

**POLISH TELEVISION HOLDING B.V.**

**Interim Report including  
Interim Separate Financial Statements  
For the six months ended 30 June 2011**

<b>Contents</b>	<b>Page</b>
Company Information.....	3
Management’s Discussion and Analysis of financial condition and results of operations .....	6
Approval of the Separate Financial Statements .....	10
Independent auditor’s report.....	11
Separate Statement of Comprehensive Income.....	13
Separate Statement of Financial Position.....	14
Separate Statement of Changes in Shareholders’ Equity.....	15
Separate Statement of Cash Flows .....	16
Notes to the Interim Separate Financial Statements.....	17

**Company Information****1. Principal activity**

Polish Television Holding B.V. (the “Company”) is a holding company whose main investment is shares in TVN S.A. (“TVN”), Warsaw. TVN (and collectively with all of TVN’s subsidiaries, referred to as “TVN Group”) is Poland’s leading commercial television broadcaster operating ten television channels in Poland: TVN, TVN 7, TVN 24, TVN CNBC Business, TVN Meteo, TVN Turbo, ITVN, TVN Style, NTL Radomsko, Telezakupy Mango 24. The TVN Group’s channels broadcast news, information and entertainment shows, serials and movies.

TVN also owns Grupa Onet.pl S.A. (“Onet.pl”), which operates the largest and the most popular internet portal in Poland. Onet.pl is the internet leader in Poland in core content: news, life-style, sport, business, finance, media, culture and entertainment. Onet.pl is also the leader in services, including blogs (blog.onet.pl), dating (www.sympatia.pl), internet TV (www.onet.tv), search and location finding services (www.zumi.pl) and mobile web (www.onetlajt.pl).

TVN is also the owner of ITI Neovision Sp. z o.o., operator of the digital platform “n”, which is mainly engaged in direct-to-home distribution of technologically advanced pay television services and generates revenue mainly from program subscription.

On 24 November 2010 the Company changed its name from Strateurop International B.V. to Polish Television Holding B.V.

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.

**2. Registered Office**

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

**3. Auditors**

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

**4. Bankers**

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

ING Bank Śląski S.A.  
Pl. Trzech Krzyży 10/14  
00-499 Warsaw  
Poland

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

**5. Direct subsidiaries**

TVN S.A.  
ul. Wiertnicza 166  
02-952 Warsaw

**6. Indirect subsidiaries**

**Television Broadcasting and Production**

- Tivien Sp. z o.o.  
ul. Augustówka 3  
02-981 Warsaw
- Thema Film Sp. z o.o.  
ul. Powsińska 4  
02-920 Warsaw
- El-Trade Sp. z o.o.  
ul. Wiertnicza 166  
02-952 Warsaw
- NTL Radomsko Sp. z o.o.  
ul. 11 Listopada 2  
97-500 Radomsko

**DTH pay TV**

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

**Online**

- Grupa Onet.pl S.A.  
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 05, Malta
- Sun Web Sp. z o.o.  
ul. G. Zapolskiej 44  
30-126 Cracow

**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.  
(formerly Neovision Holding B.V.)  
De Boelelaan 7  
NL-1083 Amsterdam  
The Netherlands

- TVN Finance Corporation III AB  
Stureplan 4 c 4 tr  
114 35 Stockholm, Sweden
- TVN Finance Corporation II AB  
Stureplan 4 c 4 tr  
114 35 Stockholm, Sweden
- TVN Finance Corporation plc  
in member's voluntary liquidation  
One London Wall  
London EC2Y 5EB, UK

**7. Indirect 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

**8. Indirect 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

**9. Management Board**

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

**Management's discussion and analysis of financial  
condition and results of operations**

**Overview**

The Company is a holding company whose principal investment is the investment in 180,355,430 ordinary shares of TVN S.A. ("TVN"), representing approximately 52.48% of TVN's outstanding shares as of 30 June 2011. On 19 November 2010 the Company issued 260,000 Secured Notes ("Secured Notes") with an annual interest rate of 11.25%. Further to provisions of the governing indenture ("Indenture"), from 15 November 2014 this rate will be increased by 2% until maturity date. The Secured Notes were released at a purchase price of 97.5% for a total consideration of 253,500, pay interest semi-annually (on 15 May and 15 November) beginning 15 May 2011 and mature on 15 May 2017. The Secured Notes are collateralised with registered shares representing a 51.46% controlling stake in TVN S.A. (not in thousands: 176,855,430 ordinary shares), which are not admitted to trading on the Warsaw Stock Exchange and cash held in a cash collateral account.

The Company applies in its statements the fair market value approach by referring to the traded share price of TVN shares on the Warsaw Stock Exchange. Given the different nature of the collateral shares (registered) and the package being a controlling stake in TVN, the fair market value may not reflect the full value of the collateral.

**Results of operations**

***Six months ended 30 June 2011 compared to six months ended 30 June 2010***

The Company's results are driven by the changes in fair value of TVN shares, which are listed on the Warsaw Stock Exchange and the dividends received thereon. During the six months ended 30 June 2011 the fair value of the Company's holding in TVN shares decreased by 43,592 from 778,748 as of 31 December 2010 to 735,156 as of 30 June 2011. The decrease arose solely from the change in market value of TVN shares. The dividend income from TVN amounted to 1,809 and 14,029 during the six months ended 30 June 2011 and 30 June 2010 respectively. The reduction was a result of PLN 0.04 (not in thousands) dividend per share awarded this year as compared to PLN 0.31 (not in thousands) dividend per share distributed last year. TVN has a dividend policy to pay between 30% to 50% of its annual net profit as dividend, depending on TVN's cash availability, debt covenants and statutory distributable reserves.

The Company recorded finance expense, net in the amount of 16,297 for the six months ended 30 June 2011 compared to finance income, net in the amount of 963 for the six months ended 30 June 2010. The primary reason for the income decrease was a decline in finance income, due to no interest income recorded on loans to related parties during the six months ended 30 June 2011, compared to 3,960 interest earned during the six months ended 30 June 2010 as well as due to no interest income on available for sale financial assets recorded during the six months ended 30 June 2011, compared to 2,245 interest income on available for sale financial assets earned during the six months ended 30 June 2010. Further to this, during the six months ended 30 June 2010 the Company recorded 4,846 income on the sale of part of an investment in TVN 2017 Notes. No such income was derived in the six months ended 30 June 2011. In addition, in the six months ended 2011 there was a significant increase in finance costs, attributable to the growth in interest expenses relating to Secured Notes (14,625) as compared with interest costs borne on the 320,000 Facility (6,539). Despite lower nominal value of the Secured Notes, the applicable interest rate (11.25%) is substantially higher than that of the former debt instrument (4.50%).

**Liquidity and capital resources**

*Six months ended 30 June 2011 compared to six months ended 30 June 2010*

The Company does not conduct any operating activity of its own and therefore relies (i) on its own cash holdings and (ii) dividend income from TVN.

As of 30 June 2011 the company held a cash balance of 43,409 in a restricted bank account, established to ensure debt service on the Secured Notes. During the corresponding period in 2010 the Company maintained a cash balance of 14,880 in restricted accounts for debt service on the 320,000 Facility. Accordingly, we set forth below a discussion of the stand-alone cash flows of the Company.

The table below summarizes our cash flows for each of the six month periods ended 30 June 2010 and 2011:

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
Net cash used in operating activities	(839)	(3,071)
Net cash generated from investing activities	1,842	90,823
Net cash used in financing activities	(1,834)	(87,669)
(Decrease)/increase in cash and cash equivalents	(831)	83

*Net cash used in operating activities*

Net cash used in operating activities includes cash used in operations and also reflects VAT paid. Net cash generated from operating activities primarily consists of receipts from loan receivables and unsettled payables towards related parties. Net cash used in operating activities during the six months ended 30 June 2011 amounted to (839). Net cash used in operating activities during the six months ended 30 June 2010 amounted to (3,071) and mainly resulted from an increase in receivables from related parties.

*Net cash generated by investing activities*

Net cash generated from investing activities amounted to 1,842 in the six months ended 30 June 2011, compared to 90,823 in the six months ended 30 June 2010. The decrease in net cash generated from investing activities during the six months ended 30 June 2011 was due to lower dividends received from TVN in comparison with the six months ended 30 June 2010 and due to proceeds from sale of TVN 2017 Notes received during the period ended 30 June 2010.

*Net cash used in financing activities*

During the six months ended 30 June 2011 the amount of cash used in financing activities was (1,834), compared to (87,669) used during the six months ended 30 June 2010. The net cash used in financing activities during the six months ended 30 June 2011 reflects settlement of interest on the Secured Notes. Net cash used in financing activities during the six months ended 30 June 2010 represents interest settlement on the 320,000 Facility and partial repayment of the 320,000 Facility, for which part of the funds was raised via sale of TVN 2017 Notes.

**Liquidity position of the Company on a stand-alone basis**

The Company maintains sufficient cash to meet its interest payment obligations as they become due and its management regularly monitors expected cash flows. The Company believes that its cash balances, including restricted cash, and cash distributions from the TVN that it expects to obtain will be sufficient to fund these needs. However, if the operating cash flows of the TVN Group are negatively affected by a prolonged economic slow-down or financial difficulties of the TVN's customers, or if the TVN Group's net distributable profits are negatively affected by movement in foreign exchange rates, or if there is a change in TVN's dividend policy or ability to distribute dividends under the indentures relating to the TVN 2017 Notes or the TVN 2018 Notes, the Company may not have sufficient cash or, at a minimum, would need to review its cash needs to ensure that its existing obligations can be met for the foreseeable future.

As at 30 June 2011, on a stand-alone basis, the Company had cash and cash equivalents of 291 and restricted cash in the amount of 43,409 compared to 1,122 and 55,875 as at 31 December 2010. The restricted cash is held as a reserve for payment of interest and charges due on the Secured Notes.

**Financing activities*****Six months ended 30 June 2011 compared to six months ended 30 June 2010***

The Company's sole debt is the Secured Notes. These notes had been issued on 19 November 2010 in the nominal amount of 260,000. They are collateralized with 176,855,430 (not in thousands) registered TVN shares. The interest rate on the notes is fixed and interest is paid semi annually.

**Off-balance sheet arrangements**

As of 30 June 2011 the Company had no off-balance sheet liabilities.

**Contractual obligations and commercial commitments**

As of 30 June 2011 the Company had no contractual obligations and commercial commitments other than in connection with the Secured Notes and the related Indenture, which imposes certain restrictions on the Company's activities.

**Share buyback program**

There has been no share buyback program launched by the Company during the six months ended 30 June 2011 and 30 June 2010.

**Significant accounting policies**

These significant accounting policies are not intended to be a comprehensive list of all of the Company's accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by IFRS, with no need for management's judgment in their application. There are also areas in which the exercise of management's judgment in selecting an available alternative would not produce a materially different result.

## **Polish Television Holding B.V.**

### **Management's Discussion and Analysis**

9

**(Expressed in EURO, all amounts in thousands unless stated otherwise)**

---

#### **Consolidation**

As of 30 June 2011 the Company owns 52.48% of the issued and outstanding shares in TVN and consolidates this subsidiary in accordance with the International Financial Reporting Standards adopted by the EU. This document relates to the standalone position and operations of the Company and therefore the consolidated financial statements are not discussed herein. It should be read in conjunction with the interim consolidated financial statements.

#### **Reclassification of intercompany loans**

On 30 September 2010, the Company signed amendments to its loan agreements with ITI Holdings S.A., ITI Media Group N.V. ("ITI Media Group") and N-Vision B.V. It was agreed that the repayment date of loan facilities will be extended until 31 December 2020 and the Borrowers, at their discretion, may accelerate or extend the repayment of both principal and interest for an additional term commencing upon the expiration of the original term. As a result of such amendment, these instruments are presented as equity instruments, which decrease the equity shown in the Company's financial statements as of 30 June 2011 and 31 December 2010. Following the reclassification of the above loans to equity, from 1 October 2010 interest income from these loans is no longer recognised.

#### **New accounting pronouncements**

New accounting pronouncements are described in detail in the notes to the financial statements.

#### **Quantitative and qualitative disclosure relating to market risks**

On a stand-alone basis, the Company is exposed to the foreign currency risk, in that depreciation of Polish zloty reduces the net income of the TVN Group and consequently the base for dividends distributable to the Company. This in turn affects the Company's ability to service the interest payments on the Secured Notes.

#### **Management expectations**

The Company does not conduct any operating activity other than investment holding and debt servicing. It is expected that future dividends on investment held together with cash restricted for servicing interest will be sufficient to satisfy the Company's ongoing obligations.

#### **Ownership structure**

The Company is directly owned by ITI Media Group N.V. (55.06 %) and N-Vision B.V (44.94 %).

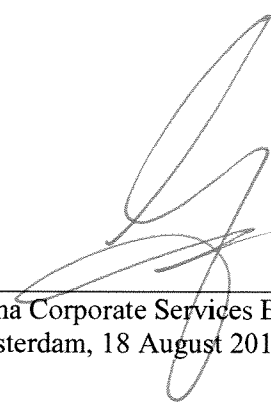
**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

---

Approval of the Interim Separate Financial Statements

These interim separate financial statements as of and for the six month period ended 30 June 2011 presented on pages from 13 to 34 comprising the Separate Statement of Comprehensive Income, Separate Statement of Financial Position, Separate Statement of Changes in Shareholders' Equity, Separate Statement of Cash Flows and the notes to the Interim Separate Financial Statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") applicable to the Interim Financial Reporting and are audited.

On behalf of the Management Board of Polish Television Holding B.V.



---

Duma Corporate Services B.V.  
Amsterdam, 18 August 2011



## **Independent Auditor's Report**

To the Shareholders of Polish Television Holding B.V.

We have audited the accompanying interim separate financial statements of Polish Television Holding B.V. (the "Company"), which comprise the interim separate statement of financial position as at 30 June 2011 and the interim separate statements of comprehensive income, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the interim separate financial statements**

Management is responsible for the preparation and fair presentation of these interim separate financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union applicable to the Interim Financial Reporting, and for such internal control as management determines is necessary to enable the preparation of interim separate 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 interim separate 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 interim separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim separate 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 interim separate 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 interim separate 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 interim separate financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2011, and its financial performance and its cash flows for the six months period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union applicable to the Interim Financial Reporting.

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



**Other Matter – Prior period interim separate financial statements not audited**

The interim separate financial statements of the Company as at 30 June 2010 and for the six months period then ended were not audited or reviewed by us.

*PricewaterhouseCoopers Sp. z o.o.*

PricewaterhouseCoopers Sp. z o.o.

Warsaw, Poland

August 18, 2011

**Polish Television Holding B.V.**  
**Separate Statement of Comprehensive Income**

13

(Expressed in EURO, all amounts in thousands unless stated otherwise)

	Note	Six months ended 30 June 2011 (Audited)	Six months ended 30 June 2010 (Unaudited)
Fair value (losses)/gains	2	(43,592)	66,527
Dividend income	8	1,809	14,029
<b>Total operating (expense)/income</b>		<b>(41,783)</b>	<b>80,556</b>
Consulting fee		(138)	(174)
<b>Operating (loss)/profit</b>		<b>(41,921)</b>	<b>80,382</b>
Finance income	3	83	11,629
Finance costs	4	(16,380)	(10,666)
<b>(Loss)/profit before tax</b>		<b>(58,218)</b>	<b>81,345</b>
Tax expense	5	-	(1)
<b>(Loss)/profit for the period</b>		<b>(58,218)</b>	<b>81,344</b>
Other comprehensive income for the period		-	-
<b>Total comprehensive (expense)/income for the period</b>		<b>(58,218)</b>	<b>81,344</b>

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

**Polish Television Holding B.V.**  
**Separate Statement of Financial Position**

14

(Expressed in EURO, all amounts in thousands unless otherwise stated)

	Note	30 June 2011 (Audited)	31 December 2010 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment – financial assets at fair value through profit or loss	2	735,156	778,748
Restricted cash	6	14,159	26,950
		<b>749,315</b>	<b>805,698</b>
<b>Current assets</b>			
Tax receivable		785	785
Cash and cash equivalents	6	291	1,122
Restricted cash	6	29,250	28,925
		<b>30,326</b>	<b>30,832</b>
<b>TOTAL ASSETS</b>		<b>779,641</b>	<b>836,530</b>
 <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	7	1,849	1,849
Share premium		533,707	533,707
Other equity instruments	8	(248,544)	(248,544)
Accumulated profits		245,965	304,183
		<b>532,977</b>	<b>591,195</b>
<b>Non-current liabilities</b>			
Borrowings due to related parties	8	6	6
Borrowings due to third parties	9	242,834	241,103
		<b>242,840</b>	<b>241,109</b>
<b>Current liabilities</b>			
Liabilities due to third parties		55	554
Accrued interest on borrowings	9	3,656	3,331
Other liabilities and accruals		113	341
		<b>3,824</b>	<b>4,226</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>779,641</b>	<b>836,530</b>

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

**Polish Television Holding B.V.****Separate Statement of Changes in Shareholders' Equity**

15

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

	<b>Number of shares issued (not in thousands)</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other equity instruments</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2010 (Audited)</b>	<b>1,849,105</b>	<b>1,849</b>	<b>533,707</b>	<b>-</b>	<b>146,893</b>	<b>682,449</b>
Total comprehensive income for the period	-	-	-	-	81,344	81,344
<b>Balance at 30 June 2010 (Unaudited)</b>	<b>1,849,105</b>	<b>1,849</b>	<b>533,707</b>	<b>-</b>	<b>228,237</b>	<b>763,793</b>
<b>Balance at 1 January 2011 (Audited)</b>	<b>1,849,105</b>	<b>1,849</b>	<b>533,707</b>	<b>(248,544)</b>	<b>304,183</b>	<b>591,195</b>
Total comprehensive (loss) for the period	-	-	-	-	(58,218)	(58,218)
<b>Balance at 30 June 2011 (Audited)</b>	<b>1,849,105</b>	<b>1,849</b>	<b>533,707</b>	<b>(248,544)</b>	<b>245,965</b>	<b>532,977</b>

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

**Polish Television Holding B.V.****Separate Statement of Cash Flows**

16

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

	<b>Six months ended 30 June 2011 (Audited)</b>	<b>Six months ended 30 June 2010 (Unaudited)</b>
<b>(Loss)/profit before tax</b>	<b>(58,218)</b>	<b>81,344</b>
Adjustments for:		
Fair value losses/(gains) on equity investment	43,592	(66,527)
Finance costs/(income) net	16,297	(963)
Dividend income	(1,809)	(14,029)
Taxation paid	-	(785)
Increase in trade receivables	-	(2,547)
(Decrease)/increase in creditors	(701)	436
<b>Net cash flow used in operating activities</b>	<b>(839)</b>	<b>(3,071)</b>
<b>Investing activities</b>		
Dividends received from subsidiaries	1,838	13,753
Loans advanced to related parties	-	100
Transaction costs – sale of TVN 2017 Notes	-	(2,505)
Interest received	4	1,695
Proceeds from sale of TVN 2017 Notes	-	77,350
FV gain on foreign exchange forwards	-	430
<b>Net cash flow generated from investing activities</b>	<b>1,842</b>	<b>90,823</b>
<b>Net cash inflow before financing</b>	<b>1,003</b>	<b>87,752</b>
<b>Financing activities</b>		
Bank charges	-	(153)
Long-term loans repaid	-	(80,000)
Fees related to 320,000 Facility	-	(5,472)
Interest paid	(14,300)	(6,690)
Decrease in restricted cash	12,466	4,646
<b>Net cash flow used in financing activities</b>	<b>(1,834)</b>	<b>(87,669)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(831)</b>	<b>83</b>
<b>Movement in cash and cash equivalents</b>		
At beginning of the period	1,122	192
(Decrease)/increase	(831)	83
<b>At end of the period</b>	<b>291</b>	<b>275</b>

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

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

## **1. Accounting policies**

### **Basis of preparation**

These separate financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”), issued and effective as at the balance sheet date applicable to the Interim Financial Reporting.

The Company has prepared these separate financial statements to present the financial position as of and results of its operations for the six months ended 30 June 2011 independently from those of its subsidiaries. The Company is a holding entity and its results are driven mainly by changes in the fair value of TVN shares and dividends. Its subsidiary TVN derives its revenue from regular business operations. Due to the different nature of activities of the Company and its subsidiaries, presentation of the Company’s results solely on a consolidated basis, i.e. in conjunction with those of the TVN Group, could not deliver sufficient information to the stakeholders of the Company.

The Company also prepares consolidated financial statements in accordance with IFRS as adopted by the EU for Polish Television Holding B.V. and its subsidiaries (the “PTH Group”). In the consolidated financial statements subsidiaries, 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 fully consolidated. Users of these stand-alone financial statements should read these stand-alone financial statements together with the consolidated financial statements of the PTH Group as at and for the six month period ended 30 June 2011 in order to obtain full information on the financial position, results of operations and changes in financial position of the PTH Group as a whole.

The consolidated financial statements are authorized for issue at the same date as these separate financial statements.

The separate financial statements are prepared on the assumption that the Company is a going concern and will continue in operational existence in the foreseeable future. The management does not intend to liquidate the Company or cease trading nor is aware of any circumstances that would require liquidation or cessation of business in the near future. The ability of the Company to meet its liabilities when they become due is monitored on the basis of cash flow projections prepared periodically. As at 30 June 2011 the Company maintained cash reserves significantly in excess of anticipated interest payments and operating expenses for the next twelve months. Therefore, at the time of preparation of these financial statements there was no evidence of problems with fulfillment of financial obligations by the Company.

The Company also prepares on annual basis separate financial statements in accordance with accounting principles generally accepted in the Netherlands for statutory purposes.

The Company has prepared these separate financial statements to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. The operation of the Company is not seasonal.

The accounting policies used in the preparation of the separate financial statements as of and for the six month period ended 30 June 2011 are consistent with those used in the audited financial statements for the year ended 31 December 2010 except for new accounting policies described below and interpretations which became effective 1 January 2011.

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

**1. Accounting policies (continued)**

The following standards and interpretations were adopted by the Company during the six months ended 30 June 2011:

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

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

**(ii) IFRS Improvements 2010**

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

**(iii) Amendment to IAS 32 Classification of Rights Issues**

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

**(iv) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

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

**(v) Revised IAS 24 Related Party Disclosures**

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

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

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

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

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

These separate financial statements are prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit and loss.

**1. Accounting policies (continued)**

**Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). These financial statements are presented in euro (“EURO”), which is the presentation and functional currency of the Company.

**Use of estimates**

The preparation of these financial statements necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from these estimates.

**Foreign currency translation**

Transactions denominated in foreign currencies are translated into the functional currency of the Company at the exchange rate applicable at the date of the transaction. Gains and losses resulting from settlement of such transactions and the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss in the period in which they arise.

**Share capital and other equity elements**

*Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to its equity holders 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 equity attributable to the Company’s equity holders. Where the purchase of the Company’s equity share capital is made via a distribution of the company’s assets to its equity holders, the treasury shares are recognised at the carrying value of the assets distributed.

*Other equity instruments*

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 (See Note 8).

**Financial instruments**

Financial instruments carried on the balance sheet include cash and bank balances, restricted cash, receivables, financial assets at fair value through profit or loss, payables and borrowings.

**1. Accounting policies (continued)**

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**Financial assets**

The Company has financial assets classified into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments, as appropriate.

Investment is classified as financial assets at fair value through profit or loss if it is held for trading or is designated as at fair value through profit or loss on initial recognition.

Investments in subsidiaries are classified as financial assets at fair value profit or loss designated to this category on initial recognition as the investment is managed and its performance is evaluated on a fair value basis, in accordance with a documented strategy and information about the group is provided internally on that basis to the entity's key management personnel.

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 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.

Non-derivative investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, or not classified in any of the other categories, are classified as available-for-sale. These are included in non-current available-for-sale investments unless management has expressed the intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold raising operating capital, in which case they are included in current assets as current available-for-sale investments.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company 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. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as gains and losses from investment securities.

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 Company 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 issuer's specific circumstances.

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

**1. Accounting policies (continued)**

The loans and receivables are measured at amortised cost. The Company assesses at each balance sheet date whether there is objective evidence that loans and receivables are impaired. If there is an indicator that an impairment exists, the carrying amounts of loans and receivables is compared to the net present value of the estimated future cash flows discounted at the financial asset's original effective interest rate; any impairment reduces carrying amount of the financial asset.

**Receivables from related parties**

Receivables are recognised initially at fair value and subsequently carried at amortised cost. The carrying amounts of all receivables at the balance sheet date are compared to the net present value of the anticipated cash flows and any impairment arising from expected non-recovery or late payment deducted from the carrying amount. Bad debts are written off when identified.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, call deposits with banks, and investments with maturities of less than three months from the date of acquisition.

**Restricted cash**

Restricted cash primarily represents amounts held by financial institutions as collateral on guarantees given by these financial institutions on behalf of the Company, or cash that is kept on bank accounts of the Company, which for contractual reasons may only be spent by the Company for specific purposes. Restricted cash is allocated between current and non-current assets based on contractual terms for releasing the collateral.

**Borrowings**

The Company recognises its borrowings initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

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

**Provisions**

Provisions are recognised when the Company 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.

**Dividends**

Dividends declared are recognised as liabilities in the Company's financial statements in the period in which the dividends are approved by the Annual General Shareholders' Meeting.

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

**1. Accounting policies (continued)**

**Income recognition**

Interest income on loans is recognised using the effective interest rate. As the effective interest rate on loans approximates the nominal rate, interest is accounted for as it accrues. Dividend income is recognised when the shareholder's right to receive payment is established.

**Tax expense**

Current tax expense is recognised in accordance with the applicable tax law of the Netherlands.

**Deferred income tax**

Deferred income tax is provided in full, using the liability method, for all temporary differences between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

**Comparatives**

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

**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 separate and consolidated financial statements that are mandatory for accounting periods beginning on or after 1 January 2012. The Company's assessment of the impact of these new standards and amendments to standards on the Company's separate financial statements is set out below.

**(i) IFRS 10 Consolidated Financial Statements**

The standard was published on 12 May 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

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

**1. Accounting policies (continued)**

periods beginning on or after 1 January 2013. The standard will not have an impact on the Company's separate financial statements.

**(ii) IFRS 11 Joint Arrangements**

The standard was published on 12 May 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 1 January 2013. The standard will not have impact on the Company's separate financial statements.

**(iii) IFRS 12 Disclosure of Interests in Other Entities**

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

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

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

**(iv) IFRS 13 Fair Value Measurement**

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

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

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

**(v) Amended IAS 27 Separate Financial Statements**

The amended standard was published on 12 May 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 1 January 2013. The amended standard will not affect the Company's separate financial statements.

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

The standard was published on 12 May 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

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

**1. Accounting policies (continued)**

investments in associates and joint ventures. The standard applies for annual periods beginning on or after 1 January 2013. The amended standard will not affect the Company's separate financial statements.

**(vii) Amendments to IAS 19 Employee Benefits**

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

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

The amendments were published on 16 June 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 statement of comprehensive income. 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 1 July 2012.

The amendments will not have significant impact on the Company's separate financial statements.

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

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

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

- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*
- *IFRS 9 Financial Instruments*
- *Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- *Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*
- *IFRS 13 Fair Value Measurement*
- *Amended IAS 27 Separate Financial Statements*
- *Amended IAS 28 Investments in Associates and Joint Ventures*

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

**1. Accounting policies (continued)**

- *Amendments to IAS 19 Employee Benefits*
- *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*

**2. Investments in subsidiaries**

The Company had the following direct investments in subsidiaries, which are carried at fair value through profit or loss:

Name of Company	Country of incorporation	30 June 2011 Number of shares (not in thousands)	30 June 2011 % of ownership interest	31 December 2010 Number of shares (not in thousands)	31 December 2010 % of ownership interest
TVN S.A.	Poland	180,355,430	52.48%	180,355,430	52.68%

The change in % of ownership interest is entirely due to the stock option plan carried out by TVN S.A. When options granted by TVN S.A. are exercised, TVN S.A. issues ordinary shares and as a consequence the Company's ownership percentage in TVN S.A. becomes diluted.

The movements in the value in respect of these investments were as follows:

	Six months ended 30 June 2011 (Audited)	Six months ended 30 June 2010 (Unaudited)	Twelve months ended 31 December 2010 (Audited)
At the beginning of the period	778,748	627,349	627,349
Fair value (loss)/gain	(43,592)	66,527	151,399
<b>Net book amount at the end of the period</b>	<b>735,156</b>	<b>693,876</b>	<b>778,748</b>

The bearer shares of TVN S.A. are quoted on the Warsaw Stock Exchange, whilst the ownership interest of 52.48% is in unquoted registered shares. For the purposes of the valuation in these financial statements, the value of investments in subsidiaries was based on quotations of TVN S.A. bearer shares on the Warsaw Stock Exchange as at 30 June 2011, and amounted to 735,156 (778,748 as at 31 December 2010) (level 1 under IFRS 7 – quoted prices in active markets).

The summarized financial information of subsidiaries comprise the TVN Group's consolidated data:

	30 June 2011 (Audited)	31 December 2010 (Audited)
Assets	1,251,641	1,310,881
Liabilities	934,235	998,105

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

**2. Investments in subsidiaries (continued)**

	<b>Six months ended 30 June 2011 (Audited)</b>	<b>Six months ended 30 June 2010 (Unaudited)</b>
Revenues	330,310	301,023
Profit/(loss) for the period	6,935	(7,744)

The PLN/EUR exchange rate as at 30 June 2011 amounted to 3.9866 (as at 31 December 2010: 3.9603). The average PLN/EUR exchange rate for the six months ended 30 June 2011 amounted to 3.9537 (for the six months ended 30 June 2010: 3.9993).

**3. Finance income**

	<b>Six months ended 30 June 2011 (Audited)</b>	<b>Six months ended 30 June 2010 (Unaudited)</b>
Interest income on loans receivable from related parties (see Note 8)	-	3,960
Interest income on available for sale financial assets (see Note 8)	-	2,245
Interest income from bank deposits	4	-
Foreign exchange gains	45	578
Refund of bank charges	34	-
Gain on sale of available for sale financial assets (see Note 8)	-	4,846
	<b>83</b>	<b>11,629</b>

**4. Finance costs**

	<b>Six months ended 30 June 2011 (Audited)</b>	<b>Six months ended 30 June 2010 (Unaudited)</b>
Foreign exchange losses	(24)	(317)
Bank charges	-	(153)
Interest on bank loans	-	(6,539)
Interest on Secured Notes	(14,625)	-
Amortisation and write-off of issuance costs related to bank loans and Secured Notes	(1,731)	(3,657)
	<b>(16,380)</b>	<b>(10,666)</b>

**5. Tax expense**

	<b>Six months ended 30 June 2011 (Audited)</b>	<b>Six months ended 30 June 2010 (Unaudited)</b>
Current tax expense	-	(1)
	<b>-</b>	<b>(1)</b>

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

**5. Tax expense (continued)**

Deferred income tax is provided in full, using the liability method, for all temporary differences between the tax base of assets and liabilities and their carrying values for financial reporting purposes. As at the balance sheet date such temporary differences did not occur.

**Reconciliation of accounting profit/(loss) to tax expense**

	<b>Six months ended 30 June 2011 (Audited)</b>	<b>Six months ended 30 June 2010 (Unaudited)</b>
(Loss)/profit before income tax	(58,218)	81,345
Tax for the period at the statutory rate (from 20% up to 25.5% for 2011 and 2010)	14,835	(20,732)
Effect of non-taxable income (expense), net	(14,835)	20,731
<b>Tax for the period</b>	<b>-</b>	<b>(1)</b>

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. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

**6. Cash and cash equivalents**

	<b>30 June 2011 (Audited)</b>	<b>31 December 2010 (Audited)</b>
Cash and cash equivalents	291	1,122
Current portion of restricted cash	29,250	28,925
Non-current portion of restricted cash	14,159	26,950
	<b>43,700</b>	<b>56,997</b>

The restricted cash is held for interest payments relating to the Secured Notes issued by the Company on 19 November 2010. The level of restricted cash is defined in the Indenture governing the Secured Notes.

**7. Share capital (amounts per share not in thousands)**

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

The total number of ordinary shares in issue as at 30 June 2011 and as at 30 June 2010 was 1,849,105 (not in thousands) with a par value of 1 (not in thousands) per share. All issued shares are fully paid.

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

**7. Share capital (amounts per share not in thousands) (continued)**

The shareholders structure as at 30 June 2011 is presented below:

<b>Shareholder</b>	<b>Number of shares (not in thousands)</b>	<b>% of share capital</b>	<b>Number of votes (not in thousands)</b>	<b>% of votes</b>
ITI Media Group N.V. <sup>(1)</sup>	1,018,152	55.06%	1,018,152	55.06%
N-Vision B.V. <sup>(1)</sup>	830,953	44.94%	830,953	44.94%
<b>Total</b>	<b>1,849,105</b>	<b>100.00%</b>	<b>1,849,105</b>	<b>100.00%</b>

<sup>(1)</sup> Entity controlled by ITI Group

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

**8. Related-party transactions**

The ultimate controlling party is disclosed in Note 7 .

**Due to related parties after one year**

	<b>30 June 2011 (Audited)</b>	<b>31 December 2010 (Audited)</b>
ITI Media Group N.V.	6	6
<b>Total</b>	<b>6</b>	<b>6</b>

**Loans receivable and receivable from related parties**

The Company extended in the past certain loans to entities under common control of its ultimate shareholders. As at 30 September 2010 174,654 principal and 30,846 interest was outstanding for the ITI Holdings loan and 14,116 principal and 11,528 interest for the N-Vision B.V. loan. On 19 November 2010 1,000 of the Secured Notes was sold to N-Vision B.V. for 1,100. Further to an understanding signed on 19 November 2010 the receivable that arose was converted into a loan and classified as a regular drawing under the existing loan agreement between the Company and N-Vision B.V.

On 30 September 2010 the Company converted its current trade receivables from ITI Media Group N.V. of 16,300 into a loan with a repayment date of 31 December 2020. On the same date, the Company, ITI Holdings and N-Vision B.V. signed amendments to their loan agreements. It was agreed that the repayment date of all loans facilities provided by the Company will be extended until 31 December 2020 and ITI Media Group N.V., ITI Holdings and N-Vision B.V., at their discretion, may accelerate or extend the repayment date indefinitely of both principal and interest for an additional term commencing upon the expiration of the original term. The revision of the terms resulted in changing the nature of those financial instruments from loans to equity instruments in that the repayment date is outside the

Company's control and is fully dependent on decisions of entities controlled by their ultimate shareholder.

**8. Related-party transactions (continued)**

Therefore as of 31 December 2010 and 30 June 2011 loans receivable from related parties in the total amount of 248,544 are presented as part of the Company's equity in "Other equity instruments".

**Management Board remuneration**

No remuneration was paid by the Company to its Management Board members during the six months ended 30 June 2011 nor during the six months ended 30 June 2010.

**Acquisition of TVN 2017 Notes**

On 10 March 2010 the Company received 111,000 bonds issued by TVN Finance Corporation II AB ("TVN 2017 Notes") as part of the purchase price for the acquisition by TVN S.A. from the ITI Group of the remaining 49% equity interest in DTH Poland Holding Coöperatief U.A. (former Neovision Holding B.V.) and the loans receivable from this entity. Out of 111,000 bonds 80,353 was received by PTH directly from TVN Group as it related to ITI Neovision's Sp. z o.o. payables to the Company and 30,647 was transferred by ITI Media Group N.V. as a settlement of like amount of loans receivable from N-Vision B.V., affiliate of ITI Media Group N.V. The TVN 2017 Notes paid interest semi-annually (on 15 May and 15 November) at 10.75% and were classified as available-for-sale investment.

On 20 April 2010 70,000 of the TVN 2017 Notes were sold for 77,350. On 19 November 2010 1,000 of the Notes was sold to N-Vision for 1,100. The remaining 40,000 were traded on 26 November 2010 for a total consideration of 43,000. Taking into account transaction costs, until 30 June 2010 the Company recognized a gain on sale of TVN 2017 Notes in the amount of 4,846 (see Note 3).

**Dividend income from subsidiaries**

On 5 May 2011 the Company received a dividend of 1,809 (six months ended 30 June 2010: 14,029) from TVN S.A., in which at the time of the dividend, the Company held an interest of 52.54%. The dividend was paid in cash.

**Deferred pre-issuance costs**

A part of the deferred pre-issuance costs included in third party non-current liabilities in the amount of 2,370 was paid to ITI Services Ltd for services rendered in connection with the issue Secured Notes (see note 9).

**9. Non-current borrowings from third parties**

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<b>(Audited)</b>	<b>(Audited)</b>
Borrowings due to third parties	242,834	241,103
Accrued interest on borrowings	3,656	3,331
	<u><b>246,490</b></u>	<u><b>244,434</b></u>

During the six months ended 30 June 2011 no new debt or equity instruments have been issued.

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

**9. Non-current liabilities (continued)**

On 21 November 2007, as amended on 31 August 2009 and as further amended on 10 March 2010, the Company entered into a 320,000 Facility with a bank consortium. The Facility was a dual currency facility maturing on 21 November 2012. The interest rate was based on EURIBOR or WIBOR plus a margin. The Facility required the Company to maintain certain levels of profitability and liquidity ratios common for borrowing transactions. The Facility was collateralized with 180,355,430 (not in thousands) unlisted registered shares representing a controlling stake in TVN S.A., and included a number of restrictive covenants, which related to the Company, including restrictions on additional indebtedness and the ability to extend loans. The proceeds of the 320,000 Facility were (i) used to refinance the 210,000 Facility entered into by ITI Holdings S.A., (ii) 30,000 were put into escrow (see Note 6) and (iii) the remainder was lent to the ITI Group to fund the development of ITI Neovision Sp. z o.o. the operator of the n platform. The collateral was made up entirely of TVN registered shares, which are not admitted to trading on the Warsaw Stock Exchange. On 10 March 2010 10,000 out of the 320,000 Facility was repaid with funds deposited by the Company in the escrow account. On 20 April 2010 another 70,000 was paid off from proceeds from the disposal of 70,000 TVN 2017 Notes. The remaining loan balance was repaid by the Company on 19 November 2010.

On 19 November 2010 the Company issued 260,000 Secured Notes (“Secured Notes”) with an annual interest rate of 11.25%. Further to provisions of the governing indenture (“Indenture”), from 15 November 2014 it will be increased by 200 b.p. until maturity date. The Secured Notes were released at a purchase price of 97.5% for a total consideration of 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 12,695 and mainly related to dealers commission, legal services, auditor fees and printing. 2,651 of this amount was paid to ITI Services Ltd (see note 8). The Secured Notes 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 as at 30 June 2011 a 51.46% controlling stake in TVN S.A. which are not admitted to trading on the Warsaw Stock Exchange and cash held in cash collateral account (see note 6).

The fair value of the Secured Notes, excluding accrued interest, as at 30 June 2011 was estimated to be 276,874. The fair value of the Secured Notes reflects their market price quoted by Reuters based on the last value date on 30 June 2011. The Secured Notes are quoted on the Luxembourg Stock Exchange.

The following early prepayment options are included in the Secured Notes:

- the Company may redeem all or part of the Secured Notes on or after 15 November 2013 at a redemption price ranging from 105.906% to 100.000%
- the Secured Notes may be redeemed, at the option of the Company, in whole but not in part, at any time, at a price equal to 100% of the aggregate principal amount plus accrued and unpaid interest, if any, up to the redemption date as a result of certain defined changes in tax laws or official interpretations regarding such laws
- if change of control over TVN S.A. or the Company or ITI Media Group or ITI Holdings occurs, each registered holder of the Secured Notes will have the right to require the Company to repurchase all or any part of such holder’s notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase.
- prior to 15 November 2013, the Company may on any one or more occasions redeem up to 35% of the original principal amount of the Secured Notes with the net cash proceeds of one or more public equity offerings at a redemption price of 107.875% of the principal amount plus accrued and unpaid interest, if any, up to the redemption date

**9. Non-current liabilities (continued)**

- at any time prior to 15 November 2013, the Company has also an option to redeem the Secured 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 Secured 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 Secured Notes on the redemption date.

The Company does not account for the early prepayment option embedded in the Secured Notes because it is either closely related to the economic characteristics of the host contract or its fair value was assessed at a level close to nil. The Secured Notes are carried at amortised cost. The Company is therefore not exposed to changes in market price of the Notes.

Funds raised from the issue of Secured Notes were entirely used to pay-off the outstanding balance under the 320,000 Facility and fees and expenses relating to the issue.

**10. Segment information**

In these financial statements segment information is not provided because the Company is a holding company and does not perform operational activity.

**11. Financial risk management**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk, fair value estimation risk, price risk. The Company's overall risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Company's financial performance.

The Company plays the role of an investment holding company in the ITI Group. Financial risks existing at the level of the Company are handled by the Management Board of the Company. The subsidiary of the Company – TVN implemented a Treasury Policy, which lays down the rules to manage financial risk and liquidity, through determination of the financial risk factors to which TVN 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 TVN's (the subsidiary of the Company) 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 vice-president of the Management Board and heads of the teams within TVN'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. Financial planning and analyzing team measure and identify financial risk exposure based on information reported by operating units generating exposure.

The liquidity management team performs analysis of TVN's risk factors, forecasts TVN's cash flows and market and macroeconomic conditions and proposes on cost-effective hedging strategies.

**11. Financial risk management (continued)**

The accounting and reporting team monitors accounting implications of hedging strategies and verifies settlements of the transactions.

**Fair value interest rate risk**

The Company's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing item are the Secured Notes (see note 9).

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

**Credit risk**

Financial assets, which potentially expose the Company to concentration of credit risk, consist principally of cash and restricted cash. The Company considers the concentration of credit risk as significant. The cash and restricted cash is held in a reputable bank thus the credit risk is not significant.

**Capital risk management**

The Company's objectives when managing capital (being equity and liabilities) are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, draw borrowings or sell assets to reduce debt. During the period covered by these financial statements the Company complied with the capital requirements included in the 320,000 Facility agreement (until repayment date) and in the Indenture (see Note 9).

**Liquidity and financing risk**

The Company's operations, including investments are financed through a combination of cash generated from investing activities and bank borrowings. The Company believes that its cash balances, cash generated from investing activities and cash raised through the issue of Notes will be sufficient and if needed additional funding may be obtained to fund these needs.

On a standalone basis the Company's main liquidity need is the interest payment on the Secured Notes (or 320,000 Facility until repayment date) and the funding thereof is mainly dependent on the ability of TVN to pay dividends to its shareholders, including the Company.

**(Expressed in EURO, all amounts in thousands unless otherwise stated)**

**11. Financial risk management (continued)**

The table below analyses the Company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The balances in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. Current and non-current borrowings include both principal and interest payments.

<b>At 30 June 2011 (Audited)</b>	<b>Within 1 year</b>	<b>Between 2-5 years</b>	<b>Above 5 years</b>
Current and non-current borrowings (see Note 9)	29,250	124,800	294,450
Other liabilities and accruals	168	-	-
<b>At 31 December 2010 (Audited)</b>			
Current and non-current borrowings (see Note 9)	28,925	122,200	311,675
Other liabilities and accruals	895	-	-

**Foreign currency risk**

The Company's fair value gains (losses) and the dividend income are denominated in Polish Zloty. The Company's policy in respect of management of foreign currency risks is to cover known risks in a cost efficient manner and that no trading in financial instruments is undertaken. Forward exchange agreements may be entered into to manage currency exposures. Regular and frequent reporting to management is required for all transactions and exposures. No such instruments were entered into in the period ended 30 June 2011. In the period ended 30 June 2010 the Company entered into a forward contract for the sale of PLN 50,000 in exchange for 12,837. The purpose of this transaction was to fix the EUR/PLN rate for conversion of the dividend from TVN from PLN to EUR at an acceptable level. The Company recognized 430 gain on the settlement of this instrument.

The estimated net profit (post-tax) impact resulting from a possible EURO appreciation of 5% (30 June 2010: 5%) against the Polish Zloty is:

	<b>30 June 2011 (Audited)</b>	<b>30 June 2010 (Unaudited)</b>
Investments	(35,007)	(33,042)
<b>Total</b>	<b>(35,007)</b>	<b>(33,042)</b>

**Fair value estimation risk**

The carrying amounts of monetary financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The estimation of fair value of long term investments and the basis therefore is disclosed in Note 2. In Management's assessment the face values less any estimated credit adjustments for the remaining financial assets and financial liabilities with a maturity of more than one year approximate their fair values (excluding Secured Notes which fair value is disclosed in the Note 9).

**Price risk related to Investments**

The shares of TVN are quoted on the Warsaw Stock Exchange. The Company is therefore exposed to decreases in the market price of the TVN shares.

(Expressed in EURO, all amounts in thousands unless otherwise stated)

### 11. Financial risk management (continued)

The profit or loss of the Company would have been affected by changes of the market value of TVN shares (assuming a constant EUR/PLN exchange rate as at 30 June 2011) by the following amounts:

Share price change	<u>30 June 2011</u> <u>(Audited)</u>	<u>30 June 2010</u> <u>(Unaudited)</u>
+ 10%	73,516	69,388
- 10%	(73,516)	(69,388)

### 12. Critical accounting estimates and judgements

The Management of the Company prepared these Separate Financial Statements based on the selection and application of the following major judgments, estimations and key assumptions concerning the future where there is considerable risk whether future events will develop exactly as forecast.

It was agreed that the repayment date of all loans facilities provided by the Company will be extended until 31 December 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. In the opinion of the management such revision of terms resulted in changing the nature of those financial instruments from loan to equity instrument in that the repayment date is outside the Company's control and is fully dependent on decisions of entities controlled by their ultimate shareholder. Therefore as of 30 June 2011 the management believes that those instruments should be presented as part of the Company's equity – Other equity instruments.

### 13. Post Balance Sheet events

On 7 July 2011 ITI Holdings informed that along with its financial advisors J.P.Morgan and Nomura, it is reviewing its strategic options regarding its controlling stake in TVN. No decision has yet been taken with regard to any potential sale.