565**	**(100,515)**
Income tax (charge)/ credit	18	(30,316)	(24,566)	(4,113)	17,732
Profit/ (loss) for the period		**95,188**	**81,349**	**16,452**	**(82,783)**
Earnings/ (losses) per share (not in thousands)					
- basic	8	0.28	0.24	0.05	(0.24)
- diluted	8	0.28	0.23	0.05	(0.24)

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

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

	Note	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Profit/(loss) for the period		**95,188**	**81,349**	**16,452**	**(82,783)**
Other comprehensive income/ (loss):					
Foreign exchange forward contracts	**12**	553	1,837	1,160	2,181
Income tax relating to components of other comprehensive income	**18**	(105)	(349)	(162)	(415)
Other comprehensive (loss)/ income for the period, net of tax		448	1,488	998	1,766
Total comprehensive income/(loss) for the period		**95,636**	**82,837**	**17,450**	**(81,017)**

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

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

	Note	As at September 30, 2012	As at December 31, 2011
ASSETS			
Non-current assets			
Property, plant and equipment		241,949	227,198
Goodwill		144,127	144,127
Other intangible assets		38,923	29,044
Non-current programming rights		177,311	179,243
Investments in subsidiaries, associates and joint ventures	**9**	2,456,344	3,830,720
Non-current related party loans	**20 (v)**	27,534	111,257
Other non-current assets		4,129	5,070
		3,090,317	**4,526,659**
Current assets			
Current programming rights		264,317	241,098
Trade receivables		272,226	235,996
Derivative financial assets	**12**	1,221	1,580
Prepayments and other assets		59,839	31,547
Corporate income tax receivable		38,153	19,677
Bank deposits with maturity over three months	**13**	69,935	75,000
Cash and cash equivalents	**13**	323,502	218,935
		1,029,193	**823,833**
Non-current assets classified as held for sale	**10**	3,106,500	1,707,074
		4,135,693	**2,530,907**
TOTAL ASSETS		**7,226,010**	**7,057,566**
EQUITY			
Shareholders' equity			
Share capital	**14**	68,775	68,775
Share premium		672,876	672,931
8% obligatory reserve		23,301	23,301
Other reserves and deficits		98,419	97,971
Accumulated profit		2,554,249	2,493,449
		3,417,620	**3,356,427**
LIABILITIES			
Non-current liabilities			
Loans from related parties	**15,20 (iii)**	3,071,453	3,295,692
Non-current trade payables		14,712	15,010
Deferred tax liability		69,192	39,208
Other non-current liabilities		1,753	1,894
		3,157,110	**3,351,804**
Current liabilities			
Current trade payables		135,089	165,502
Accrued interest on borrowings	**15,20 (iii)**	133,227	47,680
Cash pooling liabilities	**20 (ix)**	236,688	-
Derivative financial liabilities	**12**	29,502	-
Other liabilities and accruals	**16**	116,774	136,153
		651,280	**349,335**
Total liability		**3,808,390**	**3,701,139**
TOTAL EQUITY AND LIABILITIES		**7,226,010**	**7,057,566**

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, 2011	**342,354,192**	**68,471**	**643,049**	**23,301**	**111,667**	**-**	**1,175,994**	**2,022,482**
Total comprehensive income for the period	-	-	-	-	-	1,488	81,349	82,837
Issue of shares [(1)]	1,434,509	287	28,396	-	(13,230)	-	-	15,453
Share issue cost [(2)]	-	-	(90)	-	-	-	-	(90)
Dividend declared and paid [(3)]	-	-	-	-	-	-	(13,728)	(13,728)
Balance at September 30, 2011	**343,788,701**	**68,758**	**671,355**	**23,301**	**98,437**	**1,488**	**1,243,615**	**2,106,954**

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	-	-	-	-	-	448	95,188	95,636
Share issue cost [(2)]	-	-	(55)	-	-	-	-	(55)
Dividend declared and paid [(3)]	-	-	-	-	-	-	(34,388)	(34,388)
Balance at September 30, 2012	**343,876,421**	**68,775**	**672,876**	**23,301**	**97,718**	**701**	**2,554,249**	**3,417,620**

(1) During the nine months ended September 30, 2011 1,434,509 (not in thousands) of C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes (see Note 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 September 30, 2012 is an amount of 2,552,419 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).

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

	Note	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Operating activities			
Cash generated from operations	**17**	127,205	288,112
Tax paid		(31,990)	(26,367)
Net cash generated from operating activities		**95,215**	**261,745**
Investing activities			
Payments to acquire property, plant and equipment		(67,520)	(38,423)
Proceeds from sale of property, plant and equipment		2,167	902
Payments to acquire intangible assets		(21,366)	(10,947)
Bank deposits with maturity over three months	**13**	5,065	243,558
Loans granted to subsidiary	**20 (v)**	(73,649)	(144,909)
Dividend received		135,579	-
Cash pooling with TVN Media		236,688	-
Interest received		6,965	14,128
Net cash generated from /(used in) investing activities		**223,929**	**64,309**
Financing activities			
Issue of shares, net of issue cost		-	15,361
Dividend paid		(34,388)	(13,728)
Issuance costs of TVN Finance Corporation II AB and TVN Finance Corporation III AB loans		-	(1,561)
Repurchase of PLN Bonds due 2013		-	(144,927)
Settlement of foreign exchange forward contracts		-	36,960
Restricted cash		-	107,986
Interest paid		(177,422)	(163,628)
Net cash (used in)/generated from financing activities		**(211,810)**	**(163,537)**
(Decrease)/ increase in cash and cash equivalents		**107,334**	**162,517**
Cash and cash equivalents at the start of the period		218,935	425,653
Effects of exchange rates changes		(2,767)	9,226
Cash and cash equivalents at the end of the period		**323,502**	**597,396**

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

1. TVN

These interim condensed separate financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on November 6, 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 B.V., 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 B.V., 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.).

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 provided for the disposal of 100% of the shares in Grupa Onet.pl to a wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. ("Vidalia"), for consideration consisting of cash for 75.98% of the shares in Grupa Onet.pl and 25% of the shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl. (see Note 10).

On September 14, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the combination of 'n' and Cyfra+ platforms. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with Canal+ Group.

On September 18, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the sale of the majority stake in Grupa Onet.pl to RAS. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with RAS.

On November 6, 2012, following the antitrust regulatory approval of the transaction, the Company and RAS concluded amendment to the Agreement signed on June 4, 2012 (the "Amendment Agreement") (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 three and nine months ended September 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 2012 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 September 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 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 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 September 30, 2012 and September 30, 2011 of a reasonably possible EUR appreciation of 5% against the Polish 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 126,760 (a loss of 57,295 as of September 30, 2011) and is presented below:

	Nine months ended September 30, 2012	**Nine months ended September 30, 2011**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
11.90% loans from subsidiary due 2017 including accrued interest	(103,208)	(110,669)
9.025% loan from subsidiary due 2018 including accrued interest	(30,143)	(32,322)
Trade payables	(454)	(282)
Other	(884)	(652)
Assets:		
Loans to subsidiaries*	3,884	82,011
Bank deposits with maturity over three months	2,832	-
Cash and cash equivalents	1,165	4,533
Trade receivables	48	86
	(126,760)	**(57,295)**

* Included in Non-current assets classified as held for sale as at September 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 September 30, 2012 and September 30, 2011 of a reasonably possible USD appreciation of 5% against the Polish 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 2,675 (a loss of 2,619 as of September 30, 2011) and is presented below:

	Nine months ended September 30, 2012	**Nine months ended September 30, 2011**
Assumed USD appreciation against PLN:	5%	5%
Liabilities:		
Trade payables	(2,920)	(2,876)
Assets:		
Cash and cash equivalents	10	9
Trade receivables	235	248
	(2,675)	**(2,619)**

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 September 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 it cost effective to hedge or otherwise seek to reduce interest rate risk as of September 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 is made through TVN Media (51% of the total trade receivables as of September 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)	**September 30, 2012**	**December 31, 2011**
Receivables from other customers	11%	13%
Receivables from related parties	89%	87%
- TVN Media Sp. z o.o.	51%	57%
- ITI Neovision Group	33%	21%
- Other related parties	5%	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 September 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 September 30, 2012 the Company had cash and cash equivalents and bank deposits with maturity over three months totaling 393,437 at its disposal (cash and cash equivalents and bank deposits with maturity over three months totaling 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 September 30, 2012			
11.90% loans from subsidiary due 2017	290,298	290,298	3,455,526
9.025% loan from subsidiary due 2018	64,972	64,972	1,012,289
Trade payables	135,089	14,712	-
Cash pooling liabilities	236,688	-	-
Other liabilities and accruals	67,239	-	-
Guarantees	127,009	128,120	179,979
	921,295	**498,102**	**4,647,794**
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	72,060	137,696	193,235
	669,397	**534,336**	**5,180,847**

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 September 30, 2012	**12 months ended December 31, 2011**
Net debt	3,135,876	3,145,847
EBITDA before impairment, dividend income and gain on contribution of sales & marketing segment to the subsidiary	413,372	559,144
Gain on contribution of sales & marketing segment to the subsidiary	2,124,790	2,124,790
Dividend income	135,579	-
Impairment on investment in ITI Neovison	(1,013,496)	(1,013,496)
Impairment on investment in Onet	(127,293)	-
EBITDA after impairment, dividend income and gain on contribution of sales & marketing segment to the subsidiary	1,532,952	1,670,438
Net debt/ EBITDA ratio before impairment, dividend income and gain on contribution of sales & marketing segment to the subsidiary	7.6	5.6
Net debt/ EBITDA ratio after impairment , dividend income and gain on contribution of sales & marketing segment to the subsidiary	2.0	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 September 30, 2012				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	1,221	-	1,221
	-	**1,221**	**-**	**1,221**
Liabilities				
Derivative financial liabilities				
Foreign exchange forward contracts	-	29,502	-	29,502
	-	**29,502**	**-**	**29,502**
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 JUDGMENTS

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 JUDGMENTS (CONTINUED)

During the year the Company monitors investment in subsidiaries against impairment indicators through the review of actual financial and operating results of Onet Group. As of September 30, 2012 the Company assessed that neither the operating and financial results of Onet Group nor the current estimations of the expected amount of cash and cash equivalents of Onet Group as at the transaction closing date indicate further impairment.

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 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 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 B.V., including loans granted to DTH Poland Holding B.V. and ITI Neovision, as an asset held for sale (see Note 10).

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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.

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.

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 B.V., including loans granted to DTH Poland Holding B.V. 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 44,116 (December 31, 2011: 42,636). The deferred tax was not recognized as the Company concluded that the criteria for the deferred tax assets recognition are not met as at September 30, 2012.

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. Currently the Management is in the process of review of results and future strategy of Mango Media which should be completed in the fourth quarter of 2012.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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.

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 unfavorable 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

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Revenue from advertising spot sales	703,807	852,152	182,123	229,711
Subscription fees	162,843	146,355	53,833	50,664
Revenue from sponsoring	79,368	90,925	20,745	25,658
Revenue from sales of goods and services	36,127	30,054	8,897	10,345
Other revenue	30,185	48,527	8,237	10,169
	1,012,330	**1,168,013**	**273,835**	**326,547**

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

Included in revenues for nine months ended September 30, 2012 are revenues from related parties in the amount of 867,720 (nine months ended September 30, 2011:52,159) and for three months ended September 30, 2012 of 222,386 (three months ended September 30, 2011: 14,089) (see Note 20 (i)).

6. OPERATING EXPENSES

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Amortization of locally produced content	304,466	308,281	83,022	87,983
Amortization of acquired programming rights and co-production	107,069	108,038	31,253	31,503
Royalties	85,632	45,291	22,323	12,560
Staff expenses	80,437	113,780	16,292	38,850
Depreciation and amortization	50,253	46,331	17,080	15,644
Broadcasting expenses	44,512	35,903	15,078	12,682
Marketing and research	27,305	43,314	7,272	12,557
Cost of services and goods sold	28,521	14,792	6,922	5,084
Rental	24,922	28,808	8,251	10,186
Impaired accounts receivable	757	477	386	(961)
Other	82,450	95,881	21,988	33,848
	836,324	**840,896**	**229,867**	**259,936**

Included in the above operating expenses are operating lease expenses for the nine months ended September 30, 2012 of 82,729 (nine months ended September 30, 2011: 79,599) and for the three months ended September 30, 2012 of 27,072 (three months ended September 30, 2011: 27,534).

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

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

Interest income	**Nine months ended September 30, 2012**	**Nine months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**
Interest income on loans to related parties	5,688	127,282	2,320	46,593
Other interest income	5,005	13,257	892	5,566
	10,693	**140,539**	**3,212**	**52,159**

Finance expense				
Interest expense on 11.90% loans from related party (see Note 20 (iii))	(228,645)	(219,742)	(75,303)	(75,982)
Interest expense on 9.95% loan from related party (see Note 20(iii))	-	(202)	-	-
Interest expense on 9.025% loan from related party (see Note 20(iii))	(51,260)	(49,044)	(16,880)	(17,043)
Interest expense on PLN Bonds due 2013 (see Note 15)	-	(1,389)	-	-
Interest on foreign exchange forward contracts – fair value and cash flow hedges (see Note 12)	(25,269)	(10,741)	(14,300)	(335)
Premium on early repayment of PLN Bonds due 2013 (see Note 15)	-	(3,971)	-	-
Pre-issuance costs written off *	-	(217)	-	-
Income from guarantee fees from related parties (see Note 20 (x))	9,390	12,508	2,856	4,662
Guarantee fees to related parties (see Note 20 (x))	(1,086)	(955)	(362)	(319)
Bank and other charges	(3,925)	(886)	(1,284)	(352)
	(300,795)	**(274,639)**	**(105,273)**	**(89,369)**

* 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 gains/(losses), net	**Nine months ended September 30, 2012**	**Nine months ended September 30, 2011**	**Three months ended September 30, 2012**	**Three months ended September 30, 2011**
Foreign exchange gains / (losses) on 11.90% loan from related party, including:	186,146	(237,816)	65,367	(259,462)
- unrealized foreign exchange gains/ (losses) *on 11.90% loan from related party*	*181,736*	*(275,130)*	*89,149*	*(259,462)*
- realized foreign exchange gains on 11.90% loan from related party	*1,873*	*1,344*	*(346)*	*-*
- fair value hedge impact (see Note 12)	*2,537*	*35,970*	*(23,436)*	*-*
Foreign exchange losses on 9.025% loan from related party, including:	54,653	(69,725)	19,399	(75,959)
-unrealized foreign exchange gains/ (losses) *9.025% loan from related party*	*53,484*	*(80,641)*	*26,392*	*(75,959)*
- realized foreign exchange gains on 9.025% loan from related party	*420*	*301*	*(77)*	*-*
- fair value hedge impact (see Note 12)	*749*	*10,615*	*(6,916)*	*-*
Other foreign exchange (losses)/gains net	(10,902)	220,439	(6,845)	205,505
	229,897	**(87,102)**	**77,921**	**(129,916)**

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

Basic

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

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Profit/ (Loss) for the period (in thousands)	95,188	81,349	16,452	(82,783)
Weighted average number of ordinary shares in issue	343,876,421	343,161,778	343,876,421	343,733,779
Basic earnings/ (losses) per share	**0.28**	**0.24**	**0.05**	**(0.24)**

Diluted

Diluted earnings/ (losses) 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.

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Profit/ (Loss) for the period (in thousands)	95,188	81,349	16,452	(82,783)
Weighted average number of ordinary shares in issue	343,876,421	343,161,778	343,876,421	343,733,779
Adjustment for share options	24,866	3,210,158	-	-
Weighted average number of potential ordinary shares for diluted earnings per share	343,901,287	346,371,936	343,876,421	343,733,779
Diluted earnings/(losses) per share	**0.28**	**0.23**	**0.05**	**(0.24)**

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

9. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	September 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	8,373	8,375
Total	**2,456,344**	**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	September 30, 2012 Ownership %	December 31, 2011 Ownership %
Subsidiaries			
Grupa Onet Poland Holding B.V.ˉ Classified as held for sale	The Netherlands	100	100
Grupa Onet.pl S.A. (1) . ˉ 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 (2)	Malta	-	100
DreamLab Onet.pl Sp. z o.o. (2)	Poland	100	100
SunWeb Sp. z o.o. in liquidation (2)	Poland	100	100
DTH Poland Holding Coöperatief U.A. ˉ Classified as held for sale (6)	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. (5)	Poland	-	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., Media Entertainment Ventures Int Ltd liquidated on September 10, 2012
(3) Owned indirectly through DTH Poland Holding Coöperatief U.A.
(4) Joint venture through DTH Poland Holding Coöperatief U.A.
(5) On August 1, 2012 the Company sold its share in the share capital of Film Miasto Sp. z o.o. for a consideration of 2. The Company recognized a loss on this transaction in the amount of 64.
(6) DTH Poland Holding B.V. from October 2, 2012

10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

ITI Neovision

The equity investment in DTH Poland Holding B.V. and loans granted DTH Poland Holding B.V. and ITI Neovision are 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 B.V.and loans granted to DTH Poland Holding B.V. 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.

On September 14, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the combination of ‘n’ and Cyfra+ platforms. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with Canal+ Group.

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 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, 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.

The likelihood of payment of the above mentioned break-up fees is remote.

<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 are presented as held for sale as at September 30, 2012 following conclusion of a share purchase agreement (the “Agreement”) between the Company and Ringier Axel Springer Media AG (“RAS”) which was signed on June 4, 2012 (see Note 1).

On October 12, 2012, after agreeing action plan with RAS, the Shareholders Meeting of Grupa Onet.pl adopted a resolution on redemption of 468,425 (not in thousands) shares (being 5.82% of Grupa Onet.pl's share capital) of the company's shares held by TVN out of accumulated profits for previous financial years for the payment of 74,200 to TVN and on respective share capital decrease. The payment by Grupa Onet.pl to TVN for the transfer of the shares subject to redemption was made by October 30, 2012.

On November 6, 2012, following the antitrust regulatory approval of the transaction which was unconditionally granted by the Office of Competition and Consumer Protection (UOKiK) on September 18, 2012, the Company and RAS agreed that closing of the transaction should take place in early November 2012 and concluded amendment to the Agreement signed on June 4, 2012 (the “Amendment Agreement”) in order to reflect the decision on acceleration of the closing date, the redemption of certain Grupa Onet.pl shares and certain technical matters agreed by the parties following 4 June 2012.

The Amended Agreement provides for the disposal of 100% of shares in Grupa Onet.pl to Vidalia, a wholly owned subsidiary of RAS, for a consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for remaining shares in Grupa Onet.pl.

Under the Amended Agreement 75% of shares in Grupa Onet.pl will be sold by Grupa Onet Poland Holding, the Company’s wholly–owned subsidiary, to Vidalia. The selling price is 956,250 (“Part Consideration”) and will be paid on the closing date.

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 25% shares in Grupa Onet.pl will be contributed in kind to Vidalia in exchange for a stake of 25% in the increased share capital of Vidalia, valued at 318,750.

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

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).

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 Amended Agreement. In particular, Grupa Onet Poland Holding agreed that no encumbrances, amendments to corporate documents, material reorganizations or material capital expenditures regarding Onet Group will take place until closing of the transaction. The Amended Agreement also provides for certain indemnification provisions granted by the Company and Grupa Onet Poland Holding in favor RAS, Grupa Onet.pl and Vidalia.

Once the transaction is finalized, the shares in Grupa Onet.pl will be transferred to Vidalia, RAS will hold 75% of all shares in Vidalia, Grupa Onet Poland Holding will hold 25% of all shares in Vidalia, and Vidalia will hold 100% of all shares in Grupa Onet.pl.

The relationship between the Company, Grupa Onet Poland Holding and RAS as shareholders in Vidalia, 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 transaction is finalized. The Shareholders Agreement contains in particular a swap option for the Company to exchange a number of its (its subsidiary) shares in Vidalia 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 Vidalia 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 Vidalia, which ever period ends later; and
- Call option for RAS to acquire the shares in Vidalia 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 Vidalia, which ever period ends later; and
- Second put option for the Company (or its subsidiary) to sell its shares in Vidalia 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 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 Vidalia.

The transaction was finalized on November 6, 2012.

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

11. FINANCIAL INSTRUMENTS BY CATEGORY

ASSETS AS PER BALANCE SHEET	Derivatives used for hedging	Loans and receivables	Total
September 30, 2012			
Non-current related party loans	-	27,534	27,534
Trade receivables	-	272,226	272,226
Derivative financial assets	1,221	-	1,221
Bank deposits with maturity over three months	-	69,935	69,935
Cash and cash equivalents	-	323,502	323,502
	1,221	**693,197**	**694,418**
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
September 30, 2012				
Loans from related parties	-	-	3,071,453	3,071,453
Accrued interest on borrowings	-	-	133,227	133,227
Non-current trade payables	-	-	14,712	14,712
Current trade payables	-	-	135,089	135,089
Cash pooling liabilities	-	-	236,688	236,688
Other liabilities and accruals*	-	-	67,239	67,239
	-	**-**	**3,658,408**	**3,658,408**
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

	September 30, 2012	December 31, 2011
Derivative financial assets		
Foreign exchange forward contracts	1,221	1,580
	1,221	**1,580**
Derivative financial liabilities		
Foreign exchange forward contracts	29,502	-
	29,502	**-**

On March and July 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 350,000, settlement date on October 2, 2012 and PLN/EUR foreign exchange forward rate of 4.20 (see Note 23). 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.

On August 2, 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 payment interest on 11.90% loans from related party due 2017 and 9.025% loan from related party due 2018. The hedging strategy based on EUR foreign exchange forward contract has a notional value of EUR 10,000, settlement date on November 8, 2012 and PLN/EUR foreign exchange forward rate of 4.16. The Company has designated this EUR foreign exchange forward contract for cash flow hedge accounting.

The fair value of foreign exchange forward contracts as at September 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):

	September 30, 2012	December 31, 2011
Derivative financial assets		
Bank rated BBB+	1,221	-
Bank rated A+	-	1,580
	1,221	**1,580**
Derivative financial liabilities		
Bank rated AA	29,502	-
	29,502	**-**

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

	September 30, 2012	December 31, 2011
Cash at bank and in hand	323,502	218,935
	323,502	**218,935**
Bank deposits with maturity over three months	69,935	75,000
	69,935	**75,000**

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

	September 30, 2012	December 31, 2011
Bank rated BBB+	196,134	160,382
Bank rated AA	126,770	58,133
Banks rated BBB and other	598	420
	323,502	**218,935**

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

	September 30, 2012	December 31, 2011
Bank rated BBB+	69,935	75,000
	69,935	**75,000**

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

	September 30, 2012	December 31, 2011
EUR	69,935	-
PLN	-	75,000
	69,935	**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 September 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 September 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 September 30, 2012 are registered by the Court.

15. BORROWINGS

	September 30, 2012	December 31, 2011
Loans from related parties (see Note 20 (iii))	3,071,453	3,295,692
Interest accrued on loans from related parties (see Note 20 (iii))	133,227	47,680
	3,204,680	**3,343,372**
Less: current portion of borrowings	(133,227)	(47,680)
Non-current portion of borrowings	**3,071,453**	**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 September 30, 2012 the revolving guarantee facility had been used for the bank guarantees issued at 144,629 (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

	September 30, 2012	December 31, 2011
VAT and other taxes payable	28,781	54,549
Employee benefits	20,589	30,980
Accrued production costs	11,230	7,687
Satellites	4,557	4,875
Sales and marketing related costs	915	3,690
Deferred income	165	227
Other liabilities and accrued costs	50,537	34,145
	116,774	**136,153**

17. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Profit for the period		95,188	81,349
Tax charge	**18**	30,316	24,566
Impairment		127,293	-
Depreciation, amortization and impairment	**6**	50,253	46,331
Amortization of acquired program rights and co-production	**6**	107,069	108,038
Payments to acquire programming rights		(132,173)	(133,780)
Impaired accounts receivable	**6**	757	477
Loss/ (gain) on sale of property, plant and equipment		206	808
Interest income	**7**	(10,693)	(140,539)
Finance expense	**7**	300,795	274,639
Foreign exchange losses/ (gains), net	**7**	(229,897)	87,102
Guarantee fee		(1,086)	(955)
Change in local production balance		(3,042)	(8,692)
Dividend income		(135,579)	-
Changes in working capital:			
Trade receivables		(36,987)	(13,326)
Prepayments and other assets		(26,807)	(13,839)
Trade payables		(14,834)	28,632
Other short term liabilities and accruals		6,426	(52,699)
		(72,202)	(51,232)
Cash generated from operations		**127,205**	**288,112**

Non-cash transactions

Barter revenue, net	621	1,766

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

18. TAXATION

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Current tax charge	(438)	(38,978)	(2,656)	(8,205)
Deferred tax (charge)/ credit	(29,878)	14,412	(1,457)	25,937
	(30,316)	**(24,566)**	**(4,113)**	**17,732**

Reconciliation of accounting profit to tax charge

Profit before income tax	125,504	105,915	20,565	(100,515)
Income tax charge at the enacted statutory rate of 19%	(23,846)	(20,124)	(3,908)	19,098
Impact of non taxable dividend income	25,760	-	177	-
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	(8,044)	(4,442)	(382)	(1,366)
Tax for the period	**(30,316)**	**(24,566)**	**(4,113)**	**17,732**

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 September 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 September 30, 2012. These commitments are scheduled to be paid as follows:

Due in 2012	38,503
Due in 2013	188,163
Due in 2014	109,728
Due in 2015	82,835
Due in 2016 and thereafter	139,683
	558,912

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

	Related parties	**Non-related parties**	**Total**
Due in 2012	3,098	5,036	8,134
Due in 2013	11,959	13,174	25,133
Due in 2014	11,838	7,746	19,584
Due in 2015	11,789	5,664	17,453
Due in 2016 and thereafter	8,385	3,426	11,811
	47,069	**35,046**	**82,115**

(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 September 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	3,389
Due in 2013	34,117
Due in 2014	34,117
Due in 2015	31,407
Due in 2016	31,265
Due in 2017 and thereafter	45,942
	180,237

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 511 to settle sundry amounts payable recorded as of September 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 September 30, 2012, the Company assumed contractual commitments of 731 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:

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
TVN Media Sp. z o.o	808,416	-	210,126	-
ITI Neovision	39,841	31,758	13,596	10,922
Stavka Sp. z o.o.	14,709	-	2,594	-
ITI Group	2,780	2,932	(73)	235
Grupa Onet Poland Holding	971	6,557	368	1,786
Mango Media	870	4,725	309	1,103
El-Trade	92	92	31	31
NTL Radomsko	-	31	-	(1)
Tivien	35	35	11	11
Poland Media Properties	4	6	-	2
Film Miasto Sp. z o.o.	2	-	-	-
TVN Finance Corporation plc in members' voluntary liquidation	-	6,023	-	-
	867,720	**52,159**	**226,962**	**14,089**

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:

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
TVN Media Sp. z o.o.	73,431	-	19,432	
ITI Group	27,893	30,804	8,839	12,328
Tivien	11,391	11,921	3,883	3,989
Grupa Onet Poland Holding Group	3,053	12,404	830	4,370
Sieger & Sieger Ltd	2,206	2,199	570	1,005
ITI Neovision	1,000	1,531	327	(1,892)
Poland Media Properties	1,454	1,530	472	523
NTL Radomsko	1,045	1,104	348	356
El-Trade	259	378	90	143
Mango Media	-	(31)	-	-
	121,732	**61,840**	**34,791**	**20,822**

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

	September 30, 2012	December 31, 2011
Loans from TVN Finance Corporation II AB	2,370,193	2,543,025
Loans from TVN Finance Corporation III AB	701,260	752,667
Interest accrued	133,227	47,680
	3,204,680	**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:

	September 30, 2012	**December 31, 2011**
Receivables:		
TVN Media Sp. z o.o.	136,365	134,242
ITI Neovision Group	89,332	50,491
Stavka Sp. z o.o.	4,839	4
ITI Group	9,502	18,069
Mango Media	3,197	1,708
Grupa Onet Poland Holding	150	680
El-Trade	25	25
NTL-Radomsko	12	-
Tivien	4	4
Poland Media Properties	5	3
	243,431	**205,226**

Payables:		
TVN Media Sp. z o.o.	19,132	14,357
ITI Group	2,716	8,789
Grupa Onet Poland Holding	7,792	5,976
ITI Neovision Group	5,625	5,217
Tivien	1,263	285
Sieger & Sieger Ltd	1,057	920
NTL-Radomsko	143	145
El-Trade	45	37
Poland Media Properties	1,134	3
	38,907	**35,729**

(v) Related party loans

	September 30, 2012	**December 31, 2011**
Stavka Sp. z o.o.	26,988	599
Thema Film	546	528
Grupa Onet Poland Holding	-	110,130
Non-current portion	**27,534**	**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

	September 30, 2012	December 31, 2011
Non-current assets classified as held for sale	**3,106,500**	**1,707,074**
Investment and loans for ITI Neovision and DTH Poland Holding Coöperatief U.A.	1,763,145	1.707,074
Loans for Grupa Onet Poland Holding	50,075	-
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 nine months ended September 30, 2012 the Company recorded finance cost from cash pooling transactions with TVN Media of 2,645 (during the nine months ended September 30, 2011: nil) which is presented in other interest income (see Note 7). Cash pooling liabilities amount to 236,688 (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 nine months ended September 30, 2012, the Company recorded finance costs relating to ITI Holdings guarantees of 1,086 (during the nine months ended September 30, 2011: 955) and during the three months ended September 30, 2012 362 (during the three months ended September 30, 2011: 319).

As of September 30, 2012 the Company issued guarantees in the total amount of 334,415 on the Company's behalf relating to the liabilities of ITI Neovision.

As of September 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 nine months ended September 30, 2012 the Company recorded the revenue of 5,230 from TVN Finance Corporation II AB, 1,581 from TVN Finance Corporation III AB, 2,500 from ITI Neovision and 79 TVN Media relating to the guarantees provided (during the nine months ended September 30, 2011: TVN Finance Corporation II AB 8,939 TVN Finance Corporation III AB 2,630 ITI Neovision 867 and TVN Media nil).

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):

	Nine months ended September 30, 2012		Nine months ended September 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 10.77	(1,434,509)
At 30 September	PLN 10.88	**9,126,602**	PLN 10.87	**9,214,322**

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 October 1, 2012 and the date when these interim condensed separate financial statements were prepared no options were exercised.

22. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	PLN Exchange Rate to EUR
September 30, 2012	3.1780	4.1138
December 31, 2011	3.4174	4.4168
September 30, 2011	3.2574	4.4112

The movement in the consumer price index for the nine months ended September 30, 2012 amounted to 1.9% (nine months ended September 30, 2011: 2.8%).

23. EVENTS AFTER THE REPORTING PERIOD

On October 1, 2012 foreign exchange forward contracts with Rabobank Polska S.A. for a purchase of EUR 200,000, originally entered into in March 2012 and with original settlement date on October 2, 2012 (see Note 12), were rolled over with a new settlement date on January 4, 2013 and a new PLN/EUR foreign exchange forward rate of PLN 4.25 based technically on extension of existing contracts. It is economically equal to settlement of the previous foreign exchange forward contracts and entrance into new foreign exchange forward contracts with PLN/EUR foreign exchange forward rate of about PLN 4.14. Rolled over foreign exchange forward contracts are aimed at foreign exchange risk hedge relating to conversion of proceeds from the transaction of the disposal of shares in Grupa Onet.pl.

On October 4, 2012, in performance of the agreements entered into on December 18, 2011 with Canal+ Group (see Note 10), the Company concluded an agreement with ITI Neovision regarding the subscription for 87,166 (not in thousands) shares in the increased share capital of ITI Neovision, with a nominal value of PLN 500 (not in thousands) each and the aggregate nominal value of 43,583. The agreement was concluded in connection with a resolution of the extraordinary meeting of the shareholders of ITI Neovision dated October 4, 2012 regarding the increase in the share capital of ITI Neovision by 47,946 up to 88,946, through the issuance of 95,892 (not in thousands) new shares with a nominal value of PLN 500 (not in thousands) each and the aggregate nominal value of 47,946. The remaining 8,726 (not in thousands) shares with a nominal value of 4,363 will be subscribed for by the existing shareholder of ITI Neovision: DTH Poland Holding B.V. The shares will be subscribed for at the issue price of PLN 23,909 (not in thousands) per share. The proceeds from the share capital increase will be used by ITI Neovision for a full repayment of its obligations under the loans granted to ITI Neovision by the Company and DTH Poland Holding B.V. and current operational needs of ITI Neovision.

On November 6, 2012 the Company signed with MBC Real Estate a preliminary agreement which provides for an acquisition from MBC Real Estate of a building located in Warsaw at 166 Wiertnicza Street (“MBC Building”). According to the preliminary agreement the consideration for MBC Building amounts to EUR 45,000 and is payable in two parts. The first part of the consideration in the amount of EUR 8,000 will be paid on November 6, 2012 in a form of a refundable cash advance payment of EUR 7,500 and in a form of a non-refundable down payment of EUR 500. The Company is having advance discussions with two banks on financing of the acquisition of MBC Building with EUR 26,000 mortgage loan. The transaction closing date is planned not later than December 20, 2012 subject to receiving financing from a bank.