PTH Group

Annual Report including
Consolidated Financial Statements
As of and for the year ended 31 December 2011

Approval of the Annual Report including Consolidated Financial Statements

These consolidated financial statements of Polish Television Holding B.V. and its subsidiaries (the “PTH Group”) as of and for the year ended December 31, 2011, have been prepared in order to present the financial position, results of operations and cash flows of the PTH Group in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the EU, issued and effective as at the balance sheet date.

The consolidated financial statements of the PTH Group as of and for the year ended December 31, 2011 include the: consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in shareholders’ equity, consolidated cash flow statement and notes to the consolidated financial statements. These consolidated financial statements were authorized for issuance by the Management Board of Polish Television Holding B.V.

Duma Corporate Services B.V.

de Chavagnac, Edouard

Tenbit B.V.

Amsterdam, February 27, 2012

PTH Group

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Independent auditor's report

To the Shareholders of Polish Television Holding B.V.

We have audited the accompanying consolidated financial statements of Polish Television Holding B.V. and its subsidiaries (the "PTH Group"), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the PTH Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland

February 27, 2012

PTH Group Information

1. Principal activity

Polish Television Holding B.V. ("PTH" or the "Company") is a holding company whose main investment is shares in TVN S.A. ("TVN"), an entity domiciliant in Poland. TVN S.A. (and collectively with all of TVN's subsidiaries, referred to as "TVN Group") is Poland's leading commercial television broadcaster operating eleven television channels in Poland: TVN, TVN 7, TVN 24, TVN CNBC, TVN Meteo, TVN Turbo, ITVN, TVN Style, NTL Radomsko, Telezakupy Mango 24 and ttv. The TVN Group's channels broadcast news, information and entertainment shows, serials, movies and teleshopping.

TVN Group also operates a Polish direct-to-home ("DTH") digital satellite television referred to as 'n', which offers technologically advanced pay television services. The TVN Group also operates Onet.pl, the leading internet portal in Poland operating services such as: OnetVOD, Zumi.pl, Sympatia.pl, OnetBlog and OnetLajt.

The Company is a wholly owned subsidiary of the ITI Group, comprising companies whose principal activities are television broadcasting and production, online, DTH pay TV, entertainment and investment holding. The ITI Group's parent company is International Trading and Investments Holdings S.A., Luxembourg ("ITI Holdings") which prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Both ITI Group and ITI Holdings are privately owned companies.

2. Registered Office

POLISH TELEVISION HOLDING B.V.
De Boelelaan 7
1083 HJ Amsterdam
The Netherlands

3. Management Board

Duma Corporate Services B.V.
De Boelelaan 7
1083 HJ Amsterdam
The Netherlands

Tenbit B.V.
De Boelelaan 7
1083 HJ Amsterdam
The Netherlands

de Chavagnac, Edouard
Rue du Rocher 45
75008 Paris
France

4. Auditors

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

5. Principal Solicitors

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

Allen & Overy
Rondo ONZ 1
00-124 Warsaw

PTH Group Information (continued)

6. Principal Bankers

ABN – Amro Bank (Nederland) N.V.
P.O. Box 941
1000 AX Amsterdam
The Netherlands

ING Bank Slaski S.A.
Pl. Trzech Krzyzy 10/14
00-499 Warsaw
Poland

The Bank of New York Mellon, London Branch
One Canada Square
E14 5AL London, UK

Bank Polska Kasa Opieki S.A. ("Pekao S.A.")
ul. Grzybowska 53/57
00-950 Warsaw

7. Subsidiaries

Television Broadcasting and Production

- TVN S.A.
  ul. Wiertnicza 166
  02-952 Warsaw
- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warsaw
- El-Trade Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warsaw
- TVN Media Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warsaw
- NTL Radomsko Sp. z o.o.
  ul. 11 Listopada 2
  97-500 Radomsko
- Thema Film Sp. z o.o.
  ul. Powsińska 4
  02-920 Warsaw
- Stavka Sp. z o.o.
  ul. Ordynacka 14/5
  00-358 Warsaw

Digital satellite pay television

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

PTH Group Information (continued)

7. Subsidiaries (continued)

On-line

- Grupa Onet.pl S.A.
  ul. G. Zapolskiej 44
  30-126 Cracow
- SunWeb Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Cracow
- DreamLab Onet.pl Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Cracow
- Media Entertainment Ventures International Limited
  Palazzo Pietro Stiges 90, Strait Street
  Valetta VLT 1436, Malta

Teleshopping

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

Corporate

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

8. 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 Warsaw

9. Associates

- Polskie Badania Internetu Sp. z o.o.
  Al. Jerozolimskie 65/79
  00-697 Warsaw
- Film Miasto Sp. z o.o.
  ul. Puławska 182
  02-670 Warsaw

PTH Group
Consolidated Income Statement
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Continuing operations			
Revenue	6	1,959,843	1,925,130
Cost of revenue	7	(1,043,470)	(1,031,439)
Selling expenses	7	(176,514)	(154,086)
General and administration expenses	7	(189,762)	(164,894)
Other operating (expenses)/ income, net		(1,944)	7,260
Operating profit		**548,153**	**581,971**
Interest income, net	8	26,576	30,809
Finance expense, net	8	(482,359)	(383,464)
Foreign exchange (losses)/ gains, net	8	(308,389)	28,541
Share of loss of associates		(280)	(4)
(Loss)/ profit before income tax		**(216,299)**	**257,853**
Income tax credit/ (charge)	25	18,556	(59,856)
(Loss)/ profit for the period from continuing operations		**(197,743)**	**197,997**
Discontinued operations			
Loss for the period from discontinued operations, net of tax	28	(251,489)	(213,159)
Loss for the period		**(449,232)**	**(15,162)**
Loss attributable to:			
Owners of the Company		(298,325)	(36,795)
Non-controlling interests		(150,907)	21,633
		(449,232)	**(15,162)**

The consolidated income statement for the year ended December 31, 2011 and for the year ended December 31, 2010 has been restated in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

PTH Group
Consolidated Statement of Comprehensive Income
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Loss for the period		**(449,232)**	**(15,162)**
Other comprehensive loss:			
Foreign exchange forward contracts	**17**	259	-
Available-for-sale financial assets		-	702
Income tax relating to components of other comprehensive loss	**25**	(59)	(133)
Currency translation difference		(94,626)	(1,770)
Other comprehensive loss for the period, net of tax		(94,426)	(1,201)
Total comprehensive loss for the period		**(543,658)**	**(16,363)**
Total comprehensive loss attributable to:			
Owners of the Company		(392,846)	(38,271)
Non-controlling interests		(150,812)	21,908
		(543,658)	**(16,363)**

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

PTH Group
Consolidated Statement of Financial Position
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	As at December 31, 2011	As at December 31, 2010
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	340,319	763,030
Goodwill	**10**	952,657	1,677,614
Brands	**11**	693,687	778,625
Other intangible assets	**12**	75,227	112,199
Non-current programming rights	**13**	179,242	155,345
Investments in associates		1,194	1,527
Available-for-sale financial assets	**15**	-	7,588
Deferred tax asset	**25**	43,056	46,505
Non-current restricted cash	**19**	-	190,902
Other non-current assets	**18**	5,507	5,787
		2,290,889	**3,739,122**
Current assets			
Current programming rights	**13**	241,465	247,004
Trade receivables	**16**	376,430	334,705
Derivative financial assets	**17**	1,580	-
Prepayments and other assets	**18**	57,826	135,400
Corporate income tax receivable		16,962	15,711
Current restricted cash	**19**	125,808	141,914
Bank deposits with maturity over three months	**19**	75,000	321,721
Cash and cash equivalents	**19**	593,354	484,738
		1,488,425	**1,681,193**
Assets of disposal group classified as held for sale	**28**	**1,463,368**	**-**
TOTAL ASSETS		**5,242,682**	**5,420,315**
EQUITY			
Shareholders' equity			
Share capital	**20**	6,799	6,799
Share premium		975,066	1,965,983
8% obligatory reserve		6,830	6,830
Other equity instruments		-	(990,917)
Other reserves		(1,701,924)	(1,707,722)
Accumulated profit		286,137	584,462
Cumulative translation adjustment		(79,155)	15,471
		(506,247)	**(119,094)**
Non-controlling interest		437,943	585,296
		(68,304)	**466,202**
LIABILITIES			
Non-current liabilities			
10.75% Senior Notes due 2017	**21**	2,567,870	2,292,767
7.875% Senior Notes due 2018	**21**	752,490	671,146
11.25% Senior Secured Notes due 2017	**21**	1,080,786	954,841
PLN Bonds due 2013	**21**	-	140,739
Deferred tax liability	**25**	158,301	168,255
Non-current trade payables	**22**	15,010	13,186
Other non-current liabilities		10,196	4,826
		4,584,653	**4,245,760**
Current liabilities			
Current trade payables	**22**	163,679	240,237
Corporate income tax payable		-	1,505
Accrued interest on borrowings	**21**	58,952	51,569
Other liabilities and accruals	**23**	250,102	415,042
		472,733	**708,353**
Liabilities of disposal group classified as held for sale	**28**	**253,600**	**-**
		5,310,986	**4,954,113**
TOTAL EQUITY AND LIABILITIES		**5,242,682**	**5,420,315**

The consolidated balance sheet as at December 31, 2011 has been restated 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, 2010 is presented as previously reported

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

PTH Group
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other equity instruments	Other reserves (*)	Accumulated profit	Cumulative translation adjustment	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2010	**1,849,105**	**6,799**	**1,965,983**	**6,830**	**-**	**(1,535,914)**	**621,257**	**17,241**	**1,082,196**	**428,277**	**1,510,473**
Total comprehensive loss for the period	-	-	-	-	-	294	(36,795)	(1,770)	(38,271)	21,908	(16,363)
Dividend declared and paid by TVN	-	-	-	-	-	-	-	-	-	(49,899)	(49,899)
Other equity instruments	-	-	-	-	(990,917)	-	-	-	(990,917)	-	(990,917)
Cost related to acquisition of non-controlling interest	-	-	-	-	-	(3,624)	-	-	(3,624)	(3,235)	(6,859)
Transactions with non-controlling interests - Share option plan (see Note 32)	-	-	-	-	-	6,956	-	-	6,956	12,921	19,877
Reorganisation and transactions with non-controlling interests (see Note 27)	-	-	-	-	-	(175,434)	-	-	(175,434)	175,324	(110)
Balance at December 31, 2010	**1,849,105**	**6,799**	**1,965,983**	**6,830**	**(990,917)**	**(1,707,722)**	**584,462**	**15,471**	**(119,094)**	**585,296**	**466,202**

(*) Other reserves

	Employee share option plan reserve	Fair value reserve	Other reserves related to transaction with non-controlling interest	Reorganisation reserve	Total
Balance at January 1, 2010	**68,914**	**(569)**	**(1,685,186)**	**80,927**	**(1,535,914)**
Charge for the period (see Note 32)	-	702	(339)	-	363
Deferred tax on charge for the period	-	(133)	64	-	(69)
Cost related to acquisition of non-controlling interest (1)	-	-	(3,624)	-	(3,624)
Transactions with non-controlling interests	-	-	6,956	-	6,956
Reorganisation and transactions with non-controlling interests (see Note 27) (1)	-	-	(175,434)	-	(175,434)
Balance at December 31, 2010	**68,914**	**-**	**(1,857,563)**	**80,927**	**(1,707,722)**

(1) On March 10, 2010 the PTH Group completed the acquisition of the remaining shares in Neovision Holding and derecognized non-controlling interest (see Note 27)

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

PTH Group
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other equity instruments	Other reserves (*)	Accumulated profit	Cumulative translation adjustment	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2011	**1,849,105**	**6,799**	**1,965,983**	**6,830**	**(990,917)**	**(1,707,722)**	**584,462**	**15,471**	**(119,094)**	**585,296**	**466,202**
Total comprehensive loss for the period	-	-	-	-	-	105	(298,325)	(94,626)	(392,846)	(150,812)	(543,658)
Dividend declared and paid by TVN	-	-	-	-	-	-	-	-	-	(6,528)	(6,528)
Settlement of other equity instruments		-	(990,917)	-	990,917	-	-	-	-	-	-
Acquisition of subsidiary (see Note 29)		-	-	-	-	-	-	-	-	(558)	(558)
Transactions with non-controlling interests - Share option plan (see Note 32)	-	-	-	-	-	5,693	-	-	5,693	10,545	16,238
Balance at December 31, 2011	**1,849,105**	**6,799**	**975,066**	**6,830**	**-**	**(1,701,924)**	**286,137**	**(79,155)**	**(506,247)**	**437,943**	**(68,304)**

(*) Other reserves

	Employee share option plan reserve	Hedging reserve	Other reserves related to transactions with non-controlling interest	Reorganisation reserve	Total
Balance at January 1, 2011	**68,914**	-	**(1,857,563)**	**80,927**	**(1,707,722)**
Charge for the period (see Note 32)	-	136	-	-	136
Deferred tax on charge for the period	-	(31)	-	-	(31)
Transactions with non-controlling interests - Share option plan (see Note 32)	5,693	-	-	-	5,693
Balance at December 31, 2011	**74,607**	**105**	**(1,857,563)**	**80,927**	**(1,701,924)**

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

PTH Group
Consolidated Cash Flow Statement
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Operating activities			
Cash generated from operations	**24**	475,627	569,257
Tax paid		(45,145)	(77,940)
Net cash generated by operating activities		**430,482**	**491,317**
Investing activities			
Cost of acquisition of non-controlling interest		-	(6,859)
Payments to acquire subsidiaries, net of cash		(4,182)	-
Payments to acquire associate		(2)	-
Payments to acquire property, plant and equipment		(160,600)	(236,431)
Proceeds from sale of property, plant and equipment		2,236	1,790
Payments to acquire intangible assets		(70,820)	(47,964)
Sale of available-for-sale financial assets		8,002	363,700
Fair value gain on foreign exchange forwards		-	1,717
Loans repaid by related parties		-	399
Bank deposits with maturity over three months	**19**	245,997	(318,673)
Interest received		27,514	13,994
Net cash generated by/(used in) investing activities		**48,145**	**(228,327)**
Financing activities			
Issue of shares, net of issue cost		16,237	19,906
Dividend paid, including costs		(6,275)	(49,899)
Issue of 7,875% Senior Notes due 2018		-	689,255
Cost of issue of 7.875% Senior Notes due 2018	**21**	(1,472)	(21,134)
Cost of issue of 10.75% Senior Notes due 2017	**21**	-	(14,366)
Proceeds from issue of 10.75%Senior Notes due 2017		-	480,666
Transaction costs – issue of 10.75% Senior Secured Notes due 2017		-	(10,001)
Repurchase of PLN Bonds due 2013	**21**	(144,971)	(366,180)
Issue of 11.25% Senior Secured Notes due 2017		-	1,012,454
Cost of issue of 11.25% Senior Secured Notes due 2017		-	(49,353)
Settlement of foreign exchange forward contracts	**17**	36,960	-
Repayment of the Company Loan Facility		-	(1,278,048)
Fees related to Company Loan Facility		-	(21,859)
Increase/ (decrease) in restricted cash	**19**	224,375	(256,709)
Interest received		21	-
Interest paid		(443,149)	(294,582)
Net cash used in financing activities		**(318,274)**	**(159,850)**
Increase in cash and cash equivalents		**160,353**	**103,140**
Cash and cash equivalents at the start of the period		484,738	382,447
Effect of exchange rate changes		9,082	(849)
Transferred to disposal group classified as held for sale	**28**	(60,819)	-
Cash and cash equivalents at the end of the period		**593,354**	**484,738**

According to the requirements of IFRS 5 the consolidated cash flow statement for the year ended December 31, 2011 is presented jointly for continuing and discontinued operations and the consolidated cash flow statement for the year ended December 31, 2010 is presented as previously reported. Details of cash flows of discontinued operations for the year ended December 31, 2011 and the year ended December 31, 2010 are disclosed in Note 28.

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

1. POLISH TELEVISION HOLDING B.V.

These consolidated financial statements were authorized for issuance by the Management Board of Polish Television Holding B.V. on February 27, 2012.

Polish Television Holding B.V. (the “Company”) was incorporated in September 1998 under the name Strateurop International B.V. to hold TVN shares to the extent permissible under Polish Broadcasting regulation as a foreign holding company. The name of the Company has been changed on November 24, 2010.

The structure of the Company and its subsidiaries (the “PTH Group”) is described in Note 30.

The majority of the PTH 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.

Recent significant transactions

On March 10, 2010 the PTH Group (through its subsidiary TVN) completed the acquisition of the remaining shares in Neovision Holding (“Neovision Holding”) from ITI Media Group (“ITI Media Group”). The total transaction price paid by the TVN Group amounted to EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction through the issuance of EUR 148,000 Senior Notes (“10.75% Senior Notes due 2017”). The 10.75% Senior Notes due 2017 were issued to ITI Media Group via a subsidiary, TVN Finance Corporation II AB, under the same indenture pursuant to which the Senior Notes were issued by the TVN Group in November 2009. Out of the EUR 188,000 paid by the TVN Group EUR 80,353 was ultimately received by PTH as it related to ITI Neovision’s payables to the Company, thus the total transaction price paid by the PTH Group amounted to EUR 107,647. On the same date, ITI Media Group transferred EUR 30,647 of the Notes issued by the TVN Group to PTH as a settlement of like amount of loans receivable from N-Vision (“N-Vision”) B.V., affiliate of ITI Media Group.

The remaining EUR 40,000 of the transaction price was paid by the issuance of two promissory notes (“Promissory Notes”) in the principal amount of EUR 40,000 in the aggregate, which were paid into an escrow account. After completion of the transaction the PTH Group directly owns 100% of the shares in Neovision Holding through TVN SA and shareholders’ loans previously owed by Neovision Holding Group to ITI Media Group and its affiliates (see Note 27). On April 30, 2010 the PTH Group exchanged the Promissory Notes for like principal amount of 10.75% Senior Notes due 2017, following which the Promissory Notes were cancelled.

On March 10, 2010 the PTH Group signed a Second Amendment to the EUR 320,000 syndicated loan facility (“the Loan Facility”) agreement (“the Amendment”). The Amendment adjusted selected covenants to accommodate the sale of 49% of Neovision Holding by ITI Media Group, set a pledge for 66% of the EUR 188,000 Senior Notes as additional collateral, of which EUR 111,000 was pledged immediately and EUR 13,100 was to be pledged subject to the release from escrow and agreed early repayment of EUR 80,000 within following 15 months, out of which EUR 10,000 were paid on March 10, 2010.

1. POLISH TELEVISION HOLDING B.V. (CONTINUED)

The remaining EUR 70,000 were paid on April 26, 2010 (see Note 21). The remaining loan balance was repaid by the Company on 19 November 2010.

On April 13, 2010 the PTH Group amended and restated the loan facility agreement with Bank Pekao.

On April 20, 2010 EUR 70,000 of the 10.75% Senior Notes due 2017 were sold for EUR 77,350. On 19 November 2010 EUR 1,000 of the Notes was sold to N-Vision for EUR 1,100.

The remaining EUR 40,000 were traded on 26 November 2010 for a total consideration of EUR 43,000.

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

On September 30, 2010 the PTH Group assigned its current trade receivables from ITI Holdings of EUR 16,626 to ITI Media Group N.V., net of EUR 326 current trade payables and converted the balance of EUR 16,300 into a loan (see Note 31 (v)).

On September 30, 2010 the PTH Group signed amendments to its loan agreements with ITI Holdings and N-Vision ("the Borrowers"). It was agreed that the repayment date of both loan facilities in the amount of EUR 247,771 will be extended until December 31, 2020 and the borrowers, at their discretion, may accelerate or extend the repayment date of both principal and interest for an additional term commencing upon the expiration of the original term (see Note 31 (v)).

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

On November 19, 2010 the PTH 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"). On the same date the PTH Group issued also EUR 260,000 Senior Secured Notes with an annual rate of 11.25% ("11.25% Senior Secured Notes due 2017") (see Note 21) repaying the syndicate facility.

On December 17, 2010 the PTH Group entered into 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 (see Note 21).

On December 22, 2010 the PTH Group entered into an agreement with Bank Pekao S.A. to repurchase a portion of the PTH Group's PLN Bonds due 2013. As a result, on December 23, 2010 the PTH Group redeemed 359,000 of the PLN Bonds due 2013. In February 2011 the PTH Group acquired and redeemed PLN Bonds due 2013 with the total nominal value of 135,400. On June 14, 2011 the PTH Group acquired and redeemed the remaining 5,600 of the PLN Bonds due 2013 (see Note 21).

1. POLISH TELEVISION HOLDING B.V. (CONTINUED)

On May 17, 2011 and July 26, 2011 the PTH Group amended the revolving guarantee facility agreement with Bank Pekao S.A. (see Note 21).In July 2011 the PTHGroup entered on market conditions into a long term license agreement with Twentieth Century Fox. Under the agreement the PTH Group acquires rights to the content of the Twentieth Century Fox. The agreement becomes effective as of January 1, 2012.

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

On November 28, 2011, the PTH Group concluded an agreement with TVN Media Sp. z o.o. ("TVN Media", previously Highgate Capital Investments Sp. z o.o.) whereby the TVN S.A. 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 PTH Group’s 100% owned subsidiary. The assets contributed to TVN Media included, among others, the sales, marketing and brand management departments, as well the brands owned previously by TVN S.A. (including internally generated brands). 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 PTH Group’s structure, and opening the functions to new independent product implementations. As a result of the above transaction, the PTH Group consists of exactly the same assets and liabilities as before the transaction, except for the possible tax consequences of this transaction which are outlined in Note 4 (vi).

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% interest in N-Vision B.V., the Company’s direct shareholder.

Also On December 18, 2011 the PTH 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 PTH Group (see Note 28).

The completion of both transactions is contingent on fulfillment of a number of conditions, including antitrust regulatory approval of the transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date and do not constitute statutory consolidated financial statements. The Company also prepares on annual basis separate financial statements in accordance with accounting principles generally accepted in the Netherlands for statutory purposes. For statutory purposes the Company does not prepare consolidated financial statements. The accounting policies used in the preparation of the consolidated financial statements as of and for the year ended December 31, 2011 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2010 except for standards, amendments to standards and interpretations which became effective January 1, 2011.

In 2011 the Group adopted:

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

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

(ii) IFRS Improvements 2010

The International Accounting Standards Board issued "IFRS Improvements", which amend six standards and one interpretation. The amendments include changes in scope, presentation, disclosure, recognition and valuation and include terminology and editorial changes. The amendments did not have a significant impact on the PTH Group's consolidated financial statements.

(iii) Amendment to IAS 32 Classification of Rights Issues

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

(iv) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

(v) Revised IAS 24 Related Party Disclosures

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment did not affect the PTH Group's consolidated financial statements.

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

2.2. Business combination transactions and reorganisation transaction under common control

The PTH Group has the policy to account for business combination transactions (i.e. where the acquirer and the acquire are businesses) using the acquisition method under IFRS 3 Revised (as further described in Note 2.3 Consolidation).

Transactions which are not a business combination (i.e. where the business is transferred to the holding company which does not meet the definition of a business), are accounted for using the reorganization method. Under the reorganization method, the transaction is accounted for using the carrying amounts of the assets and liabilities from the financial statements of the combining entities. Such method was applied to account for the acquisition of TVN Group by PTH in 2009.

The comparatives are restated as if both entities were combined starting from the beginning of the earliest presented period.

The share capital and the share premium of the transferred entity is eliminated, all other elements of the equity (including retained earnings) of the transferred entity are recognized from the beginning of the earliest presented period at PTH Group's share in transferred entity net assets.

Any difference between the cost of investment and the carrying value of the net assets is recorded in equity as a "reorganization reserve".

The equity shows the share capital and the share premium of the acquirer.

The acquisition the 22.82% interest in TVN by Company on November 11 and December 14, 2007, as well as, the interest in TVN as at December 31, 2006 were accounted for using the reorganization method. The differences between cost of investment and the carrying amounts of the assets and liabilities from the consolidated financial statements of TVN Group is recorded in equity as part of the "reorganization reserve".

The interest in TVN Group not held by Company is shown as the Non-controlling interest in all presented periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3. Consolidation

Subsidiary undertakings, which are those companies in which the PTH Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the PTH Group, and are no longer consolidated from the date the PTH Group ceases to have control.

The PTH Group applies the acquisition method of accounting to account for business combinations, including business combinations with entities under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the PTH Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the PTH Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

All intercompany transactions, balances and unrealized surpluses and deficits on transactions between PTH Group companies have been eliminated. Unrealized deficits on transactions between PTH Group companies are eliminated to the extent they are not indicative of an impairment.

The PTH Group treats transactions with non-controlling interests as transactions with equity owners of the PTH Group. For purchases of shares from non-controlling interests, the difference between any consideration and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

2.4. Joint ventures

The PTH Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The PTH Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flow on a line-by-line basis with similar items in the PTH Group's financial statements. The PTH Group recognizes the portion of gains or losses on the sale of assets by the PTH Group to the joint venture that is attributable to the other ventures. The PTH Group does not recognize its share of profits or losses from joint ventures that result from the PTH Group's purchase of assets from a joint venture until it resells the assets to an independent party. However, a loss on a transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5. Associates

Associates are all entities over which the PTH Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method and are initially recognized at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The PTH Group's share of post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition other comprehensive income and movements in reserves is recognized appropriately in other comprehensive income or in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the PTH Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the PTH Group does not recognize further losses, unless it is obliged to cover losses or make payments on behalf of the associate. Unrealized gains on transactions between the PTH Group and its associates are eliminated to the extent of the PTH Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Forward contracts (the term of which do not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction) between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are out of scope of IAS 39 thus not accounted for as derivatives.

2.6. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the committee, which is responsible for assessing performance of the operating segments. The committee is composed of the Board Member responsible for the PTH Group's financial reporting and heads of the teams within the PTH Group's financial department.

2.7. Foreign currency

The accompanying financial statements are presented in Polish Zloty (PLN).

Items included in the financial statements of each of the PTH Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the Company is EUR; the functional currency of the main operating subsidiaries (TVN, ITI Neovision, Onet) is PLN.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange applicable at the balance sheet date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognized in the income statement, except when recognized in other comprehensive income as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

statement, and other changes in carrying amount are recognised in other comprehensive income.

For available-for-sale financial assets that are non – monetary assets, the gain or loss that is recognized in other comprehensive income includes any related foreign exchange translation component.

The results and financial position of all the PTH Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- All resulting exchange differences are recognised as a separate component of other comprehensive income.
- Share capital is translated using the historical exchange rate; other equity position is also translated using the historical exchange rate

2.8. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount (the higher of fair value less costs to sell on its value in use), it is written down immediately to its recoverable amount.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the enterprise and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of property, plant and equipment less their estimated residual values on a straight-line basis over their expected useful lives as follows:

	Term
Buildings	up to 40 years
TV, broadcasting and other technical equipment	2-10 years
Vehicles	3-5 years
Studio vehicles	7 years
Decoders	4-5 years
Satellite dishes	up to 5 years
Leasehold improvements	up to 10 years
Furniture and fixtures	4-5 years

Decoders provided to subscribers in order to allow them to receive the television signal broadcast by the PTH Group remain the PTH Group's property and are recognized as non-current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Before their activation, decoders are regarded as assets under construction and are not depreciated. Depreciation begins after the activation of services by the subscriber and lasts for the expected useful life of a decoder. Depreciation is not discontinued for periods in which a decoder is not used, e.g. due to small repairs or being delivered to another subscriber.

Leasehold improvements are amortized over the shorter of their useful life or the related lease term. Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at least at each financial year end. No material adjustments to remaining useful lives and residual values were required as a result of the review as at December 31, 2011.

2.9. Goodwill

Goodwill is tested for impairment annually or more frequently if there are indicators of possible impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.10. Brands

Brands acquired through business combinations, unless an indefinite useful life can be justified, are amortized on a straight-line basis over their useful lives. Brands with an indefinite useful life are tested annually for impairment or whenever there is an indicator for impairment. The following useful lives are applied by the PTH Group:

	Term
Onet.pl	indefinite
Mango Media	indefinite
'n'	10 years

2.11. Other intangible assets

Customer related intangibles

Customer related intangibles acquired through business combinations are amortised on a straight line basis over their estimated useful life. The following economic useful lives are applied by the PTH Group:

	Term
Recognized on acquisition of 'n'	7 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalized development costs

Research expenditure is recognized as an expense as incurred. Costs incurred on development that can be measured reliably and that are directly associated with the production of identifiable, unique and technically feasible technology projects and know-how controlled by the PTH Group, and that will probably generate economic benefits exceeding costs beyond one year and where management has the intention and ability to use or sell the projects and adequate resources to complete the project exist, are recognized as intangible assets. Other development expenditures that do not meet these criteria are recognized as expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Direct costs recognized as intangible assets include employee costs and an appropriate portion of relevant overheads. Development costs recognized as intangible assets are amortized on a straight line basis over their estimated useful lives. Currently the majority of capitalized development costs are amortized over three years. Development assets are tested for impairment annually, in accordance with IAS 36.

Other intangible assets

Expenditures on acquired programming formats and broadcasting licenses are capitalised and amortized using the straight line method over their expected useful economic lives:

	Term
Programming formats	5 years
Broadcasting licenses	life of the license

Other intangible assets include acquired computer software. Acquired computer software is capitalized and amortized using the straight-line method over two to three years.

2.12. Programming rights

Programming rights include acquired program rights, co-production and production costs. Programming rights are reviewed for impairment every year or whenever events or changes indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The individual accounting policies adopted for each of these categories are summarized below.

Acquired program rights

Program rights acquired by the PTH Group under license agreements and the related obligations are recorded as assets and liabilities at their present value when the program is available and the license period begins. Contractual costs are allocated to individual programs within a particular contract based on the relative value of each to the PTH Group. The capitalised costs of program rights are recorded in the balance sheet at the lower of unamortized cost or estimated recoverable amount (the higher of its fair value less cost to sell and its value in use). A write down is recorded if unamortized costs exceed the recoverable amount.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The program rights purchased by the PTH Group are amortized as follows:

Program Categories		**Number of runs**	**Percentage of amortization per run**		
			1st	**2nd**	**3rd**
ACQUIRED PROGRAMMING					
1	**Movies, incl. Feature Films**, Made for Television or Cable, whether first run, library or rerun.	1	100		
		2	60	40	
		3 or more	50	35	15
2	**Weekly Fiction Series**, including dramas, comedies or serials, first run or library, live action and animation.	1	100		
		2	60	40	
		3 or more	60	25	15
3	**Weekly Non-Fiction Series**, including documentary series, docu-soaps, reality and nature.	1	100		
		2	90	10	
		3 or more	90	10	0
4	**Entertainment Documentaries**. One off documentaries of less than timely topics.	1	100		
		2 or more	80	20	0
5	**Clips Shows of Comedy material**	1	100		
		2	60	40	
		3 or more	55	35	10

Programming rights are allocated between current and non-current assets based on estimated date of broadcast. Amortization of program rights is included in cost of revenue.

Capitalised production costs

Capitalised production costs comprise capitalised internal and external production costs in respect of programs specifically produced by or for the PTH Group under own licences or under licences from third parties.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalised production costs are stated at the lower of cost or recoverable amount on a program by program basis. Capitalised production costs are amortized based on the ratio of net revenues for the period to total estimated revenues, and the amortization pattern is determined individually for each program. The majority of programs are amortized as set out below:

	Percentage of amortization per run
Programs with second runs in prime time	60% on first showing, 40% on second showing, or 75% on first showing, 25% on second showing or 85% on first showing, 15% on second showing
Programs with second runs outside prime time	90% on first showing, 10% on second showing
Programs expected to be broadcast once	100% on first showing
Fiction series	50% on first showing, 30% on second showing, 20% on third and next showings in total or 66% on first showing, 20% on second showing, 14% on third and next showings in total (including 10% residual value) or 66% on first showing, 30% on second showing, 4% on third and next showings in total

Capitalised production costs are allocated between current and non-current assets based on estimated date of broadcast. Amortization of capitalised production costs is included in cost of revenue.

Co-production

Programs co-produced by the PTH Group for cinematic release are stated at the lower of cost or estimated recoverable amount. Program costs are amortized using the individual-film-forecast-computation method, which amortizes film costs in the same ratio that current gross revenues bears to anticipated total gross revenues.

News archive

News archives were recognized on business combination and are amortised based on their average usage in minutes per year.

2.13. Impairment of non - financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill and brands are allocated to groups of cash-generating units as identified by the PTH Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non – financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

2.15. Financial assets

The PTH Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets are acquired. Management of the PTH Group determines the classification of its financial assets at initial recognition and re-evaluates the designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of selling in the short-term or if so designated by management are classified as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Category 'loans and receivables' includes amounts classified as trade receivables in the balance sheet (see Note 2.18).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current available-for-sale investments unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets as current available-for-sale investments.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the PTH Group's management has the positive intention and ability to hold to maturity. During the period the PTH Group did not hold any financial assets in this category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purchases and sales of investments are recognised on trade-date – the date on which the PTH Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the PTH Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method. Realised and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are included in the income statement in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities that are classified as available for sale and are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of investment income, net. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the PTH Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the PTH Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the PTH Group's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

The PTH Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.18.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16. Derivative financial instruments and hedging activities

Derivative financial instruments are carried in the balance sheet at fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The PTH Group designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge), or (2) a hedge of a foreign exchange risk of a firm commitment (cash flow hedge) on the date a derivative contract is entered into.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recorded in the income statement, along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The PTH Group applies fair value hedge accounting for hedging foreign exchange risk on borrowings and firm commitments to acquire certain fixed assets. The gain or loss relating to effective portion of derivatives used for hedging is recognized in the income statement along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The gain or loss relating to ineffective portion of derivatives used for hedging is recognized in the income statement within finance expense.

The PTH Group applies cash flow hedge accounting for hedging foreign exchange risk on firm commitments relating to acquisition of programming rights and fees for broadcasting television channels and content. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within finance expense. Where the forecast transaction results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognized in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized in other comprehensive income are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged forecast transaction affects the income statement (for example, when the forecast sale takes place).

Certain derivative transactions, while providing effective economic hedges under the PTH Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognized when the forecast transaction ultimately is recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The PTH Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The PTH Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The PTH Group separates embedded derivatives from the host contracts and accounts for these as derivatives if the economic characteristics and risks of the embedded derivative and host contract are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss.

2.17. Inventory

Inventory is stated at the lower of cost and net realisable value. In general, cost is determined on a first-in-first-out basis and includes transport and handling costs. Net realisable value is the estimated selling price less estimated costs of sale. Where necessary, provision is made for obsolete, slow moving and defective inventory. Inventories sold in promotional offers are stated at the lower of cost or estimated net realisable value, taking into account future margin expected from related services.

2.18. Trade receivables

Trade receivables are carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the PTH Group will not be able to collect all amounts due according to the original terms of settlement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or failure in payments (more than 60, 90 or 180 days overdue depending on business segment) are considered as indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, discounted at the effective interest rate.

The future cash flows related to subscription fees from digital platform customers are estimated by the PTH Group based on available historical data on late payment of receivables. Provision for impaired receivables from digital platform customers is calculated based on uncollected subscription fees related to historical billing cycles (with the exception of the two most recent billings). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is uncollectible, it is written off against the trade receivable allowance account. Amounts charged to the allowance account are generally written off when the PTH Group does not expect to recover additional cash after attempting all relevant formal recovery procedures. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits with banks and highly liquid non-equity investments with a maturity of less than three months from the date of acquisition. Bank overdrafts are shown in current liabilities on the balance sheet.

2.20. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares that otherwise would have been avoided are shown in equity as a deduction (net of any related income tax benefit) from the proceeds. Equity transaction costs include legal and financial services and printing costs.

2.21. Share premium

Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

2.22. Treasury shares

Where any PTH Group company purchases the Company's equity share capital (treasury shares), the consideration paid is deducted from shareholders equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders' equity.

2.23. 8% obligatory reserve

In accordance with the Polish Commercial Companies Code, a joint-stock company (it relates to the subsidiary of the PTH Group - TVN S.A.) is required to transfer at least 8% of its annual net profit to a non distributable reserve until this reserve reaches one third of its share capital. The 8% obligatory reserve is not available for distribution to shareholders but may be proportionally reduced to the extent that share capital is reduced. The 8% obligatory reserve can be used to cover net losses incurred.

2.24. Borrowings

The PTH Group recognizes its borrowings initially at fair value net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the PTH Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.25. Deferred income tax

Deferred income tax is provided in full using the balance sheet method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related income tax asset is realized or liability settled.

Deferred income tax assets and liabilities are recognised for all taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the PTH Group and it is probable that the temporary difference will not reverse in the foreseeable future or the asset cannot be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

In the PTH Group's consolidated financial statements tax assets (both current and deferred) and tax liabilities (both current and deferred) are not offset unless the PTH Group has a legally enforceable right to offset tax assets against tax liabilities.

2.26. Tax credit

The PTH Group recognizes deferred tax assets related to tax credits arising from operations in the special economic zone. Tax credits are subject to meeting certain conditions related to minimum levels of capital expenditures and employment. Generally, tax credits are recognized when it is highly probable that these conditions will be met, in particular when expenditure is made and if it is probable that the tax credit will be used in the future.

2.27. Employee benefits

Retirement benefit costs

The PTH Group contributes to state managed defined contribution plans. Contributions to defined contribution pension plans are charged to the income statement in the period to which they relate.

Share-based plans

The PTH Group's management board and certain key employees and co-workers are granted share options based on the rules of an incentive scheme introduced by the PTH Group. The options are subject to service vesting conditions, and their fair value is recognized as an employee benefits expense with a corresponding increase in other reserves in equity over the vesting period.

Bonus plan

The PTH Group recognizes a liability and an expense for bonuses. The PTH Group recognizes a provision where contractually obliged or where there is past practice that has created a constructive obligation.

2.28. Provisions

Provisions are recognised when the PTH Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at present value of the expenditures expected to be required to settle the obligation.

2.29. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the PTH Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the PTH Group.

The PTH Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the PTH Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The PTH Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of services – television and on-line

Revenue primarily results from the sale of television and on-line advertising and is recognized in the period in which the advertising is broadcast. Other revenues primarily result from cable and satellite television subscription fees, internet users' fees and call television and are recognized generally upon the performance of service.

(ii) Sales of services – digital platform

Revenue primarily results from subscription and activation fees paid by digital platform customers.

Revenue from subscription and activation fees is recognized on a straight-line basis over the contract term.

Discounts granted are deducted from revenue and are recognized on a straight-line basis over the contract term.

Revenue from sale of subscriptions in the pre-paid system is recognized starting from the moment the service is activated by the end customer, over the period when the service is rendered.

Revenue from penalty fees assessed against subscribers, for example those related to early contract termination or failure to return decoders after contract termination, are recognized in the period when the penalties are assessed, but only to the extent the PTH Group expects the penalty fees to be paid.

(iii) Sales of goods

The PTH Group operates a teleshopping business selling goods to individual customers. Sales of goods are recognized when the goods are sent to the customer. It is the PTH Group's policy to sell the goods to the individual customers with a right to return within 10 days. Accumulated experience is used to estimate and provide for such returns at the time of sale.

2.30. Government grants

Government grants related to income are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute in the period they become receivable. Government grants reduce the related expense if the expense would not have been incurred if the grant had not been available.

2.31. Barter transactions

Revenue from barter transactions (advertising time provided in exchange for goods and services) is recognised when commercials are broadcast. Programming, merchandise or services received as part of barter transactions are expensed or capitalised as appropriate when received or utilised. The PTH Group records barter transactions at the estimated fair value of the programming, merchandise or services received. If merchandise or services are received prior to the broadcast of a commercial, a liability is recorded. Likewise, if a commercial is broadcast first, a receivable is recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the PTH Group provides advertising services in exchange for advertising services, revenue is recognized only if the services exchanged are dissimilar and the amount of revenue can be measured reliably. Barter revenue is measured at the fair value of the consideration received or receivable. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided, adjusted by the amount of any cash equivalents transferred.

2.32. Advertising costs

The PTH Group expenses advertising costs at the time of the first broadcast or publication.

2.33. Restructuring costs

The PTH Group recognizes restructuring costs when the final decision to implement the restructuring is made and announced to the parties involved. Restructuring costs comprise agreements termination fees. Restructuring costs are presented within operating expenses to which they relate.

2.34. Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the PTH Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between a reduction of the outstanding capital liability and interest in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment held under finance leasing contracts are depreciated over the shorter of the lease term or the useful life of the asset.

2.35. Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the PTH Group’s financial statements in the period in which the dividends are approved by the Company’s shareholders.

Incremental costs directly attributable to dividend distributions that otherwise would have been avoided are accounted for as a deduction from equity. They comprise mainly financial services.

2.36. Comparative financial information

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.37. New Accounting Standards and IFRIC pronouncements

Certain new accounting standards and amendments to standards have been published by IASB since the publication of the annual consolidated financial statements that are mandatory for accounting periods beginning on or after January 1, 2012. The PTH Group's assessment of the impact of these new standards and amendments to standards on the PTH Group's consolidated financial statements is set out below.

(i) IFRS 10 Consolidated Financial Statements

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

(ii) IFRS 11 Joint Arrangements

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

(iii) IFRS 12 Disclosure of Interests in Other Entities

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

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

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

(iv) IFRS 13 Fair Value Measurement

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(v) Amended IAS 27 Separate Financial Statements

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

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

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

(vii) Amendments to IAS 19 Employee Benefits

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

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

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

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

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

(x) Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures

The amendments were published on December 16, 2011. These amendments require entities to apply IFRS 9 for annual periods beginning on or after January 1, 2015 instead of on or after January 1, 2013. Early application of both continues to be permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Amendments to IFRS 7 Financial Instruments: Disclosures modify the relief from restating prior periods and require additional disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9. The PTH Group is currently assessing the impact of the amendments on the PTH Group's consolidated financial statements.

(xi) Amendments to IFRS 7 Disclosures—Offsetting Financial Assets and Financial Liabilities

The amendments were published in December 2011 and they amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The amendments apply for annual periods beginning on or after January 1, 2013. The amendments will not have significant impact on the PTH Group's consolidated financial statements.

(xii) Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments were published in December 2011. The amendments apply for annual periods beginning on or after January 1, 2014 and they will not have significant impact on the PTH Group's consolidated financial statements.Additionally, the following standards and amendments to standards are applicable in future and were discussed in the PTH Group's consolidated financial statements for the year ended December 31, 2010:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- *IFRS 9 Financial Instruments*
- *Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- *Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*
- *IFRS 13 Fair Value Measurement*
- *Amended IAS 27 Separate Financial Statements*
- *Amended IAS 28 Investments in Associates and Joint Ventures*
- *Amendments to IAS 19 Employee Benefits*
- *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*
- *IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine*
- *Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures*
- *Amendments to IFRS 7 Disclosures—Offsetting Financial Assets and Financial Liabilities*
- *Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities*

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

Within the PTH Group's organizational and functional structure, the Company plays the role of an investment holding company and the PTH Group's operating activity is conducted through the TVN Group. As a result, financial risks existing at the level of the Company are handled by the Management Board of the Company, while the risks existing at the level of the TVN Group are handled by relevant management bodies of the TVN Group.

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

Financial risk management is carried out by the PTH Group under policies approved by the Management Board and Supervisory Board. The PTH Group Treasury Policy lays down the guidelines to manage financial risk and liquidity, through determination of the financial risk factors to which the PTH 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 PTH 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 PTH Group's risk factors, forecasts the PTH 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, 7.875% Senior Notes due 2018 and 11.25% Senior Secured Notes due 2017

The 10.75% Senior Notes due 2017, 7.875% Senior Notes due 2018 and 11.25% Senior Secured Notes due 2017 (the "Notes") are listed on the Luxembourg Stock Exchange. The price of each of the Notes depends on the PTH Group's creditworthiness and on the relative performance of the bond market as a whole. The PTH Group does not account for early prepayment options embedded in the Notes 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 Notes are carried at amortized cost. The PTH Group is therefore not exposed to changes in market price of each of the Notes.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The PTH Group's revenue is primarily denominated in Polish zloty. Foreign exchange risk arises mainly from the PTH 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 of TVN, ITI Neovision, Onet all denominated in EUR and liabilities towards suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Liabilities related to the purchase of decoders are denominated in PLN but are linked to USD through a price setting mechanism based on USD. Other assets, liabilities and costs are predominantly denominated in PLN.

The PTH Group's policy in respect of management of foreign currency risks is to cover known risks in an efficient manner, both from cost and cash flow perspective, and that no trading in financial instruments is undertaken. Following evaluation of its exposures the PTH 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 17). Regular and frequent reporting to management is required for all transactions and exposures.

The estimated net profit (post-tax) impact on balances as of December 31, 2011 and December 31, 2010 of a reasonably possible EUR appreciation of 5% against the zloty, with all other variables held constant amounts to a loss of 138,929 (a loss of 116,433 as of December 31, 2010) and is presented below:

	Year ended December 31, 2011	**Year ended December 31, 2010**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
10.75% Senior Notes due 2017 including accrued interest	(107,501)	(96,391)
7.875% Senior Notes due 2018 including accrued interest	(31,612)	(28,327)
Trade payables	(310)	(903)
Other	-	(1,629)
Assets:		
Cash and cash equivalents	382	820
Trade receivables	112	133
Available-for-sale financial assets	-	-
Bank deposits with maturity over three months	-	9,864
	(138,929)	**(116,433)**

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated net profit (post-tax) impact on balances as of December 31, 2011 and December 31, 2010 of a reasonably possible USD appreciation of 5% against the zloty, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to a loss of 3,053 (a loss of 2,449 as of December 31, 2010) and is presented below:

	Year ended December 31 2011	Year ended December 31, 2010
Assumed USD appreciation against PLN:	5%	5%
Liabilities		
Trade payables	(3,352)	(4,082)
Assets:		
Trade receivables	260	326
Cash and cash equivalents	39	1,307
	(3,053)	**(2,449)**

The net profit impact of possible foreign currency fluctuations is partially limited by derivative instruments entered into by the PTH Group. Details of foreign exchange forward contracts which the PTH Group had on December 31, 2011 are discussed in Note 17.

Cash flow and fair value interest rate risk

The PTH 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, the 7.875% Senior Notes due 2018 and the 11.25% Senior Secured notes due 2017 (see Note 21).

As the Notes are at a fixed interest rate, the PTH Group is exposed to fair value interest rate risk in this respect. Since the Notes are carried at amortised cost, the changes in fair values of these instruments do not have a direct impact on valuation of the Notes in the balance sheet.

The PTH Group did not consider it cost effective to hedge or otherwise seek to reduce interest rate or cash flow risk as of December 31, 2011.

(ii) Credit risk

Financial assets, which potentially expose the PTH Group to concentration of credit risk, consist principally of trade receivables and related party receivables. The PTH Group places its cash and cash equivalents, restricted cash and bank deposits with maturity over three months with financial institutions that the PTH Group believes are credit worthy based on current credit ratings (see Note 19). The PTH Group does not consider its current concentration of credit risk as significant.

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The PTH Group performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Clients with poor or no history of payments with the PTH Group, with low value committed spending or assessed by the PTH 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 PTH Group performs ongoing evaluations of the market segments focusing on their liquidity and creditworthiness and the PTH Group's credit policy is appropriately adjusted to reflect current and expected economic conditions.

The majority of the PTH Group's sales are made through advertising agencies (73% of the total trade receivables as of December 31, 2011) who manage advertising campaigns for advertisers and pay the PTH Group once payment has been received from the customer.

The PTH Group's top ten advertisers account for 16% and the single largest advertiser accounted for 3% of sales for the year ended December 31, 2011. Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency.

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

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

Trade receivables (net)	**December 31, 2011**	**December 31, 2010**
Receivables from advertising agencies	73%	64%
Receivables from individual customers	21%	34%
Receivables from related parties	6%	2%
	100%	**100%**

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

Trade receivables (net)	**December 31, 2011**	**December 31, 2010 ***
Agency A	13%	7%
Agency B	12%	9%
Agency C	7%	8%
Agency D	6%	7%
Agency E	2%	2%
Sub-total	**40%**	**33%**
Total other counterparties	60%	67%
	100%	**100%**

* 2010 figures represent comparative data for each Agency

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables (net)	**December 31, 2011**	**December 31, 2010 ***
Agency Group F	22%	20%
Agency Group G	19%	13%
Agency Group H	8%	12%
Agency Group I	5%	4%
Agency Group J	4%	3%
Sub-total	**58%**	**52%**
Total other counterparties	42%	48%
	100%	**100%**

* 2010 figures represent comparative data for each Agency Group.

Management does not expect any significant losses with respect to amounts included in the trade receivables from non-performance by the PTH Group's customers as at December 31, 2011.

(iii) Liquidity risk

The PTH Group maintains sufficient cash to meet its obligations as they become due. Management monitors regularly expected cash flows. The PTH 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, 7.875% Senior Notes due 2018 and 11.25% Senior Secured Notes due 2017 and the launch of new thematic channels and internet services. The PTH 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 PTH Group are negatively affected by a prolonged economic slow-down or clients' financial difficulties the PTH Group will review its cash needs to ensure that its existing obligations can be met for the foreseeable future. As at December 31, 2011 the PTH Group had cash and cash equivalents totaling 668,354 at its disposal (cash and cash equivalents and bank deposits with maturity over three months totaling 806,459 at December 31, 2010).

On a standalone basis the Company's main liquidity need is the interest payment on the 11.25% Senior Secured Notes due 2017 and the funding thereof is mainly dependent on the ability of the TVN Group to pay dividends to its shareholders, including the Company. The Company has cash reserves, which together with proposed dividend payment, which the Company can cause the payment thereof are in excess of the next two coupon payments.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Within 1 year	Between 1-2 years	Above 2 years
At 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
11.25% Senior Secured Notes due 2017	129,191	129,191	1,657,956
Trade payables	163,679	15,010	-
Other liabilities and accruals	120,928	8,317	-
	756,228	**494,948**	**6,480,648**
At December 31, 2010			
10.75% Senior Notes due 2017	252,460	252,460	3,610,758
7.875% Senior Notes due 2018	54,123	54,578	1,020,521
11.25% Senior Secured Notes due 2017	114,552	115,839	1,602,436
PLN Bonds due 2013**	9,701	9,728	145,837
Trade payables	240,237	13,186	-
Other liabilities and accruals	214,269	1,078	1,981
	885,342	**446,869**	**6,381,533**

* On December 23, 2010 the PTH Group redeemed PLN Bonds due 2013 with the total nominal value of 359,000. In February 2011 the PTH Group acquired and redeemed PLN Bonds due 2013 with the total nominal value of 135,400. On June 14, 2011 the PTH Group acquired and redeemed the remaining PLN Bonds due 2013 with the total nominal value of 5,600 (see Note 21).

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2. Capital risk management

The PTH Group's objectives when managing capital risk are to safeguard the PTH 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 PTH Group may adjust the amount of dividends paid to shareholders, issue new shares, draw borrowings or sell assets to reduce debt.

The PTH Group monitors capital on the basis of the net debt to EBITDA ratio. Under the rules of the 11.25% Senior Secured Notes due 2017 (see Note 21) no additional indebtedness is allowed at the Company level. Since the Company does not conduct any operating activity, the ongoing monitoring of the net debt to EBITDA ratio is conducted at the TVN Group level.

Net debt represents the nominal value of borrowings of the TVN Group (see Note 21) payable at the reporting date including accrued interest less cash and cash equivalents, bank deposits with maturity over three months and easily marketable available-for-sale financial instruments. EBITDA is calculated for the last twelve months. The TVN 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 TVN Group's presentation and calculation of EBITDA may not be comparable to that of other companies.

	December 31, 2011	**December 31, 2010**
Net debt	2,706,961	2,418,873
EBITDA	659,796	610,696
Net debt/ EBITDA ratio	4.1	4.0

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

The increase in net debt to EBITDA ratio is due primarily to the increase in EUR/ PLN foreign exchange rate.

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 PTH 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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

information about the investment. The fair value of currency options and forwards is determined based on valuations performed by the banks that hold the instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables.

Following fair value measurements were used with respect to financial instruments:
- quoted prices (unadjusted) in active markets for identical assets or liabilities (“Level 1”),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (“Level 2”),
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (“Level 3”).

	Level 1	Level 2	Level 3	Total
At December 31, 2011				
Liabilities				
Derivative financial liabilities				
Foreign exchange forward contracts	-	1,580	-	1,580
	-	**1,580**	**-**	**1,580**

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

3.4. Consideration of the current economic environment

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

Management remains unable to reliably estimate the effects on the PTH 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 PTH 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 PTH 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 PTH 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 PTH Group tests annually whether the on-line cash-generating unit, including goodwill and brand, have suffered any impairment. The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. The PTH 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 amount of the impairment loss is allocated to the brand and other assets of the on-line cash-generating unit.

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 and 2010 were as follows:

	2011	**2010**
Terminal growth	4%	4%
Discount rate	9.26%	8.86%

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

There were no material changes in these other key assumptions during the 2012 business planning process.

The test performed as at December 31, 2011 indicated, that the on-line cash-generating unit, including goodwill and brand, were not impaired.

The PTH 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' recoverable amount was based would not cause an impairment charge to be recognized.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

The PTH Group tests annually whether the digital satellite pay television cash-generating unit, including goodwill, has suffered any impairment. The recoverable amount of the cash-generating unit is determined based on fair value less cost to sell (in 2010: value in use). The PTH 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, customer related asset and other assets of the digital satellite pay television cash-generating unit pro rata on the basis of the carrying amount of each asset in the CGU.

As a result of the agreements signed on December 18, 2011 with Canal+ Group the PTH Group classified the digital satellite pay television cash-generating unit, including goodwill, as an asset held for sale (see Note 28).

In the annual impairment test performed by the PTH 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 PTH Group's stake in the combined 'n' Cyfra+ platforms ('n/C+') performed by the PTH Group's investment bank for the purpose of issuing the fairness opinion in connection with the transaction.

The key financial assumptions used by the PTH Group's investment bank in the process of valuation 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 cause an impairment charge to be recognised.

As at December 31, 2011 in the separate financial statements, TVN S.A. accounted for the impairment of its investment in ITI Neovision Group combining its equity investment in and loans to DTH Poland Holding Coöperatief and ITI Neovision in the amount of 1,013,496. The impairment has no impact on the consolidated financial statements of the PTH Group because the carrying value of the investment in ITI Neovision Group was significantly higher in the separate financial statements than the net assets of fully consolidated ITI Neovision Group presented in the consolidated financial statements due to the consolidation of losses of ITI Neovision since the date of the acquisition.

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

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

Terminal growth	3%
Discount rate	8.74%

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Other key assumptions included:

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

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

The PTH 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 PTH Group tests annually whether the teleshopping cash-generating unit, including goodwill and brand, have suffered any impairment. The PTH 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 PTH Group continues impairment testing of the brand with potential write-offs against the carrying value of brand and other assets allocated to the teleshopping cash-generating unit.

In the annual impairment test performed by the PTH 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 and 2010 were as follows:

	December 31, 2011	June 30, 2011	December 31, 2010
Terminal growth	3%	3%	3%
Discount rate	10.05%	9.81%	10.21%

The test performed as at December 31, 2011 indicated, that the teleshopping cash-generating unit, including goodwill and brand, were not impaired.

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

(iv) Estimated useful life of Onet.pl brand

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

(v) Estimated useful life of Mango brand

In accordance with IAS 38.90 the PTH 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 PTH 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 PTH Group, therefore the useful life of the Mango brand was assessed as indefinite.

Each reporting period the PTH 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.

(vi) Deferred tax assets

On November 28, 2011 the brands owned previously by TVN S.A. (including internally generated brands which were not recognized in the consolidated balance sheet) were contributed to its new subsidiary TVN Media (see Note 1) in kind. As a result a temporary difference arose on the difference between the brands' book carrying value (of zero) and its new tax base. The PTH Group recognized the deferred tax asset on this temporary difference to the extent that, based on the PTH Group's judgment, the realization of the tax benefit is probable i.e. in the amount of 27,514 representing the tax amortization of brands to be realized in 2012. The deferred tax was recognized through the income statement. The PTH Group assessed that the realization of the tax benefit resulting from the remaining amount of the temporary difference is not probable and therefore no deferred tax asset was recognized for subsequent years. As at December 31, 2011 the PTH Group did not recognize a deferred tax asset in the amount of 245,335 (December 31, 2010: nil) related to the tax value of brands recognized by TVN Media.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

As at December 31, 2011 the PTH Group did not recognize a deferred tax asset on a temporary difference of 766,535 between the carrying amount of the investment in digital satellite pay television of 1,164,941 and its tax base of 1,931,476. The deferred tax asset in the amount of 145,642 was not recognized on this temporary difference in the consolidated financial statements as the reversal of this temporary difference depends, among other conditions, on the consent of the third party (antitrust regulatory approval) and obtaining this consent is not under the control of the PTH Group (see Note 28). Thus the PTH Group concluded that the criteria for the deferred tax assets recognition are not met.

(vii) Reclassification of the intercompany loans

If the terms of the related party loan agreement are amended in such a way that the repayment of the outstanding loan receivable balance is at the sole discretion of the borrower, the outstanding amount no longer has the nature of a loan but an equity instrument (i.e. a distribution made to the shareholder) and is recognized as a decrease to equity.

On September 30, 2010 the PTH Group signed amendments to its loan agreements with ITI Holdings, ITI Media and N-Vision. The details of the new terms are disclosed in Note 31 (v).

The revision of terms results in changing the nature of the above mentioned financial instruments from loan to equity instruments in that the repayment date is outside the Company's control and dependent on decisions of entities controlled by their ultimate shareholder (the borrower can extend the repayment date indefinitely). Therefore since September 30, 2010 and as of December 31, 2010 those instruments for the total amount of 990,917 were presented as part of PTH's equity and interest income from these loans was no longer recognised. As of December 31, 2011 the loans receivable were settled by the way of repayment of the share premium.

5. SEGMENT REPORTING

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

The committee assesses the performance of the operating segments based on revenue and earnings before interest, tax, depreciation and amortization (EBITDA). For the PTH 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 PTH Group's television channels and on the Mango Media Internet site.

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

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

5. SEGMENT REPORTING (CONTINUED)

Reconciliation of EBITDA to total profit before income tax:

	Year ended December 31, 2011	Year ended December 31, 2010
EBITDA	**658,688**	**607,306**
Impact of presentation of ITI Neovision Group as discontinued operations as required by IFRS 5	2,251	76,978
Depreciation of property, plant and equipment	(71,582)	(69,633)
Impairment of property, plant and equipment	(17,835)	(5,760)
Amortization of intangible assets	(22,546)	(24,863)
Impairment of intangible assets	(823)	(2,057)
Operating profit	**548,153**	**581,971**
Interest income (see Note 8)	26,576	30,809
Finance expense (see Note 8)	(482,359)	(383,464)
Foreign exchange (losses)/ gain, net (see Note 8)	(308,389)	28,541
Share of loss of associate	(280)	(4)
(Loss)/ profit before income tax	**(216,299)**	**257,853**

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

5. SEGMENT REPORTING (CONTINUED)

Year ended December 31, 2010	**Television broadcasting and production**	**Digital satellite pay television**	**On-line**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	1,592,426	610,621	219,251	68,400	(565,568)	*	1,925,130
Inter-segment revenue	74,112	2,525	21,600	2	(98,239)		-
Total revenue	**1,666,538**	**613,146**	**240,851**	**68,402**	**(663,807)**		**1,925,130**
EBITDA	**675,216**	**(70,972)**	**75,799**	**(9,518)**	**(63,219)**	**	**607,306**
Impact of presentation of ITI Neovision Group as discontinued operations as required by IFRS 5	-	-	-	-	76,978		76,978
Depreciation of property, plant and equipment	(52,613)	(120,130)	(16,716)	(259)	120,085	***	(69,633)
Impairment of property, plant and equipment	(5,760)	-	-	-	-		(5,760)
Amortization of intangible assets	(9,274)	(23,974)	(15,335)	-	23,720	***	(24,863)
Impairment of intangible assets	-	-	(2,914)	-	857		(2,057)
Operating profit/ (loss)	**607,569**	**(215,076)**	**40,834**	**(9,777)**	**158,421**		**581,971**
Additions to property, plant and equipment and other intangible assets	61,487	147,248	34,213	1,075	(708)		243,315
As at December 31, 2010							
Segment assets including:	**1,875,587**	**1,458,435**	**1,785,692**	**76,195**	**224,406**	****	**5,420,315**
Investment in associates	-	1,341	186	-	-		1,527

* Other reconciling items on revenue from external customers level include mainly Digital satellite pay television segment's revenue, which is presented within discontinued operations (see Note 28)

** Other reconciling items on EBITDA level include mainly headquarter and other costs and Digital satellite pay television segment's EBITDA, which is presented within discontinued operations (see Note 28)

*** Other reconciling items on depreciation of property, plant and equipment and amortization of intangible assets level include mainly Digital satellite pay television segment's depreciation of property, plant and equipment and amortization of intangible assets which are presented within discontinued operations (see Note 28)

**** Other reconciling items on assets level include: deferred tax assets (46,505), restricted cash of the TVN Group (3,550), other assets and consolidation adjustments (deficit of 54,482), cash and restricted cash held by the Company (225,724) and other assets of the Company (3,109).

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

5. SEGMENT REPORTING (CONTINUED)

Year ended December 31, 2011	**Television broadcasting and production**	**Digital satellite pay television**	**On-line**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	1,614,319	736,662	249,573	48,475	(689,186)	*	1,959,843
Inter-segment revenue	67,781	2,381	21,888	-	(92,050)		-
Total revenue	**1,682,100**	**739,043**	**271,461**	**48,475**	**(781,236)**		**1,959,843**
EBITDA	**640,719**	**611**	**96,209**	**(1,153)**	**(77,698)**	**	**658,688**
Impact of presentation of ITI Neovision Group as discontinued operations as required by IFRS 5	-	-	-	-	2,251		2,251
Depreciation of property, plant and equipment	(53,489)	(139,739)	(17,829)	(266)	139,741	***	(71,582)
Impairment of property, plant and equipment	-	-	(17,835)	-	-		(17,835)
Amortization of intangible assets	(9,476)	(30,666)	(12,900)	(46)	30,542	***	(22,546)
Impairment of intangible assets	-	-	(823)	-	-		(823)
Operating profit/ (loss)	**577,754**	**(169,794)**	**46,822**	**(1,465)**	**94,836**		**548,153**
Additions to property, plant and equipment and other intangible assets	89,888	129,899	29,592	254	(368)		249,265
As at December 31, 2011							
Segment assets including:	**1,755,375**	**1,465,263**	**1,838,852**	**76,832**	**106,360**	****	**5,242,682**
Investment in associates	2	1,297	308	-	-		1,607

* Other reconciling items on revenue from external customers level include mainly Digital satellite pay television segment's revenue, which is presented within discontinued operations (see Note 28)

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

*** Other reconciling items on depreciation of property, plant and equipment and amortization of intangible assets level include mainly Digital satellite pay television segment's depreciation of property, plant and equipment and amortization of intangible assets which are presented within discontinued operations (see Note 28)

**** Other reconciling items on assets level include: deferred tax assets (43,056) and other assets and consolidation adjustments (deficit of 67,420), cash and restricted cash held by the Company (127,036) and other assets of the Company (3,688).

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

6. REVENUE

	Year ended December 31, 2011	Year ended December 31, 2010
Revenue from advertising spot sales	1,440,275	1,420,729
Subscription fees	221,912	197,304
Revenue from sponsoring	139,219	142,345
Revenue from sales of goods	38,650	57,845
Other revenue	119,787	106,907
	1,959,843	**1,925,130**

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

Included in revenues for the year ended December 31, 2011 are revenues from related parties in the amount of 19,572 (the year ended December 31, 2010: 6,723) (see Note 31 (i)).

7. OPERATING EXPENSES

	Year ended December 31, 2011	Year ended December 31, 2010
Amortization of locally produced content	500,776	498,782
Amortization of acquired programming rights and co-production	148,389	143,724
Staff expenses	202,942	210,107
Depreciation and amortization	112,786	102,313
Royalties	63,949	63,659
Marketing and research	62,928	48,963
Broadcasting expenses	55,233	50,684
Rental	52,314	50,158
Cost of services and goods sold	42,055	49,406
Impaired accounts receivable	4,231	3,974
Other	164,143	128,649
	1,409,746	**1,350,419**

Included in the above operating expenses are operating lease expenses for the year ended December 31, 2011 of 115,852 (the year ended December 31, 2010: 103,385).

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

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

Interest income	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Interest income from available-for-sale financial assets	-	778
Other interest income	26,576	30,031
	26,576	**30,809**

Finance expense		
Interest expense on 10.75% Senior Notes due 2017 (see Note 21)	(267,976)	(225,526)
Interest expense on 7.875% Senior Notes due 2018 (see Note 21)	(58,871)	(6,516)
Interest expense on Promissory Notes	-	(2,326)
Interest expense on PLN Bonds due 2013 (see Note 21)	(1,389)	(34,132)
Interest expense on Company Loan Facility	-	(42,102)
Interest expense on 11.25% Senior Secured Notes due 2017	(120,498)	(13,304)
Interest on foreign exchange forward contracts – fair value and cash flow hedges (see Note 17)	(10,965)	-
Fair value gains on foreign exchange forward contracts – fair value hedges	-	573
Premium on early repayment of PLN Bonds due 2013	(3,971)	(7,180)
Amortisation of issuance costs related to the Company*	(14,814)	(11,046)
Pre-issuance costs written off **	(217)	(30,880)
Guarantee fees to related party (see Note 31 (vii))	(1,273)	(1,567)
Bank and other charges	(2,385)	(2,441)
Loss on the settlement of liabilities due to the acquisition of non-controlling interest (see Note 27)	-	(3,268)
Unwinding of interest on financial liability related to acquisition of non-controlling interest	-	(2,680)
Unwinding of interest on contingent consideration	-	(1,069)
	(482,359)	**(383,464)**

*Includes amortization and write off of issuance cost related to company Loan Facility and 11.25% Senior Secured Notes due 2017

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

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

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

Foreign exchange gains/ (losses), net	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Foreign exchange gains/ (losses) on 10.75% Senior Notes due 2017, including:	(238,979)	49,839
- unrealized foreign exchange losses on 10.75% Senior Notes due 2017	*(270,353)*	*47,151*
- realized foreign exchange gains/ (losses) on 10.75% Senior Notes due 2017	*(4,596)*	*2,688*
- fair value hedge impact (see Note 17)	*35,970*	*-*
Foreign exchange gains on 7.875% Senior Notes due 2018, including:	(70,230)	(3,746)
- unrealized foreign exchange losses on 7.875% Senior Notes due 2018	*(79,812)*	*(3,746)*
- realized foreign exchange gains on 7.875% Senior Notes due 2018	*(1,033)*	*-*
- fair value hedge impact (see Note 17)	*10,615*	*-*
Foreign exchange losses on Promissory Notes	-	(1,375)
Foreign exchange gains on contingent consideration	-	4,315
Foreign exchange gains on financial liability related to acquisition of non-controlling interest	-	7,255
Foreign exchange losses on available-for-sale financial assets	-	(15,293)
Other foreign exchange gains/ (losses), net	820	(12,472)
	(308,389)	**28,541**

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

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	**December 31, 2011**	**December 31, 2010**
Freehold land	37,182	35,286
Buildings	26,088	26,749
Leasehold improvements	32,263	33,175
Television, broadcasting and other technical equipment	191,121	181,642
Set top decoders and satellite dishes	-	371,721
Vehicles	33,176	34,414
Furniture and fixtures	7,006	10,022
Assets under construction	13,483	70,021
	340,319	**763,030**

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

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

	Freehold land	Buildings	Leasehold improvements	Television, broadcasting and other technical equipment	Set top decoders and satellite dishes	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value									
January 1, 2010	35,286	27,240	94,267	472,651	426,935	54,395	29,464	104,111	1,244,349
Additions	-	553	2,922	45,665	-	12,694	1,537	120,047	183,418
Transfers	-	-	150	5,415	136,129	3,370	319	(145,383)	-
Disposals	-	-	(5,699)	(13,106)	(24,613)	(9,572)	(1,858)	(2,994)	(57,842)
December 31, 2010	**35,286**	**27,793**	**91,640**	**510,625**	**538,451**	**60,887**	**29,462**	**75,781**	**1,369,925**
Accumulated depreciation and impairment									
January 1, 2010	-	334	56,566	280,455	64,521	26,231	17,485	-	445,592
Charge for the period	-	710	7,476	56,544	114,493	7,283	3,788	-	190,294
Impairment	-	-	-	-	-	-	-	5,760	5,760
Disposals	-	-	(5,577)	(8,016)	(12,284)	(7,041)	(1,833)	-	(34,751)
December 31, 2010	**-**	**1,044**	**58,465**	**328,983**	**166,730**	**26,473**	**19,440**	**5,760**	**606,895**
Net book value at January 1, 2010	**35,286**	**26,906**	**37,701**	**192,196**	**362,414**	**28,164**	**11,979**	**104,111**	**798,757**
Net book value at December 31, 2010	**35,286**	**26,749**	**33,175**	**181,642**	**371,721**	**34,414**	**10,022**	**70,021**	**763,030**

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

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

	Freehold land	Buildings	Leasehold improvements	Television, broadcasting and other technical equipment	Set top decoders and satellite dishes	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value									
January 1, 2011	35,286	27,793	91,640	510,625	538,451	60,887	29,462	75,781	1,369,925
Additions	1,896	146	1,458	68,975	-	8,879	1,070	90,212	172,636
Transfers	-	34	7,421	7,097	85,193	394	1,022	(101,161)	-
Disposals	-	(105)	(298)	(38,228)	(12,872)	(6,274)	(1,737)	(738)	(60,252)
Transferred to disposal group classified as held for sale (see Note 28)	-	-	(3,248)	(24,528)	(610,772)	(1,952)	(4,456)	(27,898)	(672,854)
December 31, 2011	**37,182**	**27,868**	**96,973**	**523,941**	**-**	**61,934**	**25,361**	**36,196**	**809,455**
Accumulated depreciation and impairment									
January 1, 2011	-	1,044	58,465	328,983	166,730	26,473	19,440	5,760	606,895
Charge for the period	-	736	7,526	59,620	132,694	7,842	3,378	-	211,796
Impairment charge	-	-	-	-	-	-	-	17,835	17,835
Transfers	-	-	(54)	-	-	-	54	-	-
Disposals	-	-	(146)	(36,756)	(12,747)	(4,464)	(1,649)	-	(55,762)
Transferred to disposal group classified as held for sale (see Note 28)	-	-	(1,081)	(19,027)	(286,677)	(1,093)	(2,868)	(882)	(311,628)
December 31, 2011	**-**	**1,780**	**64,710**	**332,820**	**-**	**28,758**	**18,355**	**22,713**	**469,136**
Net book value at January 1, 2011	**35,286**	**26,749**	**33,175**	**181,642**	**371,721**	**34,414**	**10,022**	**70,021**	**763,030**
Net book value at December 31, 2011	**37,182**	**26,088**	**32,263**	**191,121**	**-**	**33,176**	**7,006**	**13,483**	**340,319**

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

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense of 196,360 has been charged in cost of revenue (the year ended December 31, 2010: 176,988), 5,819 in selling expenses (the year ended December 31, 2010: 4,583) and 9,617 in general and administration expenses (the year ended December 31, 2010: 8,723).

An impairment of 17,835 has been charged in general and administration expenses (year ended December 31, 2010: 5,760 in cost of revenue). The impairment charge in the year ended December 31, 2011 relates to the PTH Group's decision to postpone the uncompleted investment in the special economic zone (see Note 26). As a result of this decision the PTH Group has impaired the assets under construction relating to this investment.

10. GOODWILL

	December 31, 2011	December 31, 2010
Goodwill	952,657	1,677,614
	952,657	**1,677,614**

Changes in goodwill

	Year ended December 31, 2011	Year ended December 31, 2010
As at January 1	1,677,614	1,677,614
Transferred to disposal group classified as held for sale (see Note 28)	(724,957)	-
As at December 31	**952,657**	**1,677,614**

The carrying amount of goodwill is allocated to cash generating units identified by the PTH Group:

On-line	802,205
Thematic television channels	131,704
Television production unit	12,423
Teleshopping unit	6,325
	952,657

11. BRAND

	December 31, 2011	December 31, 2010
Brands	693,687	778,625
	693,687	**778,625**

Changes in brands

	Year ended December 31, 2011	Year ended December 31, 2010
Net book value as at January 1	778,625	788,988
Amortization of "n" brand	(10,363)	(10,363)
Transferred to disposal group classified as held for sale (see Note 28)	(74,575)	-
Net book value as at June 30	**693,687**	**778,625**

The carrying amount of brands as of December 31, 2011 is allocated to the following brands identified by the PTH Group:

Onet.pl (on-line cash generating unit)	643,427
Mango (teleshopping cash generating unit)	50,260
	693,687

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

12. OTHER INTANGIBLE ASSETS

	December 31, 2011	December 31, 2010
Broadcasting licenses	17,844	5,712
Customer related intangibles	-	17,402
Internally generated software	17,761	11,660
Software and other	39,622	77,425
	75,227	**112,199**

Changes in other intangible assets

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
Gross value					
January 1, 2010	14,220	38,458	19,260	120,395	192,333
Additions	-	-	7,679	52,218	59,897
Disposals	-	-	(3,573)	(5,276)	(8,849)
December 31, 2010	**14,220**	**38,458**	**23,366**	**167,337**	**243,381**
Accumulated amortization and impairment					
January 1, 2010	6,859	15,419	10,821	65,946	99,045
Charge for the period	1,649	5,637	4,313	26,862	38,461
Impairment	-	-	-	2,057	2,057
Disposals	-	-	(3,428)	(4,953)	(8,381)
December 31, 2010	**8,508**	**21,056**	**11,706**	**89,912**	**131,182**
Net book value at January 1, 2010	**7,361**	**23,039**	**8,439**	**54,449**	**93,288**
Net book value at December 31, 2010	**5,712**	**17,402**	**11,660**	**77,425**	**112,199**

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

12. OTHER INTANGIBLE ASSETS (CONTINUED)

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
Gross value					
January 1, 2011	14,220	38,458	23,366	167,337	243,381
Additions	163	-	13,417	63,049	76,629
Transfers	-	-	(826)	826	-
Disposals	-	-	-	(1,109)	(1,109)
Acquired in a business combination (see Note 29)	13,631	-	-	-	13,631
Transferred to disposal group classified as held for sale (see Note 28)	-	(23,666)	-	(99,597)	(123,263)
December 31, 2011	**28,014**	**14,792**	**35,957**	**130,506**	**209,269**
Accumulated amortization and impairment					
January 1, 2011	8,508	21,056	11,706	89,912	131,182
Charge for the period	1,662	3,480	6,490	31,200	42,832
Impairment charge	-	-	-	823	823
Disposals	-	-	-	(2,146)	(2,146)
Transferred to disposal group classified as held for sale (see Note 28)	-	(9,744)	-	(28,905)	(38,649)
December 31, 2011	**10,170**	**14,792**	**18,196**	**90,884**	**134,042**
Net book value at January 1, 2011	**5,712**	**17,402**	**11,660**	**77,425**	**112,199**
Net book value at Decmeber 31, 2011	**17,844**	**-**	**17,761**	**39,622**	**75,227**

Amortization of 17,986 has been charged in cost of revenue (the year ended December 31, 2010: 19,852), 17,993 in selling expenses (the year ended December 31, 2010: 12,655) and 6,853 in general and administration expenses (the year ended December 31, 2010: 5,954).

Impairment of 823 has been charged in general and administration expenses (year ended December 31, 2010: 2,057 in cost of revenue).

13. PROGRAMMING RIGHTS

	December 31, 2011	December 31, 2010
Acquired programming rights	248,673	253,133
News archive	10,640	11,547
Co-productions	13,942	11,353
Productions	147,452	126,316
	420,707	**402,349**
Less current portion of programming rights	(241,465)	(247,004)
Non-current portion of programming rights	**179,242**	**155,345**

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

13. PROGRAMMING RIGHTS (CONTINUED)

Changes in acquired programming rights

	Year ended December 31, 2011	Year ended December 31, 2010
Net book value as at January 1	253,133	219,074
Additions	205,881	224,787
Amortization	(190,141)	(190,728)
Transferred to disposal group classified as held for sale (see Note 28)	(20,200)	-
Net book value as at December 31	**248,673**	**253,133**

14. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	Derivatives used for hedging	Loans and receivables	Financial assets available-for-sale	Total
December 31, 2011				
Trade receivables	-	376,430	-	376,430
Derivative financial assets	1,580	-	-	1,580
Restricted cash	-	125,808	-	125,808
Bank deposits with maturity over three months	-	75,000	-	75,000
Cash and cash equivalents	-	593,354	-	593,354
	1,580	**1,170,592**	**-**	**1,172,172**
December 31, 2010				
Available-for-sale financial assets	-	-	7,588	7,588
Trade receivables	-	334,705	-	334,705
Restricted cash	-	332,816	-	332,816
Bank deposits with maturity over three months	-	321,721	-	321,721
Cash and cash equivalents	-	484,738	-	484,738
	-	**1,473,980**	**7,588**	**1,481,568**

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

14. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Liabilities as per balance sheet	**Other financial liabilities**	**Total**
December 31, 2011		
10.75% Senior Notes due 2017	2,567,870	2,567,870
7.875% Senior Notes due 2018	752,490	752,490
11.25% Senior Secured Notes due 2017	1,080,786	1,080,786
Accrued interest on borrowings	58,952	58,952
Non-current trade payables	15,010	15,010
Current trade payables	163,679	163,679
Other liabilities and accruals*	129,245	129,245
	4,768,032	**4,768,032**
December 31, 2010		
10.75% Senior Notes due 2017	2,292,767	2,292,767
7.875% Senior Notes due 2018	671,146	671,146
11.25% Senior Secured Notes due 2017	954,841	954,841
PLN Bonds due 2013	140,739	140,739
Accrued interest on borrowings	51,569	51,569
Non-current trade payables	13,186	13,186
Current trade payables	240,237	240,237
Other liabilities and accruals*	217,328	217,328
	4,581,813	**4,581,813**

* 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.

15. AVAILABLE FOR SALE FINANCIAL ASSETS

	Year ended December 31, 2011	**Year ended December 31, 2010**
Beginning of the period	7,588	385,101
Sales	(7,588)	(363,700)
Fair value change through other comprehensive income	-	702
Interest credited to profit or loss (see Note 8)	-	778
Foreign exchange differences (see Note 8)	-	(15,293)
End of the period	**-**	**7,588**
Less: non-current portion	-	(7,588)
Current portion	**-**	**-**

Available for sale financial assets include:

	December 31, 2011	**December 31, 2010**
Securities not quoted on active markets:		
- Polskie Media S.A.	-	7,588
	-	**7,588**

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

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

16. TRADE RECEIVABLES

	December 31, 2011	December 31, 2010
Trade receivables	365,501	349,465
Less: provision for impairment of receivables	(12,957)	(25,681)
Trade receivables – net	352,544	323,784
Accrued revenue - discounts to 'n' customers	-	5,311
Receivables from related parties (Note 31 (iii))	23,886	5,610
	376,430	**334,705**

The fair values of trade receivables, because of their short-term nature, are estimated to approximate their carrying values.

The carrying amounts of the PTH Group's trade receivables are denominated in the following currencies:

	December 31, 2011	December 31, 2010
PLN	366,538	322,811
USD	6,409	8,041
EUR	2,757	3,235
GBP	614	498
CAD	92	103
AUD	20	17
	376,430	**334,705**

Provision for impairment of receivables was created individually for non-related trade receivables that were in general overdue more than 60, 90 and 180 days depending on business segment or in relation to individual customers who are in unexpectedly difficult financial situations.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Beginning of the period	25,681	17,076
Provision for receivables impaired, net change	12,640	11,086
Receivables written off as uncollectible	(3,025)	(2,481)
Transferred to disposal group classified as held for sale (see Note 28)	(22,339)	-
End of the period	**12,957**	**25,681**

The creation and release of provisions for impaired receivables have been included in selling expenses in the income statement.

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

16. TRADE RECEIVABLES (CONTINUED)

As of December 31, 2011, trade receivables of 172,973 were past due but not impaired. The balance relates to a number of customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	December 31, 2011	December 31, 2010
Up to 30 days	138,170	136,063
31-60 days	26,102	16,233
Over 60 days	8,701	7,934
	172,973	**160,230**

The PTH Group defines credit exposure as total outstanding receivables. Maximum exposure to credit risk is the total balance of trade receivables. Maximum exposure to credit risk as of December 31, 2011 was 376,430 (December 31, 2010: 334,705).

17. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2011	December 31, 2010
Derivative financial assets		
Foreign exchange forward contracts	1,580	-
	1,580	**-**

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

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

The fair value of foreign exchange forward contracts as at December 31, 2011 was based on valuations performed by the PTH 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).

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

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	December 31, 2011	December 31, 2010
Derivative financial assets		
Bank rated A+	1,580	-
	1,580	**-**

18. PREPAYMENTS AND OTHER ASSETS

	December 31, 2011	December 31, 2010
Inventory, net of impairment provision	14,372	53,899
Prepayments for programming	1,136	7,602
VAT and other non-CIT taxes receivables	104	8,694
Technical support	3,038	5,428
Employee settlements	6,123	5,033
Other	38,560	60,531
	63,333	**141,187**
Less: current portion of other assets	**(57,826)**	**(135,400)**
Non-current portion of other assets	**5,507**	**5,787**

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

	December 31, 2011	December 31, 2010
Cash at bank and in hand	593,354	484,738
Bank deposits with maturity over three months	75,000	321,721
Restricted cash	125,808	332,816
	794,162	**1,139,275**
Restricted cash	**125,808**	**332,816**
Less: current portion of restricted cash	**(125,808)**	**(141,914)**
Non-current portion of restricted cash	**-**	**190,902**

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

	December 31, 2011	December 31, 2010
Bank rated A-	424,859	253,375
Bank rated A	1,228	4,444
Bank rated AA	98,935	200,784
Banks rated BBB and other	68,332	26,135
	593,354	**484,738**

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

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

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

	December 31, 2011	December 31, 2010
Bank rated A-	-	243,558
Bank rated AA	75,000	47,735
Bank rated BBB	-	30,428
	75,000	**321,721**

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

	December 31, 2011	December 31, 2010
EUR	-	243,558
PLN	75,000	78,163
	75,000	**321,721**

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

	December 31, 2011	December 31, 2010
Bank rated AA	125,808	221,281
Bank rated A- *	-	107,985
Other	-	3,550
	125,808	**332,816**

***** Cash held as collateral for bank guarantees issued (see Note 21)

As at December 31, 2011 restricted cash in the amount of 125,808 is held for settlements of interest relating to the Indenture governing 11.25% Senior Secured Notes due 2017 issued by the Company on November 19, 2010. As at December 31, 2010 the entire Company's restricted cash balance related to 11.25% Senior Secured Notes due 2017.

20. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 5,000,000 (not in thousands) with a par value of EUR 1 (not in thousands) per share.

On 1 November 2011 the Company's shareholder - ITI Media Group Ltd exchanged all its shares held in the Company with N-Vision B.V. ("N-Vision") for non-cash consideration. As a result N-Vision became the sole shareholder of the Company.

The total number of ordinary shares in issue as at December 31, 2011 and December 31, 2010 was 1,849,105 with a par value of EUR 1 (not in thousands) per share. All issued shares are fully paid.

The PTH Group is ultimately, jointly controlled by the members of the Wejchert, Walter, Valsangiacomo and Kostrzewa families.

The shareholders structure as at December 31, 2011 is presented below:

Shareholder	Number of shares (not in thousand)	% of share capital	Number of votes (not in thousand)	% of votes
N-Vision B.V. (1)	1,849,105	100.00	1,849,105	100.00
Total	1,849,105	100.00	1,849,105	100.00

(1) Entity controlled by the ITI Group

21. BORROWINGS

	December 31, 2011	December 31, 2010
10.75% Senior Notes due 2017	2,567,870	2,292,767
Interest accrued on 10.75% Senior Notes due 2017	35,195	31,558
7.875% Senior Notes due 2018	752,490	671,146
Interest accrued on 7.875% Senior Notes due 2018	7,609	6,367
PLN Bonds due 2013	-	140,739
Interest accrued on PLN Bonds due 2013	-	452
11.25% Senior Secured Notes due 2017	1,080,786	954,841
Interest accrued on 11.25% Senior Secured Notes due 2017	16,148	13,192
	4,460,098	**4,111,062**
Less: current portion of borrowings	(58,952)	(51,569)
Non-current portion of borrowings	**4,401,146**	**4,059,493**

10.75% Senior Notes due 2017, 7.875% Senior Notes due 2018 and 11.25% Senior Secured Notes due 2017

On November 19, 2009 the PTH Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued EUR 405,000 Senior Notes with an annual interest rate of 10.75% ("10.75% Senior Notes due 2017"). The 10.75% Senior Notes due 2017 were issued at a purchase price of 98.696% for a total consideration of EUR 399,719 (PLN 1,635,209).

21. BORROWINGS (CONTINUED)

The 10.75% Senior Notes due 2017 issued in November 2009 are carried at amortized cost using an effective interest rate of 12.0%.

As disclosed in Note 27, on March 10, 2010 the PTH Group acquired the remaining 49% of the shares in Neovision Holding B.V. (currently DTH Poland Holding Coöperatief U.A.) for a total consideration of EUR 188,000, consisting of 10.75% Senior Notes due 2017 and Promissory Notes.

On March 10, 2010 the PTH Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued to ITI Media Group EUR 148,000 of additional 10.75% Senior Notes due 2017 as part of the purchase price for the remaining 49% equity interest in DTH Poland Holding Coöperatief U.A. Additional 10.75% Senior Notes due 2017 were issued to ITI Media Group at a purchase price of 100.000%. The 10.75% Senior Notes due 2017 issued in March 2010 are carried at amortized cost using an effective interest rate of 11.50%.

On April 30, 2010 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued to ITI Media Group EUR 40,000 of additional 10.75% Senior Notes due 2017 as the remaining part of the purchase price for the 49% equity interest in Neovision Holding B.V. As discussed in the Note 1 EUR 80,353 and EUR 30,647 10,75% Senior Notes were acquired by the Company and subsequently issued on April and November 2010.

The 10.75% Senior Notes due 2017 issued in April 2010 are carried at amortized cost using an effective interest rate of 11.30%.

Total nominal value of 10.75% Senior Notes due 2017 issued in November 2009, March 2010 and April 2010 is EUR 593,000, they pay interest semi-annually (on May 15 and November 15) beginning May 15, 2010 and mature on November 15, 2017.

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

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 several TVN Group subsidiaries: Grupa Onet.pl S.A., Grupa Onet Poland Holding B.V., ITI Neovision Sp. z o.o., DTH Poland Holding Coöperatief U.A. and Mango Media Sp. z o.o.

The fair value of the 10.75% Senior Notes due 2017, excluding accrued interest, as at December 31, 2011 was estimated to be PLN 2,723,929 or EUR 616,720. The fair value of the 7.875% Senior Notes due 2018, excluding accrued interest, as at June 30, 2011 was estimated to be PLN 726,559 or EUR 164,499. 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 December 31, 2011. The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 are quoted on the Luxembourg Stock Exchange.

21. BORROWINGS (CONTINUED)

Also on 19 November 2010 the Company issued EUR 260,000 Senior Secured Notes with an annual interest rate of 11.25% ("11.25% Senior Secured Notes due 2017"). Further to provisions of the governing indenture ("Indenture"), from 15 November 2014 it will be increased by 200 b.p. until maturity date. The 11.25% Senior Secured Notes due 2017 were released at a purchase price of 97.5% for a total consideration of EUR 253,500, pay interest semi-annually (on 15 May and 15 November) beginning 15 May 2011 and mature on 15 May 2017. The total transaction costs of the issue amounted to EUR 12,695 and mainly related to dealers commission, legal services, auditor fees and printing. EUR 2,651 of this amount was paid to ITI Services Ltd. The 11.25% Senior Secured Notes due 2017 are carried at amortized cost using an effective interest rate of 14.04%. The Secured Notes are collateralised with 176,855,430 (not in thousands) registered shares representing a 51.43% controlling stake in TVN S.A., which are not admitted to trading on the Warsaw Stock Exchange and cash held in cash collateral account.

The fair value of the 11.25% Senior Secured Notes due 2017, excluding accrued interest, as at December 31, 2011 was estimated to be PLN 1,185,714 or EUR 268,346. The fair value of the 11.25% Senior Secured Notes due 2017 reflects their market price quoted by Reuters based on the last value date on December 31, 2011. The 11.25% Senior Secured Notes due 2017 are quoted on the Luxembourg Stock Exchange.

The following early prepayment options are included in the 10.75% Senior Notes due 2017, 7.875% Senior Notes due 2018 and 11.25% Senior Secured Notes due 2017 (the "Notes"):

- the PTH 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 and 11.25% Senior Secured Notes due 2017 on or after 15 November 2013 at a redemption price ranging from 105.906% to 100.000%
- the Notes may be redeemed, at the option of the PTH Group, in whole but not in part, at any time, at a price equal to 100% of the aggregate principal amount plus accrued and unpaid interest, if any, up to the redemption date as a result of certain defined changes in tax laws or official interpretations regarding such laws
- if change of control over TVN S.A. and a rating decline occur (ie. both events), 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 PTH 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.
- if change of control over TVN S.A. or PTH or ITI Media Group or ITI Holdings occurs, each registered holder of the 11.25% Senior Secured Notes due 2017 will have the right to require the PTH 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 PTH 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.

21. BORROWINGS (CONTINUED)

- prior to 15 November 2013, the PTH 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 and 11.25% Senior Secured Notes due 2017 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 15 November 2013, the Company has also an option to redeem the Notes in whole, but not in part, at a price equal to 100% of the principal amount plus the applicable premium as of, and accrued but unpaid interest, if any, up to the redemption date. Applicable premium means the greater of 1% of the principal, and the excess of (i) the present value of the redemption price of the Notes on 15 November 2013 plus interest due through 15 November 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 15 November 2013 - but not shorter than a period of one year) and (ii) the outstanding principal of the Notes on the redemption date.

The PTH Group does not account for early prepayment options embedded in the Notes 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 Notes are carried at amortised cost. The PTH Group is therefore not exposed to changes in market price of the Notes.

PLN Bonds due 2013

On May 26, 2008 the PTH Group entered into an agreement with Bank Pekao S.A., Bank Handlowy w Warszawie S.A. and BRE Bank S.A. to conduct a Bond Issue Program (“Program”). The Program enables the PTH Group to issue bearer, unsubordinated and unsecured bonds (“PLN Bonds due 2013”) with a maximum total nominal value of PLN 1 billion at any time. The Program can be extended up to a nominal value of PLN 2 billion.

On June 23, 2008 the PTH Group completed the first issue of PLN Bonds due 2013 with a total nominal value of 500,000 and with a variable interest rate of 6 month WIBOR plus 2.75% per annum. The interest was payable semi-annually starting December 14, 2008. The PLN Bonds due 2013 were due for repayment on June 14, 2013. The PLN Bonds due 2013 were unsecured obligations and were governed by a number of covenants including restrictions on disposal or inadequate use of assets. The PLN Bonds due 2013 were carried at amortized cost using an effective interest rate of 7.1%.

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

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

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

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

21. BORROWINGS (CONTINUED)

Revolving guarantee facility

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

As of December 31, 2011 the revolving guarantee facility had been used for the bank guarantees issued at 203,943 (December 31, 2010: 107,285).

22. TRADE PAYABLES

	December 31, 2011	December 31, 2010
Acquired programming rights payables	88,788	88,307
Property, plant, equipment and intangible assets payables	22,406	48,428
Other trade payables	56,746	93,231
Related party payables (see Note 31 (iii))	10,749	23,457
	178,689	**253,423**
Less: current portion of trade payables	**(163,679)**	**(240,237)**
Non-current portion of acquired programming rights payables	**15,010**	**13,186**

23. OTHER LIABILITIES AND ACCRUALS

	December 31, 2011	December 31, 2010
Deferred income	15,693	61,397
VAT and other taxes payable	70,199	77,632
Employee benefits	43,284	61,744
Sales and marketing related costs	5,431	23,816
Accrued production and programming costs	12,038	35,771
Satellites	4,875	7,071
Other liabilities and accrued costs	98,582	147,611
	250,102	**415,042**

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

24. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Loss for the period		(449,232)	(15,162)
Tax charge		51,714	72,416
Depreciation and amortization	**7**	283,649	246,935
Amortization of acquired programming rights and co-production	**7**	196,116	194,485
Impaired accounts receivable	**7**	12,640	11,086
Loss on sale of property, plant and equipment		1,081	552
Gain on sale of available-for-sale financial assets		(414)	-
Interest income, finance expense and foreign exchange gains and losses, net	**8**	771,153	303,415
Share of profit of associate		1,403	(298)
Guarantee fee	**8**	(1,273)	(1,707)
Payments to acquire programming rights		(224,584)	(226,848)
Change in local production balance		(16,537)	17,849
Changes in working capital:			
Trade receivables		(104,546)	(31,976)
Prepayments and other assets		24,191	(63,244)
Trade payables		(43,005)	(2,255)
Other short term liabilities and accruals		(26,729)	64,009
		(150,089)	(33,466)
Cash generated from operations		**475,627**	**569,257**

Non-cash transactions

Barter revenue, net		5,510	818

According to the requirements of IFRS 5 the consolidated cash flow statement for the year ended December 31, 2011 is presented jointly for continuing and discontinued operations and the consolidated cash flow statement for the year ended December 31, 2010 is presented as previously reported. Details of cash flows of discontinued operations for the year ended December 31, 2011 and the year ended December 31, 2010 are disclosed in Note 28.

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

25. TAXATION

	Year ended December 31, 2011	Year ended December 31, 2010
Current tax charge	(42,403)	(48,765)
Deferred tax (charge)/ credit	60,959	(11,091)
	18,556	**(59,856)**
Reconciliation of accounting profit to tax charge		
Profit before income tax	**(216,299)**	**257,853**
Income tax charge at the enacted statutory rate of 19%	41,097	(48,992)
Impact of tax deduction claimed and deferred and other adjustments in relation to operations in special economic zone	3,820	7,312
Impact of provision created for deferred tax asset relating to operations in special economic zone	(22,075)	-
Impact of deferred tax assets recognized on tax value of brands recognized by TVN Media (see Note 4 (vi))	27,514	-
Impact of settlement of contingent consideration	-	(1,832)
Impact of non-taxable gains and losses related to acquisition of non-controlling interest, net	-	248
Net tax impact of other expenses and losses not deductible for tax purposes and revenue not taxable	(31,800)	(16,592)
Tax for the period	**18,556**	**(59,856)**

The parent company (Polish Television Holding BV) is subject to taxation in Netherlands whereas all operating subsidiaries are subject to taxation in Poland.

The Dutch Tax authorities should impose a final tax assessment within three years after the final date of which the tax return should have been filed. After the final tax assessment has been issued, the Dutch Tax authorities are allowed to impose an additional tax assessment within five years after the date on which the tax return should have been filed. However, the Dutch Tax authorities may only impose an additional assessment when, for the Dutch Tax authorities, a new fact has occurred. Moreover, when an additional tax assessment has been imposed, the Dutch Tax authorities may impose interest and penalties.

In respect of the subsidiaries that are subject to taxation in Poland, 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 PTH Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

The PTH Group operates partially in a special economic zone in Kraków (Poland) and was granted a tax credit equal to 40% and 50% of investments undertaken and certain categories of staff expenses incurred in the zone. The tax credits are available until December 31, 2017 and are subject to minimum investment commitments and the creation and maintenance of a certain number of jobs. As at December 31, 2011 the remaining committed investment amounted to 111,645 (December 31, 2010: 111,645) and should be fulfilled by December 31, 2013. As at December 31, 2011 following the PTH Group's decision to postpone the uncompleted investment in the special economic zone, the PTH Group provided for the

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

25. TAXATION (CONTINUED)

deferred tax asset relating to the unused tax credits in the amount of 22,075. Simultaneously the PTH Group has impaired the assets under construction relating to this investment (see Note 9). In the year ended December 31, 2011 the PTH Group claimed tax reductions in the amount of 9,714 with respect to its costs incurred in the special economic zone (the year ended December 31, 2010: 13,714). The balance of 1,363 with respect to this tax credit is deferred for future tax reduction.

Management believes that it is probable that taxable profit will be available in the future against which the deductible temporary differences can be utilized, and consequently has recognized deferred tax assets in the amount that reflects the assumed utilization of tax losses and tax credits. The deferred tax amounts were calculated using the enacted tax rate of 19% as at December 31, 2011.

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.

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

The deferred tax assets and liabilities are expected to be recovered:

	December 31, 2011	**December 31, 2010**
Deferred tax liabilities, net		
- Deferred tax liability, net to be realized after more than 12 months	(53,289)	(181,143)
- Deferred tax asset, net to be recovered within 12 months	(61,956)	59,393
	(115,245)	**(121,750)**

	Year ended December 31, 2011	**Year ended December 31, 2010**
Movements in deferred tax asset		
Balance at beginning of period	46,505	58,111
Credit/ (charge) to the income statement	2,542	(11,606)
Transferred to disposal group classified as held for sale (see Note 28)	(5,991)	-
Balance at end of period	**43,056**	**46,505**
Movements in deferred tax liability		
Balance at beginning of period	(168,255)	(156,506)
Deferred tax charged to other comprehensive income, net	(59)	(133)
Charge to the income statement	(9,874)	(11,616)
Transferred to disposal group classified as held for sale (see Note 28)	19,887	-
Balance at end of period	**(158,301)**	**(168,255)**

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

25. TAXATION (CONTINUED)

	Differences in depreciation and amortization rates for tax and accounting policies	Provisions and accruals	Debt issuance costs	Unrealised foreign exchange differences	Derivative financial assets/ (liabilities)	Unpaid interest accrued, net	Available for sale investments	Brand, customer related assets acquired and fair value adjustments	Tax credit	Tax losses carry forward	Total
Deferred tax (liability)/asset at January 1, 2010	(964)	33,163	(1,480)	(2,404)	-	(7,941)	1,331	(156,396)	36,296	-	(98,395)
Credited / (Charged) to net profit	3,269	15,479	(15,276)	(3,896)	-	(21,678)	-	4,543	(6,402)	739	(23,222)
Charged to other comprehensive income or equity	-	-	-	-	-	-	(133)	-	-	-	(133)
Deferred tax asset/(liability) at December 31, 2010	**2,305**	**48,642**	**(16,756)**	**(6,300)**	**-**	**(29,619)**	**1,198**	**(151,853)**	**29,894**	**739**	**(121,750)**
Deferred tax asset/(liability) at January 1, 2011	2,305	48,642	(16,756)	(6,300)	-	(29,619)	1,198	(151,853)	29,894	739	(121,750)
Credited / (Charged) to net profit	6,857	(7,604)	1,641	24,833	(241)	(35,281)	(1,198)	31,438	(28,531) *	754	(7,332)
Credited to other comprehensive income	-	-	-	-	(59)	-	-	-	-	-	(59)
Transferred to disposal group classified as held for sale (see Note 28)	402	(5,461)	-	-	-	-	-	19,492	-	(537)	13,896
Deferred tax asset/(liability) at December 31, 2011	**9,564**	**35,577**	**(15,115)**	**18,533**	**(300)**	**(64,900)**	**-**	**(100,923)**	**1,363**	**956**	**(115,245)**

* As at December 31, 2011 following the PTH Group's decision to postpone the uncompleted investment in the special economic zone the PTH Group provided for the deferred tax asset relating to the unused tax credits in the amount of 22,075.

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

26. COMMITMENTS

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

(i) Commitments to acquire programming

The PTH Group has outstanding contractual payment commitments in relation to programming as of December 31, 2011. These commitments are scheduled to be paid as follows:

Due in 2012	185,388
Due in 2013	210,754
Due in 2014	94,090
Due in 2015	78,302
Due in 2016	74,976
Due in 2017 and thereafter	74,140
	717,650

(ii) Total future minimum payments relating to operating lease agreements signed as at December 31, 2011:

	Related parties	Non-related parties	Total
Due in 2012	15,351	23,932	39,283
Due in 2013	14,605	18,314	32,919
Due in 2014	14,605	11,208	25,813
Due in 2015	14,605	8,997	23,602
Due in 2016	9,750	5,619	15,369
	68,916	**68,070**	**136,986**

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

Commitments in foreign currencies were calculated using exchange rates as at December 31, 2011.

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

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

Due in 2012	35,396
Due in 2013	42,867
Due in 2014	42,867
Due in 2015	39,958
Due in 2016	39,805
Due in 2017 and thereafter	75,313
	276,206

26. COMMITMENTS (CONTINUED)

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

(iii) Barter commitments

The PTH Group has an outstanding commitment of service to broadcast advertising of 3,310 to settle sundry amounts payable recorded as of December 31, 2011 (2,401 at December 31, 2010). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at December 31, 2011, the PTH Group assumed contractual commitments of 1,226 to acquire property, plant and equipment and intangible assets (39,610 at December 31, 2010).

Additionally the PTH Group has undertaken to invest 215,782 in the special economic zone in Kraków by December 31, 2013 and 2017. As at December 31, 2011 the remaining commitment amounted to 111,645 and should be fulfilled by December 31, 2013.

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

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

On March 11, 2009, TVN increased its direct ownership interest in DTH Poland Holding Coöperatief U.A. and its indirect ownership interest in ITI Neovision to, in aggregate, 51% of the company's shares and a corresponding pro-rata interest in the shareholder's loans granted to Neovision Holding Group for a price of EUR 46.2 million. As a result, the PTH Group obtained control over Neovision Holding Group.

On December 10, 2009 the PTH Group, through its subsidiary TVN, concluded the share purchase agreement with ITI Media Group, under which TVN would acquire the remaining 49% of the shares in DTH Poland Holding Coöperatief U.A. The acquisition of the remaining 49% of the shares in DTH Poland Holding Coöperatief U.A. was completed on March 10, 2010. The purchase price for the transaction was EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction through the issuance of an EUR 148,000 aggregate principal amount of 10.75% Senior Notes due 2017 and the remaining EUR 40,000 was paid by the issuance of two Promissory Notes in the principal amount of EUR 40,000 into an escrow account. On April 30, 2010 TVN exchanged the Promissory Notes for like principal amount of 10.75% Senior Notes due 2017, following which the Promissory Notes were cancelled. On November 30, 2010 10.75% Senior Notes due 2017 issued in April 2010 were released from the escrow account.

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

On December 18, 2011, the PTH Group concluded agreements with Canal+ Group, the results of which will result in the PTH Group's control over the ITI Neovision Group being 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 (see Note 28).

28. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On December, 18 2011 Canal+ Group, ITI Group and TVN Group entered into a Strategic Partnership Arrangements in Poland, whereby ITI Media sells a 40% stake in N-Vision, the Company's direct shareholder, to Canal+ Group. ITI media has an option to sell an additional 9% stake in N-Vision starting from December,18 2013 and Canal+ Group has the option to acquire the remaining ITI Media stake in N-Vision 3 or 4 years after closing. The closing is subject to regulatory approval and is expected in the second half of 2012.

The assets and liabilities related to ITI Neovision Group (included in the Digital satellite pay television segment) are presented as held for sale as at December 31, 2011, following conclusion of agreements between the PTH Group, ITI Media Group Limited and Canal+ Group (see Note 1) as the result of which the 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.

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

According to the agreements the principal obligation of the PTH 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 PTH 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 PTH Group's 32% stake in the 'n/C+' is around 1.9 billion based on the valuation of the PTH Group's stake in the value of combined 'n' platform and Cyfra+ platform ('n/C+') performed by the PTH 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 PTH Group'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.

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

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.

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

28. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

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 Holding 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.

Assets of disposal group classified as held for sale

	December 31, 2011
Non-current assets	
Property, plant and equipment	361,226
Goodwill	724,957
Brand	74,575
Other intangible assets	84,614
Investment in associate	413
Deferred tax asset	5,991
	1,251,776
Current assets	
Current programming rights	20,200
Trade receivables	50,181
Derivative financial assets	656
Prepayments and other assets	78,805
Corporate income tax receivable	931
Cash and cash equivalents	60,819
	211,592
	1,463,368

Liabilities of disposal group classified as held for sale

	December 31, 2011
Non-current liabilities	
Deferred tax liability	19,887
Other non-current liabilities	2,261
	22,148
Current liabilities	
Current trade payables	90,262
Other liabilities and accruals	141,190
	231,452
	253,600

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

28. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Commitments of disposal group classified as held for sale

Commitments to acquire programming:

Due in 2012	195,534
Due in 2013	161,417
Due in 2014	142,953
Due in 2015	82,420
Due in 2016	63,912
	646,236

Total future minimum payments relating to operating lease agreements signed as at December 31, 2011:

	Related parties	Non-related parties	Total
Due in 2012	2,832	451	3,283
Due in 2013	2,832	451	3,283
Due in 2014	2,832	-	2,832
Due in 2015	2,832	-	2,832
	11,328	**902**	**12,230**

Satellite capacity commitments:

Due in 2012	50,343
Due in 2013	50,343
Due in 2014	50,343
Due in 2015	33,568
Due in 2016	56,645
	241,242

As at December 31, 2011, the ITI Neovision Group assumed contractual commitments of 14,007 to acquire property, plant and equipment and intangible assets.

Commitments in foreign currencies were calculated using exchange rates as at December 31, 2011.

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

28. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Prior to December 31, 2011 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.

Analysis of the result of discontinued operations

	Year ended December 31, 2011	Year ended December 31, 2010
Revenue	689,188	565,567
Cost of revenue	(648,426)	(584,712)
Selling expenses	(175,000)	(163,211)
General and administration expenses	(39,563)	(29,192)
Other operating income/ (expenses), net	687	(10,052)
Operating loss	**(173,114)**	**(221,600)**
Interest income	569	375
Finance expense	(2,463)	(13,423)
Foreign exchange (losses)/ gains, net	(5,088)	33,747
Share of (loss)/ profit of associate	(1,123)	302
Loss before income tax	**(181,219)**	**(200,599)**
Income tax benefit	(70,270)	(12,560)
Loss for the period from discontinued operations	**(251,489)**	**(213,159)**

Cash flows of discontinued operations

	Year ended December 31, 2011	Year ended December 31, 2010
Net cash used in operating activities	(22,032)	(113,529)
Net cash used in investing activities	(118,081)	(192,694)
Net cash used in financing activities	(884)	(1,926)
	(140,997)	**(308,149)**

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

29. INVESTMENT IN 'TTV'

On August 29, 2011 the PTH Group and Stavka Sp. z o.o. ("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.

According to the agreement the PTH Group will provide know-how in the production and broadcast operations of the 'ttv' channel, the 'ttv' channel will be added to the Premium TV offer, which advertising sales are handled through the TVN Group, while at the same time the 'ttv' channel will gain access to the PTH Group's broad program archive and news and information productions. As part of the agreement, the PTH Group acquired 25% of the Stavka Sp. z o.o. shares, for a total consideration of 1,095.

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

The PTH Group has accounted for the acquisition of Stavka using the purchase accounting method.

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized:

	Book value December 31, 2011	**Fair value December 31, 2011**
Broadcasting license	8,987	13,631
Prepayments and other assets	276	276
Cash and cash equivalents	409	409
Other non-current liabilities	(7,998)	(7,998)
Loans from related parties and non-controlling interest	(1,370)	(1,370)
Current trade payables	(204)	(204)
Other liabilities and accruals	(1,227)	(1,227)
	(1,127)	**3,517**

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

30. GROUP COMPANIES

These consolidated financial statements as at December 31, 2011 comprised the Company and the following subsidiaries (the PTH Group), joint ventures and associates:

Direct Interest	Country of incorporation	Relationship	PTH's direct ownership interest December, 31 2011 %	December 31, 2010 %
TVN S.A.	Poland	Subsidiary	52.45%	52.68%

Indirect interest through TVN

	Country of incorporation	December 31, 2011 Ownership %	December 31, 2010 Ownership %
Grupa Onet.pl S.A.	Poland	100	100
DreamLab Onet.pl Sp. z o.o.	Poland	100	100
Tivien Sp. z o.o.	Poland	100	100
El-Trade Sp. z o.o.	Poland	100	100
NTL Radomsko Sp. z o.o.	Poland	100	100
Mango Media Sp. z o.o.	Poland	100	100
SunWeb Sp. z o.o.	Poland	100	100
Thema Film Sp. z o.o.	Poland	100	100
TVN Finance Corporation plc in members' voluntary liquidation*	UK	-	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	100
Grupa Onet Poland Holding B.V.	The Netherlands	100	100
Media Entertainment Ventures Int Ltd	Malta	100	100
DTH Poland Holding Coöperatief U.A.	The Netherlands	100	100
ITI Neovision Sp. z o.o.	Poland	100	100
Cyfrowy Dom Sp. z o.o.	Poland	100	100
Neovision UK Ltd	UK	100	100
TVN Holding S.A. **	Poland	100	-
TVN Media Sp. z o.o. (previously Highgate Capital Investments Sp. z o.o.)***	Poland	100	-
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (joint venture)	UK	45	45
Film Miasto Sp. z o.o.	Poland	34	-
Stavka Sp. z o.o.	Poland	51	-
Polskie Badania Internetu Sp. z o.o.	Poland	20	20

*Dissolved on December 5, 2011

** On July 1, 2011 the PTH Group paid in the share capital of TVN Holding S.A. in the amount of 100.

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

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

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

31. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2011	Year ended December 31, 2010
ITI Group	19,564	6,708
Poland Media Properties	8	15
	19,572	**6,723**

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. Poland Media Properties is controlled by certain shareholders and executive directors of the ITI Group.

(ii) Operating expenses:

	Year ended December 31, 2011	Year ended December 31, 2010
ITI Group	45,539	42,953
Poland Media Properties	2,115	2,037
Sieger & Sieger Ltd	2,832	2,744
	50,486	**47,734**

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:

	December 31, 2011	December 31, 2010
Receivables:		
ITI Group	23,883	2,491
Poland Media Properties	3	-
MGM Channel Poland	-	3,119
	23,886	**5,610**

	December 31, 2011	December 31, 2010
Payables:		
ITI Group	9,826	21,380
Sieger & Sieger Ltd	920	931
Poland Media Properties	3	191
MGM Channel Poland	-	1,886
	10,749	**24,388**

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Other non-current assets

Other non-current assets include a rental deposit paid to ITI Group by TVN and Grupa Onet.pl in the amount of 2,131.

(v) Non-current loans receivable from related parties

The Company extended in the past certain loans to entities under common control of its ultimate shareholders. On September, 30 2010 the Company as a Lender and the Borrowers agreed that the loans are extended to December, 31 2020 and that the Borrowers have the option to accelerate or extend the repayment date indefinitely on both the principal and unpaid interest. Therefore as of December, 31 2010 loan receivable from related parties of EUR 248,544 are presented as part of the Company's equity in 'Other equity instruments' and interest is no longer recognised.
On November, 1 2011 this loan receivable from related parties in the total amount of 248,544 were settled by the way of repayment of the share premium of the Company.

(vi) Lease commitments with related parties

See Note 26 for further details.

(vii) Other

ITI Holdings has provided guarantees in the amount of USD 3,000 to Warner Bros. International Television Distribution, USD 17,301 to Universal Studios International in respect of programming rights purchased and broadcasted by the PTH Group. During the year ended December 31, 2011, the PTH Group recorded finance costs relating to ITI Holdings guarantees of 1,273 (the year ended December 31, 2010: 1,567).

32. SHARE-BASED PAYMENTS

TVN share option scheme

Share options are granted by TVN to its Management Board members, employees and co-workers who are of key importance to the PTH 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 PTH Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Year ended December 31, 2011		Year ended December 31, 2010	
	Weighted average exercise price	Outstanding options	Weighted average exercise price	Outstanding options
At 1 January	PLN 10.86	**10,648,831**	PLN 10.80	**12,562,495**
Exercised	PLN 10.75	(1,522,229)	PLN 10.49	(1,913,664)
At 31 December	PLN 10.88	**9,126,602**	PLN 10.86	**10,648,831**

The total fair value of the options granted was estimated using a trinomial tree model and amounted to 74,124 with respect to C series and 110,101 with respect to E series.

The model assumes that dividends would be paid in the future in accordance with the PTH Group's dividend policy. Fair valuation of options granted before January 1, 2007 assumed that no dividends would be paid in the future. The stock option plan is service related.

The remaining options are exercisable at the prices indicated below and vest after the specified period (not in thousands):

Series	Number of options	Exercise price	Service vesting period
C1	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.

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

32. SHARE-BASED PAYMENTS (CONTINUED)

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

33. KEY MANAGEMENT PERSONNEL COMPENSATION

The table below sets out the compensation of the key management personnel of the PTH Group comprising base salary and bonuses actually paid as well as options granted to acquire the shares of TVN S.A., the largest subsidiary of the PTH Group. The Company does not pay any compensation to its directors. The compensation refers to the compensation paid by the TVN Group.

in PLN	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Salary	14,667	11,616
Bonuses	6,993*	1,194**

* Bonuses paid for 2010
** Bonuses paid for 2009

No. of options granted in prior periods	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Share based payments	1,405,865	1,405,865

The table below sets out the compensation of the supervisory board of the TVN Group.

in PLN	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Salary	1,128	1,188

34. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	**PLN Exchange Rate to EUR**
December 31, 2011	3.4174	4.4168
December 31, 2010	2.9641	3.9603

The movement in the consumer price index for the year ended December 31, 2011 amounted to 4,6 % (the year ended December 31, 2010: 3.1%).