



Central European Media Enterprises Ltd.
O'Hara House
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PROSPECTUS

Published in connection with the admission of 31,504,464 shares of the Class A common stock of Central European Media Enterprises Ltd. for listing and trading on the Prague Stock Exchange.

The 31,504,464 shares of Class A common stock relate to share issuances to Time Warner Media Holdings B.V. and RSL Capital LLC in private placements to investors outside of the European Economic Area completed prior to the date hereof. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any of these shares or any other securities of the Company to any other person or entity. Such shares have not been registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Such shares were sold pursuant to an exemption from registration under the Securities Act. Such shares are subject to certain restrictions and may not be offered, sold, pledged, hypothecated or otherwise transferred by Time Warner Media Holdings B.V. or RSL Capital LLC within the United States other than pursuant to an effective registration statement under the Securities Act or pursuant to an exemption from registration or otherwise as permitted by law.

Pursuant to Article 36c of the Act no. 256/2004 Coll., on Undertaking on Capital Market, as amended (zákon č. 256/2004 Sb., o podnikání na kapitálovém trhu, ve znění pozdějších předpisů), the Czech National Bank (Česká národní banka) (“**CNB**”) granted file number 2012/10353/570 dated October 26, 2012 on this Prospectus. This Prospectus has been prepared by the issuer and its signatory accepts responsibility for its contents. In accordance with the provisions of Article 36(1) of the Act on Undertaking on Capital Market, the approval was granted after the CNB verified that the document was complete and comprehensible and that the information it contains is easy to analyze. It does not imply that the CNB endorses the proposed transaction nor that it has validated the accounting and financial information presented herein.

Copies of this Prospectus may be obtained free of charge on the website of the Prague Stock Exchange (www.pse.cz).

Prospectus dated October 26, 2012

NOTE TO THE PROSPECTUS

This Prospectus is published in connection with the admission of 31,504,464 shares of the Class A common stock, par value US\$ 0.08 per share (“**Class A common stock**”) of Central European Media Enterprises Ltd. (the “**Company**”) for listing and trading on the Prague Stock Exchange (“**PSE**”). The shares sought for admission consist of (a) 9,901,260 shares of Class A common stock issued to Time Warner Media Holdings B.V. (“**TW Investor**”) and 2,000,000 shares of Class A common stock issued to RSL Capital LLC (“**RSL Investor**”) in private placements on June 15, 2012, (b) 7,516,936 shares of Class A common stock resulting from the conversion of all of the Company’s issued and outstanding shares of Class B common stock, par value US\$ 0.08 per share (“**Class B common stock**”) into Class A common stock on June 15, 2012, and (c) 874,819 shares of Class A common stock issued to TW Investor and 11,211,449 shares of Class A common stock underlying the one share of Series A convertible preferred stock issued to TW Investor in a private placement on July 3, 2012. The (i) 11,901,260 shares of Class A common stock issued to TW Investor and to RSL Investor on June 15, 2012, (ii) 7,516,936 shares of Class A common stock that were issued upon the conversion of all shares of the Company’s Class B common stock on June 15, 2012 and (iii) 874,819 shares of Class A common stock issued to TW Investor on July 3, 2012, and the 11,211,449 shares of Class A common stock underlying the one share of Series A convertible preferred stock issued to TW Investor on such date, are collectively referred to herein as the “**New Shares**.”

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any of the New Shares or any other securities of the Company.

The New Shares have not been registered under the Securities Act. The New Shares were sold pursuant to an exemption from registration under the Securities Act. The New Shares are subject to certain restrictions and may not be offered, sold, pledged, hypothecated or otherwise transferred within the United States by TW Investor or RSL Investor other than pursuant to an effective registration statement under the Securities Act or pursuant to an exemption from registration or otherwise as permitted by law.

The distribution of this Prospectus in certain jurisdictions may be restricted by law, and therefore persons into whose possession this Prospectus comes should inform themselves of and observe any such restrictions.

This Prospectus contains forward-looking statements, including those relating to our capital needs, business strategy, expectations and intentions. Statements that use the terms “believe”, “anticipate”, “expect”, “plan”, “estimate”, “intend” and similar expressions of a future or forward-looking nature identify forward-looking statements for purposes of any applicable securities laws or otherwise. For these statements and all other forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy or are otherwise beyond our control and some of which might not even be anticipated. Forward-looking statements reflect our current views with respect to future events and because our business is subject to such risks and uncertainties, actual results, our strategic plan, our financial position, results of operations and cash flows could differ materially from those described in or contemplated by the forward-looking statements contained in this report.

Important factors that contribute to such risks include, but are not limited to, those factors set forth under Chapter B “Risk Factors” of this Prospectus, in any risk factors or other information that we identify in the documents we incorporate by reference in this Prospectus, as well as the following: the effect of the economic downturn and Eurozone instability in our markets and the extent and timing of any recovery; the extent to which our debt service obligations restrict our business; decreases in TV advertising spending and the rate of development of the advertising markets in the countries in which we operate; our ability to make future investments in television broadcast operations; changes in the political and regulatory environments where we operate and application of relevant laws and regulations; the timely renewal of broadcasting licenses and our ability to obtain additional frequencies and licenses; and our ability to develop and acquire necessary programming and attract audiences. The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included in this Prospectus. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise.

This Prospectus, which contains material information concerning Central European Media Enterprises Ltd., is a prospectus prepared for purposes of Article 36 Act on Undertaking on Capital Market pursuant to Article 25 of Commission Regulation (EC) No 809/2004 of April 29, 2004, as amended (the “**Prospectus Regulation**”). This Prospectus is composed of the following parts in the following order:

- (1) a table of contents;
- (2) the summary provided for in Article 5(2) of Directive 2003/71/EC, Commission Regulation (EC) No. 809/2004, the Commission Delegated Regulation (EU) No. 486/2012 and the Commission Delegated Regulation (EU) No. 862/2012;
- (3) the risk factors relating to the Company and the type of security to be listed on the Prague Stock Exchange;
- (4) supplemental information in respect of the Company provided for in the Directive 2003/71/EC, and
- (5) the Company’s Annual Report on Form 10-K for the period ended December 31, 2011, filed with the SEC on February 22, 2012 and the CNB on February 23, 2012 attached as Exhibit I hereto.

For a better understanding of the summary of the Prospectus in Chapter A, the reader should read the entire Prospectus, including Chapter C: Supplemental Information Concerning Central European Media Enterprises Ltd. contained on pages 35-57.

Further, the Prospectus incorporates by reference the following documents (or specified portions thereof) that have been filed by the Company with the U.S. Securities and Exchange Commission (the “**SEC**”) and the CNB:

- I. Part II, Item 6 “Selected Financial Data” on pages 30-32, Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 32-67 and Part II, Item 8 “Financial Statements and Supplementary Data” on pages 69-132 of the Annual Report on Form 10-K for the period ended December 31, 2010, filed with the SEC on February 23, 2011 and the CNB on March 9, 2011, available at http://www.cetv-net.com/file/u/filings/10-k_31_12_2010.pdf;
- II. Part II, Item 6 “Selected Financial Data” on pages 41-43, Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 43-111 and Part II, Item 8 “Financial Statements and Supplementary Data” on pages 113-190 of the Annual Report on Form 10-K for the period ended December 31, 2009, filed with the SEC on February 24, 2010 and the CNB on February 25, 2010, available at http://www.cetv-net.com/file/u/filings/form_10k_2009_12_31.pdf;
- III. Proxy Statement on Schedule 14A, filed with the SEC on May 21, 2012 and the CNB on May 22, 2012, available at http://www.cetv-net.com/file/u/filings/proxy_13_6.pdf;
- IV. Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 1, 2012 and the CNB on August 6, 2012, available at http://www.cetv-net.com/file/u/filings/10q_30_6_2012.pdf; and
- V. Current Report on Form 8-K, filed with the SEC on April 30, 2012 and the CNB on May 2, 2012, available at http://www.cetv-net.com/file/u/filings/8-k-30_4_2012.pdf.

Selling Restrictions

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a “**relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that relevant Member State, an offer of securities described in this Prospectus may not be made to the public in that relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100, or, if the relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Company for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of securities shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an “offer of securities to the public” in any relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that Member State by any measure implementing the Prospectus Directive in that relevant Member State, and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and includes any relevant implementing measures in each relevant Member State. The expression 2010 PD Amending Directive means Directive 2010/73/EU.

We have not authorized and do not authorize the making of any offer of securities through any financial intermediary.

Information Derived from Third Party Sources

The Company has specified in this Prospectus any instances in which information provided herein has been derived from third party sources. Any such information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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EXHIBIT

- I. Annual Report on Form 10-K for the period ended December 31, 2011, filed with the SEC on February 22, 2012 and the CNB on February 23, 2012

PROSPECTUS CROSS-REFERENCE TABLE

ANNEX I

Minimum Disclosure Requirements for the Share Registration Document (schedule)

| Item | Chapter/Exhibit | Page/Section |
|--|-----------------|--|
| 1. PERSONS RESPONSIBLE | | |
| 1.1. All persons responsible for the information given in the Registration Document and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office. | Prospectus | Company Representative for Prospectus |
| 1.2. A declaration by those responsible for the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the registration document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, a declaration by those responsible for certain parts of the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the registration document for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. | Prospectus | Company Representative for Prospectus |
| 2. STATUTORY AUDITORS | | |
| 2.1. Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body). | Chapter C | Page 46 (4.2 Independent Registered Public Accounting Firm) |
| 2.2. If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material. | Not applicable | Not applicable |
| 3. SELECTED FINANCIAL INFORMATION | | |
| 3.1. Selected historical financial information regarding the issuer, presented for each financial year for the period covered by the | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months |

| Item | Chapter/Exhibit | Page/Section |
|---|------------------------|---|
| historical financial information, and any subsequent interim financial period, in the same currency as the financial information. The selected historical financial information must provide the key figures that summarise the financial condition of the issuer. | | ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009) |
| 3.2. If selected financial information for interim periods is provided, comparative data from the same period in the prior financial year must also be provided, except that the requirement for comparative balance sheet information is satisfied by presenting the year end balance sheet information. | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009) |
| 4. RISK FACTORS | | |
| Prominent disclosure of risk factors that are specific to the issuer or its industry in a section headed 'Risk Factors'. | Chapter B | All Pages |
| 5. INFORMATION ABOUT THE ISSUER | | |
| 5.1. History and development of the issuer | | |
| 5.1.1. The legal and commercial name of the issuer | Chapter C | Page 42 (3.1 Incorporation and Registration Number) |
| 5.1.2. The place of registration of the issuer and its registration number | Chapter C | Page 42 (3.1 Incorporation and Registration Number) |
| 5.1.3. The date of incorporation and the length of life of the issuer, except where indefinite | Chapter C | Page 42 (3.1 Incorporation and Registration Number) |
| 5.1.4. The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office) | Chapter C | Page 42 (3.1 Incorporation and Registration Number) |
| 5.1.5. The important events in the development of the issuer's business. | Chapter C | Page 42-43 (3.2 Organization History) |
| 5.2. Investments | | |
| 5.2.1. A description, (including the amount) of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the registration document | Chapter C | Page 40 (2.4 Recent Business Acquisitions) |
| 5.2.2. A description of the issuer's principal investments that are in progress, including the geographic distribution of these investments (home and abroad) and the method of financing (internal or external) | Not applicable | Not applicable. |
| 5.2.3. Information concerning the issuer's principal future investments on which its management bodies have already | Not applicable | Not applicable. |

| Item | Chapter/Exhibit | Page/Section |
|--|------------------------|---|
| made firm commitments. | | |
| 6. BUSINESS OVERVIEW | | |
| 6.1. Principal Activities | | |
| 6.1.1. A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information; and | Chapter C | Pages 38-39 (2.1 Business Overview) |
| 6.1.2. An indication of any significant new products and/or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, give the status of development. | Chapter C | Pages 38-39 (2.1 Business Overview) |
| 6.2. Principal Markets A description of the principal markets in which the issuer competes, including a breakdown of total revenues by category of activity and geographic market for each financial year for the period covered by the historical financial information. | Chapter C | Pages 39-40 (2.2 Competition) |
| 6.3. Where the information given pursuant to items 6.1 and 6.2 has been influenced by exceptional factors, mention that fact. | Not applicable | Not applicable |
| 6.4. If material to the issuer's business or profitability, a summary information regarding the extent to which the issuer is dependent, on patents or licences, industrial, commercial or financial contracts or new manufacturing processes. | Chapter C | Pages 39-40 (2.2 Competition) |
| 6.5. The basis for any statements made by the issuer regarding its competitive position. | Chapter C | Pages 39-40 (2.2 Competition) |
| 7. ORGANISATIONAL STRUCTURE | | |
| 7.1. If the issuer is part of a group, a brief description of the group and the issuer's position within the group. | Chapter C | Page 49-50 (VIII. Organizational Structure) |
| 7.2. A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held. | Chapter C | Page 49-50 (VIII. Organizational Structure) |
| 8. PROPERTY, PLANTS AND EQUIPMENT | | |
| 8.1. Information regarding any existing or planned material tangible fixed assets, including leased properties, and any major encumbrances thereon. | Not applicable | Not applicable. |
| 8.2. A description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets. | Not applicable | Not applicable. |
| 9. OPERATING AND FINANCIAL | | |

| Item | Chapter/Exhibit | Page/Section |
|---|-----------------|---|
| REVIEW | | |
| 9.1. Financial Condition | | |
| To the extent not covered elsewhere in the registration document, provide a description of the issuer's financial condition, changes in financial condition and results of operations for each year and interim period, for which historical financial information is required, including the causes of material changes from year to year in the financial information to the extent necessary for an understanding of the issuer's business as a whole. | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009) |
| 9.2. Operating Results | | |
| 9.2.1. Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected. | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009) |
| 9.2.2. Where the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the reasons for such changes. | Not applicable | Not applicable |
| 9.2.3. Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations. | Chapter B | All pages |
| 10. CAPITAL RESOURCES | | |
| 10.1. Information concerning the issuer's capital resources (both short and long term); | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009) |
| 10.2. An explanation of the sources and amounts of and a narrative description of the issuer's cash flows; | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009) |
| 10.3. Information on the borrowing requirements and funding structure of the issuer; | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended |

| Item | Chapter/Exhibit | Page/Section |
|--|-----------------|---|
| | | December 31, 2011, 2010 and 2009) |
| 10.4.Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations. | Not applicable | Not applicable |
| 10.5.Information regarding the anticipated sources of funds needed to fulfil commitments referred to in items 5.2.3 and 8.1. | Not applicable | Not applicable |
| 11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES | | |
| Where material, provide a description of the issuer's research and development policies for each financial year for the period covered by the historical financial information, including the amount spent on issuer-sponsored research and development activities. | Not applicable | Not applicable |
| 12. TREND INFORMATION | | |
| 12.1.The most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the registration document. | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009) |
| 12.2.Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year. | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009) |
| 13. PROFIT FORECASTS OR ESTIMATES | | |
| If an issuer chooses to include a profit forecast or a profit estimate the registration document must contain the information set out in items 13.1 and 13.2: | Not applicable | Not applicable |
| 13.1.A statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate. There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; the assumptions must be readily understandable by investors, be specific and | Not applicable | Not applicable |

| Item | Chapter/Exhibit | Page/Section |
|--|-----------------|--|
| precise and not relate to the general accuracy of the estimates underlying the forecast. | | |
| 13.2.A report prepared by independent accountants or auditors stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the issuer. | Not applicable | Not applicable |
| 13.3.The profit forecast or estimate must be prepared on a basis comparable with the historical financial information. | Not applicable | Not applicable |
| 13.4.If a profit forecast in a prospectus has been published which is still outstanding, then provide a statement setting out whether or not that forecast is still correct as at the time of the registration document, and an explanation of why such forecast is no longer valid if that is the case. | Not applicable | Not applicable |
| 14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT | | |
| <p>14.1.Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside that issuer where these are significant with respect to that issuer:</p> <ul style="list-style-type: none"> (a) members of the administrative, management or supervisory bodies; (b) partners with unlimited liability, in the case of a limited partnership with a share capital; (c) founders, if the issuer has been established for fewer than five years; and (d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer’s business. <p>The nature of any family relationship between any of those persons.</p> <p>In the case of each member of the administrative, management or supervisory bodies of the issuer and of each person mentioned in points (b) and (d) of the first subparagraph, details of that person’s relevant management expertise and experience and the following information:</p> <ul style="list-style-type: none"> (a) the names of all companies and partnerships of which such person has been a member of the administrative, | Chapter C | Pages 47-48 (VI. Directors and Executive Officers) |

| Item | Chapter/Exhibit | Page/Section |
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| <p>management or supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies;</p> <p>(b) any convictions in relation to fraudulent offences for at least the previous five years;</p> <p>(c) details of any bankruptcies, receiverships or liquidations with which a person described in (a) and (d) of the first subparagraph who was acting in the capacity of any of the positions set out in (a) and (d) of the first subparagraph was associated for at least the previous five years;</p> <p>(d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.</p> <p>If there is no such information to be disclosed, a statement to that effect is to be made.</p> | | |
| <p>14.2. Administrative, Management, and Supervisory bodies and Senior Management conflicts of interests</p> | | |
| <p>Potential conflicts of interests between any duties to the issuer, of the persons referred to in item 14.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, a statement to that effect must be made.</p> | <p>Not applicable</p> | <p>Not applicable</p> |
| <p>Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to in item 14.1 was selected as a member of the administrative, management or supervisory bodies or member of senior management.</p> | <p>Chapter C</p> | <p>Page 41-42 (2.6 Related Party Transactions)</p> |
| <p>Details of any restrictions agreed by the persons referred to in item 14.1 on the disposal within a certain period of time of their holdings in the</p> | <p>Chapter C</p> | <p>Pages 35-37 (I. Summary of Private Placement Transactions)</p> |

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| issuer's securities. | | |
| 15. REMUNERATION AND BENEFITS | | |
| In relation to the last full financial year for those persons referred to in points (a) and (d) of the first subparagraph of item 14.1: | Chapter C | Pages 47-48 (VI. Directors and Executive Officers) |
| <p>15.1.The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person.</p> <p>That information must be provided on an individual basis unless individual disclosure is not required in the issuer's home country and is not otherwise publicly disclosed by the issuer.</p> | Chapter C | Pages 47-48 (VI. Directors and Executive Officers) |
| 15.2.The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits. | Not applicable | Not applicable. |
| 16. BOARD PRACTICES | | |
| In relation to the issuer's last completed financial year, and unless otherwise specified, with respect to those persons referred to in point (a) of the first subparagraph of 14.1: | Chapter C | Pages 47-48 (VI. Directors and Executive Officers) |
| 16.1.Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office. | Chapter C | Pages 47-48 (VI. Directors and Executive Officers) |
| 16.2.Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement. | Chapter C | Pages 47-48 (VI. Directors and Executive Officers) |
| 16.3.Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates. | Chapter C | Pages 47-48 (VI. Directors and Executive Officers) |
| 16.4.A statement as to whether or not the issuer complies with its country's of incorporation corporate governance regime(s). In the event that the issuer does not comply with such a regime, a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime. | Chapter C | Pages 47-48 (VI. Directors and Executive Officers) |
| 17. EMPLOYEES | | |
| 17.1.Either the number of employees at the end of the period or the average for each | Chapter C | Page 42 (2.7 Employees) |

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| financial year for the period covered by the historical financial information up to the date of the registration document (and changes in such numbers, if material) and, if possible and material, a breakdown of persons employed by main category of activity and geographic location. If the issuer employs a significant number of temporary employees, include disclosure of the number of temporary employees on average during the most recent financial year. | | |
| 17.2.Shareholdings and stock options With respect to each person referred to in points (a) and (d) of the first subparagraph of item 14.1. provide information as to their share ownership and any options over such shares in the issuer as of the most recent practicable date | Chapter C | Page 46-47 (V. Major Shareholders) |
| 17.3.Description of any arrangements for involving the employees in the capital of the issuer. | Chapter C | Pages 47-48 (VI. Directors and Executive Officers) |
| 18. MAJOR SHAREHOLDERS | | |
| 18.1.In so far as is known to the issuer, the name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer’s capital or voting rights which is notifiable under the issuer’s national law, together with the amount of each such person’s interest or, if there are no such persons, an appropriate negative statement. | Chapter C | Page 46-47 (V. Major Shareholders) |
| 18.2.Whether the issuer’s major shareholders have different voting rights, or an appropriate negative statement. | Chapter C | Page 46-47 (V. Major Shareholders) |
| 18.3.To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused. | Chapter C | Page 46-47 (V. Major Shareholders) |
| 18.4.A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer. | Chapter C | Pages 35-37 (I. Summary of Private Placement Transactions) |
| 19. RELATED PARTY TRANSACTIONS | | |
| Details of related party transactions (which for these purposes are those set out in the Standards adopted according to the Regulation (EC) No 1606/2002), that the issuer has entered into during the period covered by the historical financial information and up to the date of the | Chapter C | Page 41-42 (2.6 Related Party Transactions) |

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| <p>registration document, must be disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 if applicable.</p> <p>If such standards do not apply to the issuer the following information must be disclosed:</p> <ul style="list-style-type: none"> (a) the nature and extent of any transactions which are - as a single transaction or in their entirety - material to the issuer. Where such related party transactions are not concluded at arm's length provide an explanation of why these transactions were not concluded at arms length. In the case of outstanding loans including guarantees of any kind indicate the amount outstanding; (b) the amount or the percentage to which related party transactions form part of the turnover of the issuer. | | |
| <p>20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL</p> | | |
| <p>POSITION AND PROFITS AND LOSSES</p> | | |
| <p><i>20.1. Historical Financial Information</i></p> | | |
| <p>Audited historical financial information covering the latest 3 financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards for issuers from the Community. For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements.</p> <p>The last two years audited historical financial information must be presented and prepared in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.</p> <p>If the issuer has been operating in its current sphere of economic activity for less than one year, the audited historical financial information covering that period must be prepared in accordance with the standards applicable to</p> | <p>Chapter C</p> | <p>Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009)</p> |

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| <p>annual financial statements under the Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards where the issuer is an issuer from the Community. For third country issuers, the historical financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. This historical financial information must be audited.</p> <p>If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least:</p> <ul style="list-style-type: none"> (a) balance sheet; (b) income statement; (c) a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners; (d) cash flow statement; (e) accounting policies and explanatory notes. <p>The historical annual financial information must be independently audited or reported on as to whether or not, for the purposes of the registration document, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.</p> | | |
| 20.2. Pro forma financial information | | |
| <p>In the case of a significant gross change, a description of how the transaction might have affected the assets and liabilities and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported.</p> <p>This requirement will normally be satisfied by the inclusion of pro forma financial information. This pro forma financial information is to be presented as set out in Annex II and must include the information indicated therein.</p> <p>Pro forma financial information must be accompanied by a report prepared by independent accountants or auditors.</p> | Not applicable | Not applicable |
| 20.3. Financial statements | | |
| <p>If the issuer prepares both own and consolidated annual financial statements, include at least the consolidated annual financial statements in the registration document.</p> | Not applicable | Not applicable |

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| <i>20.4. Auditing of historical annual financial information</i> | | |
| 20.4.1. A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given. | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009) |
| 20.4.2. Indication of other information in the registration document which has been audited by the auditors. | Not applicable | Not applicable |
| 20.4.3. Where financial data in the registration document is not extracted from the issuer's audited financial statements state the source of the data and state that the data is unaudited. | Not applicable | Not applicable |
| <i>20.5. Age of latest financial information</i> | | |
| 20.5.1. The last year of audited financial information may not be older than one of the following: a) 18 months from the date of the registration document if the issuer includes audited interim financial statements in the registration document; b) 15 months from the date of the registration document if the issuer includes unaudited interim financial statements in the registration document | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009) |
| <i>20.6. Interim and other financial information</i> | | |
| 20.6.1. If the issuer has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the registration document. If the quarterly or half yearly financial information has been reviewed or audited, the audit or review report must also be included. If the quarterly or half yearly financial information is unaudited or has not been reviewed state that fact. | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years ended December 31, 2011, 2010 and 2009) |
| 20.6.2. If the registration document is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, which may be unaudited (in which case that fact must be stated) covering at least the first six months of the financial year. The interim financial information must include comparative statements for the same period in | Not applicable | Not applicable |

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| the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the years end balance sheet. | | |
| 20.7.Dividend policy | | |
| A description of the issuer’s policy on dividend distributions and any restrictions thereon. | Chapter A | Page 8 and page 21 (C.7 Dividend Policy) |
| 20.7.1. The amount of the dividend per share for each financial year for the period covered by the historical financial information adjusted, where the number of shares in the issuer has changed, to make it comparable. | Not applicable | Not applicable |
| 20.8.Legal and arbitration proceedings | | |
| Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the issuer and/or group’s financial position or profitability, or provide an appropriate negative statement. | Chapter C | Page 41 (2.5 Legal Proceedings) |
| 20.9.Significant change in the issuer’s financial or trading position | | |
| A description of any significant change in the financial or trading position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or provide an appropriate negative statement. | Not applicable | Not applicable |
| 21. ADDITIONAL INFORMATION | | |
| 21.1.Share Capital | | |
| The following information as of the date of the most recent balance sheet included in the historical financial information: | | |
| 21.1.1. The amount of issued capital, and for each class of share capital: (a) the number of shares authorised; (b) the number of shares issued and fully paid and issued but not fully paid; (c) the par value per share, or that the shares have no par value; and (d) a reconciliation of the number of shares outstanding at the beginning and end of the year. If more than 10 % of capital has been paid for with assets other than cash within the period covered by the historical financial information, state that fact. | Chapter C | Pages 53-54 (12.1 Authorized Share Capital; Type and the Class of the Securities; Security Identification Code) |

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| 21.1.2. If there are shares not representing capital, state the number and main characteristics of such shares. | Not applicable | Not applicable |
| 21.1.3. The number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer. | Not applicable | Not applicable. |
| 21.1.4. The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription. | Chapter C | Pages 53-54 (12.1 Authorized Share Capital; Type and the Class of the Securities; Security Identification Code) |
| 21.1.5. Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital. | Not applicable | Not applicable. |
| 21.1.6. Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate. | Chapter C | Page 42 (2.7 Employees) |
| 21.1.7. A history of share capital, highlighting information about any changes, for the period covered by the historical financial information. | Chapter C | Pages 53-54 (12.1 Authorized Share Capital; Type and the Class of the Securities; Security Identification Code) |
| 21.2. Memorandum and Articles of Association | | |
| 21.2.1. A description of the issuer's objects and purposes and where they can be found in the memorandum and articles of association. | Chapter C | Page 54 (12.2 Legislation and Authorization Under Which the Securities Have Been Created, Purpose) |
| 21.2.2. A summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies. | Not applicable | Not applicable |
| 21.2.3. A description of the rights, preferences and restrictions attaching to each class of the existing shares. | Chapter C | Pages 54-56 (12.5 Rights Attached to the Common Stock and the Preferred Stock) |
| 21.2.4. A description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law. | Not applicable | Not applicable |
| 21.2.5. A description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called including the conditions of | Chapter C | Pages 54-56 (12.5 Rights Attached to the Common Stock and the Preferred Stock) |

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| admission. | | |
| 21.2.6. A brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer. | Not applicable | Not applicable |
| 21.2.7. An indication of the articles of association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed. | Not applicable | Not applicable |
| 21.2.8. A description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law. | Not applicable | Not applicable |
| 22. MATERIAL CONTRACTS | | |
| <p>A summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the group is a party, for the two years immediately preceding publication of the registration document.</p> <p>A summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the group which contains any provision under which any member of the group has any obligation or entitlement which is material to the group as at the date of the registration document.</p> | Chapter C | Pages 51-52 (X. Summary of Material Contracts) |
| 23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST | | |
| 23.1. Where a statement or report attributed to a person as an expert is included in the registration document, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorised the contents of that part of the registration document. | Not applicable | Not applicable |
| 23.2. Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been | Chapter C | Page 39-40 (2.2 Competition); Page 42-43 (3.2 Organization History) |

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| <p>omitted which would render the reproduced information inaccurate or misleading.</p> <p>In addition, identify the source(s) of the information.</p> | | |
| 24. DOCUMENTS ON DISPLAY | | |
| <p>A statement that for the life of the registration document the following documents (or copies thereof), where applicable, may be inspected:</p> <p>(a) the memorandum and articles of association of the issuer;</p> <p>(b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the registration document;</p> <p>(c) the historical financial information of the issuer or, in the case of a group, the historical financial information for the issuer and its subsidiary undertakings for each of the two financial years preceding the publication of the registration document.</p> <p>An indication of where the documents on display may be inspected, by physical or electronic means.</p> | Chapter C | Pages 56-57 (XIII. Documents on Display) |
| 25. INFORMATION ON HOLDINGS | | |
| <p>Information relating to the undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.</p> | Chapter C | Pages 38-39 (2.1 Business Overview) |

ANNEX III

**Minimum disclosure requirements for the share securities note
(schedule)**

| 1. PERSONS RESPONSIBLE | Part of Prospectus | Page/Section |
|--|---------------------------|---|
| 1.1. All persons responsible for the information given in the prospectus and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office. | Prospectus | Company Representative for Prospectus |
| 1.2. A declaration by those responsible for the prospectus that, having taken all reasonable care to ensure that such is the case the information contained in the prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the prospectus that, having taken all reasonable care to ensure that such is the case the information contained in the part of the prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. | Prospectus | Company Representative for Prospectus |
| 2. RISK FACTORS | | |
| Prominent disclosure of risk factors that are material to the securities being offered and/or admitted to trading in order to assess the market risk associated with these securities in a section headed 'Risk Factors'. | Chapter B | All Pages |
| 3. ESSENTIAL INFORMATION | | |
| 3.1. Working capital Statement | | |
| Statement by the issuer that, in its opinion, the working capital is sufficient for the issuer's present requirements or, if not, how it proposes to provide the additional working capital needed. | Chapter C | Pages 50 (IX. Working Capital Statement) |
| 3.2. Capitalisation and indebtedness | | |
| A statement of capitalisation and indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as of a date no earlier than 90 days prior to the date of the document. Indebtedness also includes indirect and contingent | Chapter C | Pages 44-45 (4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the Fiscal Years |

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| indebtedness. | | ended December 31, 2011, 2010 and 2009) |
| 3.3. Interest of natural and legal persons involved in the issue/offer | | |
| A description of any interest, including conflicting ones that is material to the issue/offer, detailing the persons involved and the nature of the interest. | Chapter C | Page 41-42 (2.6 Related Party Transactions) |
| 3.4. Reasons for the offer and use of proceeds | | |
| Reasons for the offer and, where applicable, the estimated net amount of the proceeds broken into each principal intended use and presented by order of priority of such uses. If the issuer is aware that the anticipated proceeds will not be sufficient to fund all the proposed uses, state the amount and sources of other funds needed. Details must be given with regard to the use of the proceeds, in particular when they are being used to acquire assets, other than in the ordinary course of business, to finance announced acquisitions of other business, or to discharge, reduce or retire indebtedness. | Chapter C | Pages 40 and 56 (2.3 Background to the Private Placement Transactions; 12.7 Use of Proceeds) |
| 4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING | | |
| 4.1. A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (international security identification number) or other such security identification code. | Chapter C | Pages 53-54 (12.1 Authorized Share Capital; Type and the Class of the Securities; Security Identification Code) |
| 4.2. Legislation under which the securities have been created. | Chapter C | Page 54 (12.2 Legislation and Authorization Under Which the Securities Have Been Created, Purpose) |
| 4.3. An indication whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records. | Chapter C | Page 54 (12.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records) |
| 4.4. Currency of the securities issue. | Chapter C | Page 54 (12.4 Currency of Trading) |

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| <p>4.5. A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights.</p> <p>— Dividend rights:</p> <p>— fixed date(s) on which the entitlement arises,</p> <p>— time limit after which entitlement to dividend lapses and an indication of the person in whose favour the lapse operates,</p> <p>— dividend restrictions and procedures for non-resident holders,</p> <p>— rate of dividend or method of its calculation, periodicity and cumulative or non-cumulative nature of payments.</p> <p>— Voting rights.</p> <p>— Pre-emption rights in offers for subscription of securities of the same class.</p> <p>— Right to share in the issuer’s profits.</p> <p>— Rights to share in any surplus in the event of liquidation.</p> <p>— Redemption provisions.</p> <p>— Conversion provisions.</p> | Chapter C | Pages 54-56 (12.5 Rights Attached to the Common Stock and the Preferred Stock) |
| <p>4.6. In the case of new issues, a statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued.</p> | Chapter C | Pages 40 and 54 (2.3 Background to the Private Placement Transactions; 12.2 Legislation and Authorization Under Which the Securities Have Been Created, Purpose) |
| <p>4.7. In the case of new issues, the expected issue date of the securities.</p> | Not applicable | Not applicable |
| <p>4.8. A description of any restrictions on the free transferability of the securities.</p> | Chapter C | Pages 54-56 (12.5 Rights Attached to the Common Stock and the Preferred Stock) |
| <p>4.9. An indication of the existence of any mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities.</p> | Chapter C | Page 56 (12.6 Mandatory Squeeze-Out Rules in Relation to the Securities) |
| <p>4.10. An indication of public takeover bids by third parties in respect of the issuer’s equity, which have occurred during the last financial year and the current financial year. The price or exchange terms attaching to such offers and the outcome thereof must be stated.</p> | Not applicable | Not applicable |

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| <p>4.11. In respect of the country of registered office of the issuer and the country(ies) where the offer is being made or admission to trading is being sought: — information on taxes on the income from the securities withheld at source, — indication as to whether the issuer assumes responsibility for the withholding of taxes at the source.</p> | Chapter C | Pages 52-53 (XI. Tax Consequences) |
| <p>5. TERMS AND CONDITIONS OF THE OFFER</p> | | |
| <p>5.1. Conditions, offer statistics, expected timetable and action required to apply for the offer</p> | Not applicable | Not applicable |
| <p>5.1.1. Conditions to which the offer is subject.</p> | Not applicable | Not applicable |
| <p>5.1.2. Total amount of the issue/offer, distinguishing the securities offered for sale and those offered for subscription; if the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer.</p> | Not applicable | Not applicable |
| <p>5.1.3. The time period, including any possible amendments, during which the offer will be open and description of the application process.</p> | Not applicable | Not applicable |
| <p>5.1.4. An indication of when, and under which circumstances, the offer may be revoked or suspended and whether revocation can occur after dealing has begun.</p> | Not applicable | Not applicable |
| <p>5.1.5. A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.</p> | Not applicable | Not applicable |
| <p>5.1.6. Details of the minimum and/or maximum amount of application (whether in number of securities or aggregate amount to invest).</p> | Not applicable | Not applicable |
| <p>5.1.7. An indication of the period during which an application may be withdrawn, provided that investors are allowed to withdraw their subscription.</p> | Not applicable | Not applicable |
| <p>5.1.8. Method and time limits for paying up the securities and for delivery of the securities.</p> | Not applicable | Not applicable |
| <p>5.1.9. A full description of the manner and date in which results of the offer are to be made public.</p> | Not applicable | Not applicable |

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| 5.1.10. The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised. | Not applicable | Not applicable |
| 5.2. Plan of distribution and allotment | | |
| 5.2.1. The various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche. | Not applicable | Not applicable |
| 5.2.2. To the extent known to the issuer, an indication of whether major shareholders or members of the issuer's management, supervisory or administrative bodies intended to subscribe in the offer, or whether any person intends to subscribe for more than five per cent of the offer. | Not applicable | Not applicable |
| <p>5.2.3. Pre-allotment disclosure:</p> <p>(a) the division into tranches of the offer including the institutional, retail and issuer's employee tranches and any other tranches;</p> <p>(b) the conditions under which the clawback may be used, the maximum size of such claw back and any applicable minimum percentages for individual tranches;</p> <p>(c) the allotment method or methods to be used for the retail and issuer's employee tranche in the event of an over-subscription of these tranches;</p> <p>(d) a description of any pre-determined preferential treatment to be accorded to certain classes of investors or certain affinity groups (including friends and family programmes) in the allotment, the percentage of the offer reserved for such preferential treatment and the criteria for inclusion in such classes or groups;</p> <p>(e) whether the treatment of subscriptions or bids to subscribe in the allotment may be determined on the basis of which firm they are made through or by;</p> <p>(f) a target minimum individual allotment if any within the retail tranche;</p> <p>(g) the conditions for the closing of the offer as well as the date on which the offer may be closed at the earliest;</p> <p>(h) whether or not multiple subscriptions are admitted, and where they are not, how any multiple subscriptions will be handled.</p> | Not applicable | Not applicable |
| 5.2.4. Process for notification to applicants | Not applicable | Not applicable |

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| of the amount allotted and indication whether dealing may begin before notification is made. | | |
| 5.2.5. Over-allotment and ‘green shoe’: (a) the existence and size of any over-allotment facility and/or ‘green shoe’. (b) the existence period of the over-allotment facility and/or ‘green shoe’. (c) any conditions for the use of the over-allotment facility or exercise of the ‘green shoe’. | Not applicable | Not applicable |
| 5.3. Pricing | | |
| 5.3.1. An indication of the price at which the securities will be offered. If the price is not known or if there is no established and/or liquid market for the securities, indicate the method for determining the offer price, including a statement as to who has set the criteria or is formally responsible for the determination. Indication of the amount of any expenses and taxes specifically charged to the subscriber or purchaser. | Not applicable | Not applicable |
| 5.3.2. Process for the disclosure of the offer price. | Not applicable | Not applicable |
| 5.3.3. If the issuer’s equity holders have pre-emptive purchase rights and this right is restricted or withdrawn, indication of the basis for the issue price if the issue is for cash, together with the reasons for and beneficiaries of such restriction or withdrawal. | Not applicable | Not applicable |
| 5.3.4 Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year, or which they have the right to acquire, include a comparison of the public contribution in the proposed public offer and the effective cash contributions of such persons. | Not applicable | Not applicable |
| 5.4. Placing and Underwriting | Not applicable | Not applicable |
| 5.4.1 Name and address of the coordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place. | Not applicable | Not applicable |
| 5.4.2 Name and address of any paying agents and depository agents in each country. | Not applicable | Not applicable |
| 5.4.3. Name and address of the entities agreeing | Not applicable | Not applicable |

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| to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under 'best efforts' arrangements. | | |
| Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission and of the placing commission. | Not applicable | Not applicable |
| 5.4.4. When the underwriting agreement has been or will be reached. | Not applicable | Not applicable |
| 6. ADMISSION TO TRADING AND DEALING ARRANGEMENTS | | |
| 6.1. An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, the earliest dates on which the securities will be admitted to trading. | Chapter A | Page 8 and page 21 (C.6 Regulated Markets where Securities are Traded) |
| 6.2. All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading. | Chapter C | Page 48 (7.1 Listing and Trading) |
| 6.3. If simultaneously or almost simultaneously with the creation of the securities for which admission to a regulated market is being sought securities of the same class are subscribed for or placed privately or if securities of other classes are created for public or private placing, give details of the nature of such operations and of the number and characteristics of the securities to which they relate. | Not applicable | Not applicable |
| 6.4. Details of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment. | Not applicable | Not applicable |
| 6.5. Stabilisation: where an issuer or a selling shareholder has granted an over-allotment option or it is otherwise proposed that price stabilising activities may be entered into in connection with an offer: | Not applicable | Not applicable |

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| 6.5.1. | The fact that stabilisation may be undertaken, that there is no assurance that it will be undertaken and that it may be stopped at any time, | Not applicable | Not applicable |
| 6.5.2. | The beginning and the end of the period during which stabilisation may occur, | Not applicable | Not applicable |
| 6.5.3. | The identity of the stabilisation manager for each relevant jurisdiction unless this is not known at the time of publication, | Not applicable | Not applicable |
| 6.5.4. | The fact that stabilisation transactions may result in a market price that is higher than would otherwise prevail. | Not applicable | Not applicable |
| 7. SELLING SECURITIES HOLDERS | | | |
| 7.1. | Name and business address of the person or entity offering to sell the securities, the nature of any position office or other material relationship that the selling persons has had within the past three years with the issuer or any of its predecessors or affiliates. | Not applicable | Not applicable |
| 7.2. | The number and class of securities being offered by each of the selling security holders. | Not applicable | Not applicable |
| 7.3. | Lock-up agreements The parties involved. Content and exceptions of the agreement. Indication of the period of the lock up. | Not applicable | Not applicable |
| 8. EXPENSE OF THE ISSUE/OFFER | | | |
| 8.1. | The total net proceeds and an estimate of the total expenses of the issue/offer. | Chapter C | Page 56 (12.7 Use of Proceeds) |
| 9. DILUTION | | | |
| 9.1. | The amount and percentage of immediate dilution resulting from the offer. | Not applicable | Not applicable |
| 9.2. | In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer. | Not applicable | Not applicable |
| 10. ADDITIONAL INFORMATION | | | |
| 10.1. | If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted. | Not applicable | Not applicable |
| 10.2. | An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report | Not applicable | Not applicable |

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| <p>10.3. Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorised the contents of that part of the Securities Note.</p> | <p>Not applicable</p> | <p>Not applicable</p> |
| <p>10.4. Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.</p> | <p>Not applicable</p> | <p>Not applicable</p> |

**KAPITOLA A:
SHRnutí PROSPEKTU**

**PROSPEKT VYDÁN V SOUVISLOSTI S PŘIJETÍM 31 504 464 KUSŮ KMENOVÝCH AKCIÍ TŘÍDY A
SPOLEČNOSTI CENTRAL EUROPEAN MEDIA ENTERPRISES LTD. KE KOTACI A OBCHODOVÁNÍ
NA BURZE CENNÝCH PAPIRŮ PRAHA**

POZNÁMKA KE SHRnutí PROSPEKTU

Shrnutí se sestavuje na základě požadavků na zveřejňování, které se označují jako „Prvky“. Tyto Prvky jsou číslovány v oddílech A-E (A.1 - E.7).

Toto shrnutí obsahuje všechny Prvky, které dle Nařízení Komise v přenesené pravomoci (EU) č. 486/2012, musí být obsaženy v shrnutí pro tento typ cenných papírů a emitenta. Jelikož se dle uvedeného nařízení k tomuto vydání nevztahují všechny Prvky, v číslování posloupnosti prvků mohou být mezery.

I když některý Prvek ve shrnutí může být požadován s ohledem na druh cenného papíru a emitenta, je možné, že žádné relevantní informace k takovému Prvku nejsou k dispozici. V tom případě je uveden krátký popis daného Prvku s poznámkou „neuplatní se“.

| Část A – Úvod a upozornění | | |
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| A.1 | Úvod a upozornění | <p>Toto shrnutí je třeba chápat jako úvod k prospektu. Jakékoliv rozhodnutí investovat do cenných papírů společnosti by mělo být založeno na tom, že investor zvaží prospekt jako celek. V případě, že jsou u soudu vzneseny nároky na základě údajů uvedených v prospektu, může být žalujícímu investorovi podle vnitrostátních právních předpisů členských států uloženo uhradit náklady na překlad prospektu před zahájením soudního řízení. Osoby, které prezentují shrnutí včetně jeho překladu, za něj nesou občanskoprávní odpovědnost, avšak pouze v případě, že je shrnutí ve spojení s ostatními částmi prospektu zavádějící, nepřesné nebo v rozporu s ostatními částmi prospektu, nebo když ve spojení s ostatními částmi prospektu neobsahuje zásadní údaje, které by měly pomoci investorovi při rozhodování o investici do předmětných cenných papírů.</p> <p>Dále je uvedeno shrnutí vybraných informací obsažených v tomto prospektu. Doporučujeme přečíst celý tento dokument včetně rizikových faktorů, našich historických konsolidovaných účetních závěrek a příloh k těmto účetním závěrkám. Pokud z kontextu neplyne něco jiného, výrazy „společnost“, „CME“, „my“, „nám“, „naše“ apod. obsažené v tomto prospektu jsou odkazy na společnost Central European Media Enterprises Ltd. se sídlem na Bermudách, a obecně na její dceřiné společnosti a předchůdce.</p> |
| A.2 | Souhlas emitenta | <p>Neuplatní se: Nové akcie (definováno níže) již byly vydané formou neveřejné nabídky vybraným investorům, jak je popsáno v tomto Prospektu, tudíž neexistuje další nabídkové období nebo předpokládané použití tohoto Prospektu pro další prodej nebo konečné umístění pomocí finančních zprostředkovatelů.</p> |

| Část B – Emitent | | |
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| B.1 | Obchodní firma | Central European Media Enterprises Ltd. |
| B.2 | Sídlo, právní | CME je společnost s ručením omezeným akciemi („company limited by shares“) založená a existující podle zákonů Bermud. |

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| | forma, právní řád a země zápisu do obchodních o rejstříku | |
| B.3 | Běžný předmět činnosti | <p>CME je mediální a zábavní společnost provozující přední televizní stanice a zabývající se produkcí a distribucí pořadů a novými médii ve střední a východní Evropě. Svůj majetek ovládá prostřednictvím řady holdingových společností sídlících v Nizozemsku a na ostrově Curaçao. Společnost působí zejména v Bulharsku, České republice, Chorvatsku, Rumunsku, Slovensku a Slovinsku.</p> <p>Naše činnost je členěna do divizí působících ve třech operačních segmentech: Broadcast (televizní a rozhlasové vysílání), Media Pro Entertainment (výroba a distribuce pořadů) a New Media (nová média).</p> <p><u>Broadcast (televizní a rozhlasové vysílání)</u></p> <p>Segment vysílání primárně zahrnuje 33 televizních kanálů v šesti zemích. Výnosy z reklamy v tomto segmentu pocházejí hlavně ze smluv uzavřených s inzerenty, reklamními agenturami a sponzory o vysílání reklam na našich televizních kanálech. Naše hlavní všeobecné zábavní televizní kanály jsou v jednotlivých zemích šířeny prostřednictvím nekódovaného a nezaplatněného pozemního analogového či digitálního vysílání nebo obojího (podle stupně digitalizace v dané zemi) a rovněž prostřednictvím kabelového a satelitního vysílání. Ostatní kanály jsou obecně šířeny kabelovým a satelitním vysíláním. Není-li uvedeno jinak, v každé zemi jsme výlučnými vlastníky příslušných společností, které zajišťují provoz a vlastní vysílací licenci.</p> <p><i>Bulharsko</i></p> <p>Provozujeme jeden všeobecný zábavní kanál BTV a pět dalších kanálů: BTV CINEMA, BTV COMEDY, RING.BG, BTV ACTION a BTV LADY, což je kabelový kanál zaměřený na ženy. Vlastníme rovněž několik rozhlasových stanic. Aktuálně vlastníme 94,0 % dceřiné společnosti CME Bulgaria B.V. („CME Bulgaria“), která vlastní společnost provozující vysílání v této zemi. Společnost Top Tone Media Holdings Limited, třetí strana, která je vlastníkem zbývajících podílů v CME Bulgaria, uplatnila své právo na získání dalšího podílu v CME Bulgaria, avšak tato transakce nebyla dosud uzavřena. Po uskutečnění převodu podílu budeme vlastnit 90,0 % bulharské vysílací společnosti.</p> <p><i>Chorvatsko</i></p> <p>Provozujeme zde jeden všeobecný zábavní kanál NOVA TV (Chorvatsko), jeden dámský televizní kanál DOMA (Chorvatsko) a mezinárodní televizní kanál NOVA WORLD.</p> <p><i>Česká republika</i></p> <p>V České republice provozujeme jeden všeobecný zábavní kanál TV NOVA (Česká republika) a čtyři další kanály: NOVA CINEMA, NOVA SPORT, MTV CZECH a FANDA, jenž se orientuje na muže.</p> <p><i>Rumunsko</i></p> <p>Máme zde dva všeobecné zábavní kanály PRO TV a ACASA, čtyři další kanály PRO CINEMA, SPORT.RO, MTV ROMANIA a ACASA GOLD, což je kabelový kanál zaměřený na ženy a mezinárodní kanál PRO TV INTERNATIONAL, a dále všeobecný zábavní kanál vysílající v Moldavsku nazvaný PRO TV CHISINAU.</p> |

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| | | <p><i>Slovenská republika</i></p> <p>Provozujeme zde jeden všeobecný zábavní kanál TV MARKÍZA, jeden televizní kanál zaměřený na ženy DOMA (Slovensko) a jeden televizní kanál zaměřený na muže DAJTO.</p> <p><i>Slovinsko</i></p> <p>Provozujeme zde dva všeobecné zábavní kanály POP TV a KANAL A a jeden placený balíček šesti kanálů POP NON STOP, který obsahuje POP KINO, POP KINO2, POP BRIO, POP FANI, POP OTO a POP SPOT.</p> <p><u>Media Pro Entertainment (výroba a distribuce pořadů)</u></p> <p>Náš výrobní a distribuční podnik Media Pro Entertainment („MPE“) se s využitím tvůrčích talentů ze všech zemí zaměřuje na vývoj, výrobu a distribuci pořadů pro naše televizní kanály a pro třetí odběratele nejen z regionu, ale i z ostatních částí světa.</p> <p>MPE je dále členěna na dvě divize:</p> <p>Výroba: tato divize zajišťuje materiální a odborné kapacity pro výrobu různých hraných a zábavných pořadů, reality show a filmů s využitím licencovaných i originálních formátů, a obsahu vyvíjeným divizí. Vyroběný obsah lze snadno upravit pro použití na několika trzích a v různých mediálních kanálech generujících výnosy.</p> <p>Distribuce: kromě odpovědnosti za prodej vyrobených pořadů a formátů vyvinutých produkční divizí externím odběratelům tato divize obstarává pro region práva k zahraničnímu filmovému a televiznímu obsahu a distribuuje je jak externím zákazníkům, tak našim vysílacím společnostem. Distribuční divize rovněž generuje výnosy pro třetí strany prostřednictvím prodeje pořadů pro domácí sledování a provozovatelům kin. V Rumunsku MPE vlastní a provozuje šestnáct kin a v České republice, Maďarsku, Rumunsku a na Slovensku divize distribuce domácí zábavy prodává DVD a Blu Ray disky velkoobchodním i maloobchodním odběratelům. Významná část výnosů z distribuce plyne třetím osobám. Očekává se, že tyto výnosy budou v krátkodobém horizontu generovat velkou část konsolidovaných zisků MPE.</p> <p>Většina výnosů segmentu MPE v současné době pochází z prodeje pořadů našemu segmentu televizního a rozhlasového vysílání. Z tohoto důvodu jsou finanční výsledky segmentu do určité míry závislé na výkonnosti trhu televizní reklamy, byť vzhledem k dlouhodobé povaze produkčního procesu trvá určitý čas, než se podstatné změny na trzích odrazí ve výsledcích segmentu.</p> <p><u>New Media (nová média)</u></p> <p>Vlastníme a provozujeme více než 75 webových portálů a videotéku Voyo, za účelem vybudování silných online kanálů pro distribuci populárního obsahu a účinného marketingového nástroje pro naše televizní vysílání. Segment nových médií chce divákům nabídnout možnost sledovat naše prémiové televizní pořady kdykoliv a kdekoliv a navíc provozuje řadu zpravodajských portálů v rozsahu od všeobecných informací až po sport a specializovaná témata.</p> <p>Voyo je internetová platforma seskupující obsah a zajišťující jeho distribuci, jež spotřebitelům nabízí bezplatný i placený obsah prostřednictvím různých distribučních kanálů. Během prvních třech měsíců roku 2012 Voyo zavedlo službu placené videotéky ve všech našich regionech. Tato videotéka nabízí kromě předních pořadů místní výroby i stovky domácích i zahraničních celovečerních filmů a navíc nabízí integrovaný přehrávač věnovaný hollywoodské i nezávislé filmové produkci. Výnosy segmentu nových médií pocházejí především z prodeje inzerce.</p> |
| B.4a | Významné aktuální trendy | <p>Po zohlednění inflace odhadujeme, že hrubý domácí produkt v našich teritoriích celkově mírně vzrostl za období šesti měsíců končící dnem 30. června 2012, ale byl nižší než míra růstu ve výši 1,5% vykázaná ve druhé polovině roku 2011 důsledkem jednak zpomalení růstu vývozu a dále</p> |

| | | přetrvávajících striktních fiskálních opatření v některých zemích v našem regionu. Odhaduje se, že skutečná soukromá spotřeba celkově mírně poklesla za období šesti měsíců končící dnem 30. června 2012. Při konstantním směnném kurzu poklesly výdaje za televizní reklamu na našich trzích o 7% v období šesti měsíců končící dnem 30. června 2012, s odchylkami pohybujícími se od -14% v Chorvatsku do -1% na Slovensku. V Chorvatsku byl pokles v příjmech z reklamy způsoben zejména snížením investic do reklamy v telekomunikačním průmyslu, zatímco na Slovensku těžily televizní výdaje na reklamu z mimořádných investic do reklamy před parlamentními volbami. Úplnému zotavení trhu brání pokračující obavy ohledně míry zadlužení některých evropských států, nejistota ohledně budoucnosti Eura a obecný nedostatek důvěry v ekonomický růst v našich zemích. Všechny tyto problémy zvyšují neochotu inzerentů vydávat peníze za reklamu. | | | | | | | | | | | | | | | |
|---|------------------------------------|---|-------------------------------------|---|------------------------------|-------------------------------------|---|--|------------|---|--------|---------------------|---|-----------|---|-------|-------|
| B.5 | Skupina | CME je mediální a zábavní společnost provozující přední televizní stanice a zabývající se produkcí a distribucí pořadů a novými médii ve střední a východní Evropě. Svůj majetek ovládá prostřednictvím řady holdingových společností sídlících v Nizozemsku a na ostrově Curaçao. Společnost provozuje podniky zejména v Bulharsku, České republice, Chorvatsku, Rumunsku, Slovensku a Slovinsku. | | | | | | | | | | | | | | | |
| B.6 | Hlavní akcionáři | <p>V následující tabulce je uveden přehled akcionářů s více než 5% podílem na kapitálu nebo na hlasovacích právech společnosti včetně jejich podílů:</p> <table border="1"> <thead> <tr> <th>Akcionář</th> <th>Kmenové akcie třídy A^a</th> <th>Prioritní akcie^b</th> <th>Vlastnictví kmenových akcií třídy A</th> <th>Podíl na kapitálu nebo na hlas. právech (economic interest)</th> </tr> </thead> <tbody> <tr> <td>Time Warner Media Holdings B.V.^c</td> <td>32 898 443</td> <td>1</td> <td>42,6 %</td> <td>49,9 %^d</td> </tr> <tr> <td>Ronald S. Lauder a spřízněné osoby^e</td> <td>5 616 936</td> <td>-</td> <td>7,3 %</td> <td>6,4 %</td> </tr> </tbody> </table> <p>^a Kmenové akcie třídy A se jmenovitou hodnotou 0,08 USD za kus, dale jen „kmenové akcie třídy A“. Nezahrnuje neuplatněné akciové opce a nenabyté jednotky výkonnostních akcií (restricted stock units) vydané společností.</p> <p>^b Jedna prioritní konvertibilní akcie řady A se po ukončení neodvolatelné dohody o hlasování a jmenování firemních představitelů ze dne 18. května 2009 („dohoda o hlasování“) s Ronaldem S. Lauderem, čestným předsedou představenstva CME, automaticky konvertuje na 11 211 449 kmenových akcií třídy A.</p> <p>^c Na základě přílohy 13D/A podané společností Time Warner Media Holdings B.V. („investorem TW“) a jeho určitými spřízněnými osobami americké Komise pro cenné papíry a burzy (SEC) dne 11. července 2012 investor TW oznámil, že je beneficiálním vlastníkem 32 898 443 kusů kmenových akcií třídy A v oběhu a že jej lze považovat za beneficiálního vlastníka 5 616 936 kusů kmenových akcií třídy A, které jako beneficiant vlastní Ronald S. Lauder.</p> <p>^d Hlasováno Ronaldem S. Lauderem na základě dohody o hlasování, jež by měla zaniknout v květnu 2013.</p> <p>^e Na základě přílohy 13D/A podané panem Ronaldem S. Lauderem a jeho určitými spřízněnými osobami americké Komise pro cenné papíry a burzy (SEC) dne 12. července 2012 Ronald S. Lauder hlásil beneficiální vlastnictví 5 616 936 kusů kmenových akcií třídy A v oběhu, které má v držení on a s ním spřízněné osoby (2 000 000 kusů kmenových akcií třídy A vlastní přímo RSL Capital LLC („investor RSL“), 26 000 kusů kmenových akcií třídy A vlastní přímo Ronald S. Lauder, 2 885 705 kusů kmenových akcií třídy A vlastní přímo RSL Investments Corporation, 105 231 kusů kmenových akcií třídy A v oběhu vlastní přímo RAJ Family Partners, L.P. a 600 000 kusů kmenových akcií třídy A v oběhu vlastní přímo The Neue Galerie New York). Ronald S. Lauder rovněž hlásil beneficiální vlastnictví 32 898 443 kusů kmenových akcií třídy A</p> | Akcionář | Kmenové akcie třídy A ^a | Prioritní akcie ^b | Vlastnictví kmenových akcií třídy A | Podíl na kapitálu nebo na hlas. právech (economic interest) | Time Warner Media Holdings B.V. ^c | 32 898 443 | 1 | 42,6 % | 49,9 % ^d | Ronald S. Lauder a spřízněné osoby ^e | 5 616 936 | - | 7,3 % | 6,4 % |
| Akcionář | Kmenové akcie třídy A ^a | Prioritní akcie ^b | Vlastnictví kmenových akcií třídy A | Podíl na kapitálu nebo na hlas. právech (economic interest) | | | | | | | | | | | | | |
| Time Warner Media Holdings B.V. ^c | 32 898 443 | 1 | 42,6 % | 49,9 % ^d | | | | | | | | | | | | | |
| Ronald S. Lauder a spřízněné osoby ^e | 5 616 936 | - | 7,3 % | 6,4 % | | | | | | | | | | | | | |

| | | |
|-------------------|---|---|
| | | <p>v oběhu vlastněných přímo investorem TW, na jejichž základě ve smyslu dohody o hlasování svědčí hlasovací právo společnosti RSL Savannah LLC, jejímž jediným společníkem je Ronald S. Lauder.</p> <p>Držitelé kmenových akcií třídy A mají nárok na jeden hlas na akcii a mají právo hlasovat ve stejné jediné třídě společně s držitelem prioritní konvertibilní akcie řady A, která opravňuje k 11.211.449 hlasům ohledně všech věcí vyžadujících schválení akcionářů.</p> <p>Dle dohody o hlasování, přidružená společnost Ronalda S. Laudera je oprávněna k hlasování s 32.898.443 kusy kmenových akcií třídy A v oběhu držených přímo investorem TW. Tudiž, Ronald S. Lauder kontroluje přibližně 56,3% hlasovacích práv ve Společnosti k dnešnímu dni.</p> |
| <p>B.7</p> | <p>Vybrané historické klíčové finanční údaje</p> | <p>Dále uvedené informace je třeba vnímat ve světle informací uvedených v Sekci C tohoto Prospektu a informací prezentovaných v části „Popis a analýza finanční situace a výsledků hospodaření ze strany vedení“ a konsolidované účetní závěrky společnosti a přílohy k ní obsažené v naší výroční zprávě za období končící dne 31. prosince 2011 zveřejněné na formuláři 10-K („Výroční zpráva za rok 2011“) a čtvrtletní zprávě za období končící 30. června 2012.</p> <p>V následující tabulce je uveden souhrn konsolidovaných finanční údajů za šest měsíců do 30. června 2012 a 2011 a za jednotlivé finanční roky končící 31. prosince 2011, 2010 a 2009.</p> <p>Údaje z konsolidovaných výkazů operací za roky končící 31. prosince 2011, 2010 a 2009 a údaje z konsolidovaných rozvah k 31. prosinci 2011, 2010 a 2009 vycházejí z auditované konsolidované účetní závěrky obsažené v naší Výroční zprávě za rok 2011. Údaje z konsolidovaného výkazu operací za šest měsíců do 30. června 2012 a 2011 a údaje z rozvahy k 30. červnu 2012 vycházejí z neauditované konsolidované prozatímní účetní závěrky obsažené v naší čtvrtletní zprávě za období do 30. června 2012. Údaje o kapitalizaci k 30. červnu 2012 vycházejí z neauditované konsolidované prozatímní účetní závěrky obsažené v naší čtvrtletní zprávě za období do 30. června 2012.</p> <p>Konsolidované účetní závěrky byly vypracovány v souladu se standardy US GAAP. Dle názoru vedení naše neauditované konsolidované účetní závěrky odrážejí veškeré úpravy, zahrnující výhradně běžné a řádné úpravy, jež jsou nezbytné pro věrnou prezentaci výsledků za daná období. Výsledky hospodaření za dílčí období nemusejí nutně naznačovat, jaké výsledky lze očekávat za celý rok či v jakémkoliv budoucím období.</p> <p>Naše finanční výsledky za období 6 měsíců končící dnem 30. června 2012 zahrnují akvizici společnosti Bontonfilm ze dne 30. června 2011; úvodní přínos po spuštění služby Voyo, placené služby video-on-demand ve všech našich zemích; a přetrvávající vliv obecné ztráty důvěry v ekonomický růst v našem regionu. Na základě stálého směnného kurzu, výdaje na televizní reklamu na našich trzích za období 6 měsíců končící dnem 30. června 2012 poklesly o 7%, což mělo dopad na reklamní výnosy naší divize TV vysílání. Celkově, na základě stálého směnného kurzu se naše konsolidované čisté výnosy v porovnání se stejným obdobím roku 2011 nezměnily, a to díky nárůstu výnosů v našich divizích MPE a New Media (Nová média).</p> <p>Náš záporný peněžní tok ve výši 59.3 mil. USD za období 6 měsíců končící dnem 30. června 2012 byl v porovnání s kladným peněžním tokem ve výši 14.8 mil. USD za stejné období v roce 2011 nižší, a to zejména z důvodu neobvykle vysokých peněžních toků v roce 2011. V prvním čtvrtletí roku 2011 jsme zavedli program předčasných plateb, díky němuž jsme získali hotovost ve výši 47 mil. USD od zákazníků, jimž jsme poskytli slevy za mnohem včasější platby, než je obvyklé. Většinou šlo o platby předem za druhé pololetí roku 2011. Tento program jsme v prvním pololetí roku 2012 nezapomněli, tím pádem naše akutální peněžní toky více odpovídají sezónnímu charakteru naší činnosti. Kromě toho jsme i nadále investovali do výroby vlastního obsahu (contentu), což vedlo k vyšším platbám za vlastní výrobu v prvním pololetí roku 2012.</p> |

| | Neauditováno | | | | |
|--|--------------|----------|----------------|-----------|-----------|
| | K 30. červnu | | K 31. prosinci | | |
| | 2012 | 2011 | 2011 | 2010 | 2009 |
| | (v tis. USD) | | | | |
| Údaje z konsolidovaného výkazu | | | | | |
| Čisté výnosy | 378,655 | 422,428 | 864,782 | 737,134 | 681,945 |
| Výsledek hospodaření z provozní činnosti | 13,347 | 31,808 | 6,792 | 22,877 | (38,971) |
| Čistý výsledek hospodaření z pokračujících činností..... | (10,672) | (20,183) | (179,604) | (116,924) | (70,983) |
| Výsledek hospodaření z ukončených činností | -- | -- | -- | 213,697 | (36,824) |
| Čistý výsledek hospodaření | (10,672) | (20,183) | (179,604) | 96,773 | (107,807) |
| Čistý zisk/(ztráta) přiřaditelný CME Ltd. | (9,436) | (20,164) | (174,611) | 100,175 | (97,157) |
| Celkový zisk/(ztráta) | (42,134) | 111,063 | (239,034) | 79,187 | (214,411) |
| Celkový zisk/(ztráta) přiřaditelný CME Ltd. | (40,957) | 110,553 | (234,761) | 82,008 | (203,335) |
| Údaje vztažené na jednu akcii | | | | | |
| Čistý zisk/(ztráta) na jednu kmenovou akcii z: | | | | | |
| pokračujících činností – základní..... | (0.14) | (0.31) | (2.71) | (1.77) | (1.11) |
| pokračujících činností – zředěný | (0.14) | (0.31) | (2.71) | (1.77) | (1.11) |
| ukončených činností – základní | 0.00 | 0.00 | 0.00 | 3.34 | (0.68) |
| ukončených činností – zředěný | 0.00 | 0.00 | 0.00 | 3.34 | (0.68) |
| Čistý zisk/(ztráta) – základní | (0.14) | (0.31) | (2.71) | 1.57 | (1.79) |
| Čistý zisk/(ztráta) – zředěný | (0.14) | (0.31) | (2.71) | 1.57 | (1.79) |
| Vážený průměrný počet kmenových akcií použitý ve výpočtu částek vztažených na jednu akcii (v tis. ks) | | | | | |
| Základní | 65,447 | 64,377 | 64,385 | 64,029 | 54,344 |
| Zředěný | 65,447 | 64,377 | 64,385 | 64,029 | 54,344 |

| | Neauditováno | | K 31. prosinci | |
|--------------------------------------|-------------------|-----------|----------------|-----------|
| | K 30. červnu 2012 | 2011 | 2010 | 2009 |
| | (v tis.USD) | | | |
| Údaje z konsolidované rozvahy | | | | |
| Oběžná aktiva | 524,414 | 538,289 | 612,085 | 881,461 |
| Dlouhodobá aktiva | 2,073,309 | 2,143,480 | 2,328,465 | 1,991,326 |
| Aktiva celkem | 2,597,723 | 2,681,769 | 2,940,550 | 2,872,787 |
| Krátkodobé závazky | 379,268 | 255,575 | 243,076 | 352,118 |
| Dlouhodobé závazky | 1,174,802 | 1,408,252 | 1,449,722 | 1,348,829 |
| Vlastní kapitál | 1,029,140 | 1,001,692 | 1,226,879 | 1,177,589 |
| Menšinové podíly | 14,513 | 16,250 | 20,873 | (5,749) |
| Vlastní kapitál celkem | 1,043,653 | 1,017,942 | 1,247,752 | 117,1840 |
| Pasiva celkem | 2,597,723 | 2,681,769 | 2,940,550 | 2,872,787 |

| | | <u>Neauditováno</u> <u>K 30. červnu 2012</u> |
|-----------------------------|--|--|
| Údaje o kapitalizaci | | |
| | Peněžní prostředky a peněžní ekvivalenty..... | 124,814 |
| | Cizí zdroje..... | 1,216,028 |
| | Vlastní kapitál: | |
| | Kmenové akcie třídy A | 6,104 |
| | Prioritní akcie..... | -- |
| | Emisní ážio | 1,493,231 |
| | Nerozdělený zisk/(neuhrazená ztráta) | (456,269) |
| | Akumulovaný jiný celkový zisk | (13,926) |
| | Vlastní kapitál CME | 1,029,140 |
| | Menšinové podíly..... | 14,513 |
| | Vlastní kapitál celkem..... | 1,043,653 |
| B.8 | Pro-forma finanční údaje | Neuplatní se: v souvislosti s vydáním Nových Akcií nebyly poskytnuty žádné pro forma finanční informace. |
| B.9 | Prognóza nebo odhad hospodářského výsledku | Neuplatní se: v souvislosti s vydáním Nových Akcií nebyla poskytnuta prognóza nebo odhad hospodářského výsledku. |
| B.10 | Výhrady ve zprávě auditorů k historickým finančním údajům | Neuplatní se: relevantní zprávy auditorů neobsahují žádné výhrady. |
| B.11 | Pracovní kapitál | Neuplatní se: jak uvedeno ve čtvrtletní zprávě CME za období končící 30. června 2012, CME se domnívá, že její pracovní kapitál je adekvátní. |

| Část C – Cenné papíry | | |
|------------------------------|--|---|
| C.1 | Předmětné cenné papíry | <p>Nové akcie společnosti, o jejichž přijetí na hlavní trh Burzy cenných papírů Praha, a.s. („BCPP“) emitent žádá, tvoří (a) 9 901 260 kusů kmenových akcií třídy A vydaných investorovi TW a 2 000 000 kusů kmenových akcií třídy A vydaných investorovi RSL v rámci neveřejné nabídky vybranému investorovi (private placement) dne 15. června 2012, (b) 7 516 936 kusů kmenových akcií třídy A vzniklých konverzí všech vydaných kmenových akcií společnosti třídy B se jmenovitou hodnotou 0,08 USD za kus („kmenové akcie třídy B“) v oběhu na kmenové akcie třídy A dne 15. června 2012 a (c) 874 819 kusů kmenových akcií třídy A vydaných investorovi TW a 11 211 449 kusů kmenových akcií třídy A, jež představují podkladové cenné papíry k jedné konvertibilní prioritní akcií řady A vydané investorovi TW v rámci neveřejné nabídky vybranému investorovi (private placement) ze dne 3. července 2012 (souhrnně „Nové akcie“).</p> <p>Číslo ISIN kmenových akcií třídy A je BMG200452024 a číslo CUSIP je G20045202.</p> |
| C.2 | Měna předmětných cenných papírů | Jmenovitá hodnota Nových akcií je v USD. Obchodování s našimi Novými akciemi na BCPP bude probíhat v českých korunách. |
| C.3 | Schválený základní kapitál | Schválený základní kapitál společnosti je rozdělen na 220 000 000 kusů akcií zahrnujících 200 000 000 kusů kmenových akcií třídy A se jmenovitou hodnotou 0,08 USD za kus, 15 000 000 kusů kmenových akcií třídy B se jmenovitou hodnotou 0,08 USD za kus a 5 000 000 kusů prioritních akcií se jmenovitou hodnotou 0,08 USD za kus. K datu vydání tohoto prospektu bylo vydáno a je v oběhu celkem 77 185 129 kusů kmenových akcií třídy |

| | | |
|------------|--|---|
| | | A, žádné kmenové akcie třídy B a jedna prioritní akcie označená jako konvertibilní prioritní akcie řady A. Všechny kmenové akcie třídy A a jedna konvertibilní prioritní akcie řady A jsou plně splaceny. |
| C.4 | Práva spojená s vydanými předmětnými cennými papíry | Majitelům kmenových akcií třídy A náleží jeden hlas na každou akcii a jsou oprávněni hlasovat společně jako jedna třída s majitelem konvertibilní prioritní akcie řady A, jenž má 11 211 449 hlasů, o všech záležitostech vyžadujících souhlas akcionářů. Majitelé vydaných kmenových akcií třídy A mají nárok obdržet stejné dividendy z legálně dostupných prostředků vyhlášené naším představenstvem jako majitel konvertibilní prioritní akcie řady A, avšak v závislosti na případném přednostním právu na dividendy majitelů prioritních akcií. Podle bermudského právního řádu může představenstvo společnosti vyhlásit a vyplatit dividendy pouze tehdy, není-li odůvodněná obava, že by společnost po výplatě nemohla dostát svým splatným závazkům nebo že by realizační hodnota jejího majetku tímto poklesla pod hodnotu jejích závazků. Majitelé kmenových akcií třídy A nemají předkupní právo ani hlasovací práva kumulativního charakteru a nejsou oprávněni přeměňovat své kmenové akcie třídy A na jiné cenné papíry. V případě zániku nebo zrušení naší společnosti s likvidací jsou majitelé kmenových akcií třídy A oprávněni získat poměrný díl našeho likvidačního zůstatku, jež případně zbyde po splacení všech našich závazků a dluhů, v závislosti na případné přednosti při výplatě likvidačního zůstatku jakékoliv vydané prioritní akcie v oběhu. |
| C.5 | Omezení převoditelnosti | Nové akcie nejsou registrovány dle zákonů o cenných papírech Spojených států amerických. V okamžiku zahájení obchodování Nových akcií držených investorem TW a investorem RSL na trh Nasdaq Global Select a na BCPP, Nové akcie budou drženy pouze v zaknihované podobě a převoditelnost Nových akcií nebude nijak omezena. |
| C.6 | Regulované trhy, na nichž se předmětné cenné papíry obchodují | Naše kmenové akcie třídy A jsou v současné době kótované na trhu Nasdaq Global Select a na Burze cenných papírů Praha. V souladu s příslušnými zákony a právními předpisy, které se týkají cenných papírů, včetně předpisů ČNB a kotečních požadavků BCPP budou Nové akcie kótovány na BCPP pod názvem „CETV“. |
| C.7 | Dividendy | Majitelé vydaných kmenových akcií třídy A mají nárok na dividendy vyhlášené naším představenstvem a vyplácené z legálně dostupných prostředků, avšak s výhradou případného přednostního práva na dividendy majitelů prioritních akcií. Podle bermudského právního řádu může představenstvo společnosti vyhlásit a vyplatit dividendy pouze tehdy, není-li odůvodněná obava, že by společnost po výplatě nemohla dostát svým splatným závazkům nebo že by realizační hodnota jejího majetku tímto poklesla pod hodnotu jejích závazků. Nikdy jsme nevyhlásili ani nevyplatili dividendy ze základního kapitálu. V dohledné budoucnosti neočekáváme výplatu žádných dividend. V současné době hodláme zisky převádět do dalších období za účelem investic do dalšího rozvoje podniku. |

| Část D – Rizikové faktory | |
|----------------------------------|---|
| | <p>Toto shrnutí prospektu a následující pojednání o rizikových faktorech obsahují prohlášení o budoucích okolnostech. Naše skutečné výsledky se mohou od výsledků předjímaných v těchto prohlášeních podstatně lišit, a to v důsledku určitých faktorů, včetně rizik popsanych níže či na jiných místech tohoto materiálu. Tato rizika ovšem nemusí být jedinými riziky, jimž můžeme čelit. Důležitými faktory ovlivňujícími naši finanční situaci, hospodářské výsledky a peněžní toky se mohou rovněž stát další rizika a nepředvídatelné okolnosti, o nichž v současné době nevíme nebo jež se nyní zdají být nepodstatné.</p> <p>Výrazně negativním způsobem nás mohou ovlivnit i jiná rizika, která v současné době neznáme nebo která na základě aktuálně dostupných informací považujeme za nepodstatná. Pokud by nastaly události předpokládané v souvislosti s popisovaným rizikem, mohlo by to nepříznivě ovlivnit naše hospodářské výsledky a finanční situaci a potažmo vést k poklesu tržní ceny našich kmenových akcií třídy A.</p> |

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| D.1 | <p>Nejvýznamnější rizika související s emitentem nebo oblastí jeho podnikání</p> | <p>Rizika související s naší finanční situací</p> <ul style="list-style-type: none"> • Naši finanční situaci a hospodářské výsledky nepříznivě ovlivňuje celosvětová recese, dluhová krize a obavy o budoucnost eurozóny; nelze předpovědět, zda a kdy se ekonomická situace v zemích, v nichž působíme, zlepší nebo za jak dlouho k tomuto zlepšení dojde. Pokud nedojde k urychlenému a trvalému zotavení, budou mít tyto podmínky i nadále nepříznivý vliv na naše hospodářské výsledky. • Pokud nedokážeme zajistit výrazné tržby z reklamy, negativně to ovlivní naše provozní výsledky. • Může dojít k tomu, že nebudeme schopni splácet nebo refinancovat své stávající dluhy nebo získat výhodné podmínky refinancování. • I po odkoupení některých brzy splatných dluhů, je možné, že budeme i poté potřebovat další externí zdroje kapitálu pro budoucí dluhovou službu a jiné závazky, jež nemusí být dostupné, případně nemusí být dostupné za přijatelných podmínek. • Snížení ratingů naší společnosti může nepříznivě ovlivnit naši schopnost získávat další financování. • Naše závazky vyplývající z dluhové služby mohou omezit naši schopnost financovat podnikatelskou činnost. • Neplnění našich závazků vyplývajících ze seniorních dluhopisů, konvertibilních dluhopisů nebo zajištěného revolvingového úvěrového rámce by mohlo znemožnit další pokračování naší podnikatelské činnosti. • Pokud by došlo ke snížení hodnoty našeho goodwillu, nehmotných aktiv s neomezenou životností a dlouhodobých aktiv, pravděpodobně bychom museli ve výsledovce vykázat výrazné náklady. • Kolísání směnných kurzů může nepříznivě ovlivnit náš hospodářský výsledek. <p>Rizika související s naší činností</p> <ul style="list-style-type: none"> • Naše hospodářské výsledky jsou závislé na významu televize jako reklamního média. • V budoucnu se můžeme pokusit o akvizici jiných kanálů, stanic, poskytovatelů obsahu či jiných společností, přičemž se nám nemusí podařit tyto akvizice realizovat za přijatelných podmínek či je úspěšně integrovat do společnosti, případně vůbec identifikovat vhodné cílové společnosti. • Může dojít ke zdražení výroby nebo obstarávání programového obsahu nebo nebudeme schopni vyvíjet nebo získávat pořady, které budou pro naše diváky atraktivní. • Přejít na digitální vysílání může vyžadovat vysoké dodatečné investice, přičemž časový plán takových investic je nejistý. • Naše podnikání je velmi citlivé vůči technologickému vývoji, jenž na nás může mít nepříznivý vliv. |
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| | | <ul style="list-style-type: none"> • Naše obchody s propojenými osobami mohou zahrnovat riziko střetu zájmů vedoucí k uzavírání obchodů za méně příznivých podmínek, než jakých by mohlo být dosaženo za obvyklých tržních podmínek mezi nezávislými subjekty. • Naše licence k provozování televizního vysílání nemusí být prodloužené nebo mohou být odebrány. • Působíme na rozvíjejících se trzích, kde hrozí riziko ekonomické nejistoty, nerovného zacházení nebo zmaření podnikatelských záměrů. • Náš úspěch závisí na schopnosti přilákat a udržet si klíčové zaměstnance. <p>Rizika související s výkonem práv</p> <ul style="list-style-type: none"> • Jsme společnost, která sídlí na Bermudských ostrovech, a vymáhání soukromoprávních závazků a výkonu soudních rozhodnutí může být obtížné. • Naše stanovy omezují právo akcionářů podávat soudní žaloby proti našim vedoucím osobám a statutárním orgánům. |
| D.3 | Nejvýznamnější rizika související s cennými papíry | <p>Rizika související s našimi kmenovými akciemi</p> <ul style="list-style-type: none"> • Náš hlavní akcionář je v takové pozici, ve které může rozhodovat o krocích společnosti vyžadujících souhlas akcionářů a může prosazovat zájmy, které se liší od zájmů ostatních akcionářů. • Kurz našich kmenových akcií třídy A bude pravděpodobně i nadále volatilní. • Kurz našich akcií může nepříznivě ovlivnit prodej nevyhrazených akcií nebo budoucí emise kmenových akcií třídy A. |

| Část E – Neveřejné nabídky vybraným investorům | | |
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| E.1 | Celkové čisté výnosy a náklady | <p>Primární úpisy a dodatečný úpis TW (definováno níže) vynesly přibližně 180 mil. USD; tato částka byla použita ke splacení zbývajících nesplacených částek podle úvěrové smlouvy TW (definováno níže). V souvislosti s vydáním nových akcií nevzniknou společnosti žádné další náklady nebo výlohy a žádnému investorovi nebudou účtovány žádné další náklady nebo poplatky.</p> |
| E.2a | Pozadí obchodů v rámci neveřejných nabídek | <p>Naše představenstvo a vedení pravidelně vyhodnocuje naši likviditu a kapitálové zdroje a zvažuje finanční příležitosti, jež by nám mohly zajistit finanční flexibilitu a dodatečnou likviditu. Ke dni 31. prosince 2011 činil náš seniorní nesplacený dluh přibližně 1,24 mld. USD. Vzhledem k blížící se splatnosti některých částí našeho dluhu a kvůli dopadu závazků souvisejících se zbývajícím dluhovou službou na naši likviditu jsme se rozhodli, že bude v nejlepším zájmu společnosti zlepšit naši situaci v oblasti likvidity refinancováním určité části nesplaceného dluhu pomocí výnosů z vydání akcií.</p> <p>Dne 19. dubna 2012 představenstvo pověřilo nezávislé členy představenstva, aby prověřili a zhodnotili podmínky obchodů popsaných výše v části E této kapitoly A a aby jménem představenstva rozhodli, zda by byly primární úpisy investora TW a investora RSL korektní a zda by tyto obchody byly v nejlepším zájmu společnosti a jejích akcionářů. Dne 30. dubna 2012 nezávislí členové představenstva schválili úpisy investora TW a investora RSL a související obchody a jednohlasně schválili podepsání, doručení a plnění příslušných dokumentů a usnesli se,</p> |

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| | | <p>že doporučují akcionářům společnosti, aby schválili vydání kmenových akcií třídy A a další obchody předpokládané v příslušných dokumentech.</p> <p>Na řádné valné hromadě společnosti dne 13. června 2012 akcionáři společnosti schválili dodatek ke stanovám společnosti a změnu společenské smlouvy umožňující zvýšení schváleného základního kapitálu společnosti z 9,6 mil. USD na 17,4 mil. USD zvýšením počtu schválených kmenových akcií třídy A ze 100 000 000 kusů na 200 000 000 kusů, což poskytlo společnosti dostatečný počet schválených akcií k realizaci primárních úpisů a dodatečného úpisu TW. Akcionáři dále schválili vydání a prodej kmenových akcií třídy A investorovi TW a investorovi RSL a konvertibilní prioritní akcie řady A investorovi TW. Primární úpisy byly uskutečněny dne 15. června 2012 a dodatečný úpis TW byl uskutečněn dne 3. července 2012.</p> <p>Výnos z primárních úpisů a dodatečného úpisu TW ve výši přibližně 180 mil. USD byl použit ke splacení prostředků, které si společnost vypůjčila na základě úvěrové smlouvy TW.</p> |
| E.3 | Termíny a podmínky | <p>Obchody provedené na základě neveřejných nabídek uvedené v tomto prospektu byly realizovány dne 15. června a dne 3. července 2012.</p> <p>Základní přehled obchodů v rámci neveřejných nabídek (Private Placement Transactions)</p> <p>Dne 30. dubna 2012 společnost vyhlásila nabídku („nabídky s výplatou hotovostí“) na zpětný odkup svých konvertibilních seniorních dluhopisů s úrokovou sazbou 3,50 % a splatností v roce 2013 v oběhu („dluhopisy 2013“), svých seniorních dluhopisů s pohyblivou úrokovou sazbou a splatností v roce 2014 v oběhu („dluhopisy 2014“) a svých seniorních dluhopisů s úrokovou sazbou 11,625 % a splatností v roce 2016 v oběhu („dluhopisy 2016“) až do celkové výše 300 mil. USD a uzavřela (i) smlouvu o termínovaném úvěrovém rámci („úvěrová smlouva s TW“) se společností Time Warner Inc. („TW“), (ii) smlouvu o upsání a závazku prodeje akcií („smlouva o závazku prodeje akcií“) s investorem TW, (iii) smlouvu o upsání („smlouva o upsání s RSL“) s panem Ronaldem S. Lauderem a investorem RSL, (iv) smlouvu o registračních právech („smlouva o registračních právech“) s panem Ronaldem S. Lauderem a investorem RSL a (v) první dodatek ke smlouvě o právech investora („dodatek ke smlouvě o právech investora“) se společností RSL Savannah LLC, investorem RSL, RSL Investments Corporation, panem Ronaldem S. Lauderem a investorem TW.</p> <p>Jak je popsáno níže, na základě úvěrové smlouvy s TW mohla společnost čerpat prostředky za účelem splacení některých svých nesplacených dluhů vzniklých z nabídek s výplatou hotovosti a za určitých podmínek mohla emitovat kmenové akcie třídy A investorovi TW a investorovi RSL za sjednanou cenu za účelem splacení částek prostředků čerpaných z úvěrové smlouvy s TW.</p> <p>Následující popisy slouží pouze jako shrnutí různých transakčních dokumentů.</p> <p>Nabídky s výplatou hotovosti a úvěry TW</p> <p><i>Úvěrová smlouva s TW</i></p> <p>Na základě úvěrové smlouvy s TW společnost TW poskytla společnosti úvěrový rámec v celkové výši jistiny až do 300 mil. USD s možností čerpání až ve třech tranších („úvěry TW“), kdy částka, kterou může společnost čerpat v rámci každé tranše odpovídá částce jejích nesplacených dluhopisů 2013, dluhopisů 2014, respektive dluhopisů 2016, jejichž odkup společnost platně nabídla a na jejichž odkup přistoupila na základě nabídek s výplatou hotovosti. Platnost nabídky s výplatou hotovosti na odkud dluhopisů 2013 skončila dne 27. května 2012 a platnost nabídky s výplatou hotovosti na odkud dluhopisů 2014 a dluhopisů 2016 skončila dne 11. června 2012.</p> <p>Dne 30. května 2012 si společnost na základě úvěrové smlouvy s TW půjčila přibližně 109 mil. USD v souvislosti se zpětným odkupem přibližně 109 mil. USD celkové částky dluhopisů 2013 na základě příslušné nabídky s výplatou hotovosti. Dne 13. června 2012 si společnost na základě</p> |

úvěrové smlouvy s TW půjčila přibližně 71 mil. USD v souvislosti se zpětným odkupem přibližně EUR 60.5 mil. celkové částky dluhopisů 2014 na základě nabídky s výplatou hotovosti na odkup dluhopisů 2014 a dluhopisů 2016.

Během prvních 180 dnů po čerpání byla úroková sazba za tranši související se zpětným odkupem dluhopisů 2013 stejná jako úroková sazba dluhopisů 2013 (3,50 % p.a.) a úroková sazba za tranši související se zpětným odkupem dluhopisů 2014 byla stejná jako úroková sazba dluhopisů 2014 (EURIBOR + 1,625 %). Tranše související se zpětným odkupem dluhopisů 2013 má stejné datum splatnosti jako dluhopisy 2013 a tranše související se zpětným odkupem dluhopisů 2014 má stejné datum splatnosti jako dluhopisy 2014. Společnost mohla úvěry TW plně nebo částečně splatit kdykoliv před sjednaným datem splatnosti bez jakéhokoliv penále. V průběhu 180 dní po čerpání jakéhokoliv úvěru by se úroková sazba tranše související se zpětným odkupem dluhopisů 2013 mohla zvýšit na 15 % p.a. a úroková sazba tranše související se zpětným odkupem dluhopisů 2014 zvýšit na 20 % p.a. za určitých podmínek, které nenastaly.

Primární úpisy a dodatečný úpis TW

Smlouva o závazku prodeje akcií

Smlouvou o závazku prodeje akcií se společnost zavázala prodat investorovi TW nejméně 9,5 mil. kusů svých kmenových akcií třídy A za cenu 7,51 USD za kus („**kupní cena**“) po splnění určitých podmínek realizace obchodu včetně získání souhlasu akcionářů společnosti se zde popsaným vydáním akcií investorovi TW a investorovi RSL. Kupní cena se rovnala průměrné závěrečné ceně vážené počtem zobchodovaných akcií (VWAP) na burze Nasdaq Global Select Market během 20 obchodních dní bezprostředně předcházejících podpisu smlouvy o závazku prodeje akcií.

Kromě toho na základě smlouvy o závazku prodeje akcií investor TW poskytl společnosti opci, při jejímž uplatnění je investor TW povinen koupit a společnost poskytla investorovi TW opci na koupi takového počtu kusů kmenových akcií třídy A („**opční akcie**“) za výše uvedenou kupní cenu, jenž by vygeneroval výnosy ke splacení aktuálně nesplacené jistiny z úvěrů TW, v závislosti na určitých omezeních včetně omezení, že (i) investor TW a jeho spřízněné osoby nesmějí získat žádné akcie, jejichž nabytím by jejich beneficiální vlastnictví přesáhlo 49,9 % všech cenných papírů společnosti v oběhu, k nimž se váží hlasovací práva, a (ii) investor TW nesmí získat žádné akcie, které by znamenaly, že by investor TW společně se svou „skupinou“ (ve smyslu ustanovení § 13 odst. d (3) zákona o burzách cenných papírů USA z roku 1934, ve znění pozdějších úprav („**Zákon o burzách**“)) beneficiálně vlastnil více než 49,9 % všech kmenových akcií společnosti třídy A v oběhu („**skupinový strop**“), přičemž v případě bodu (ii) společnost souhlasila, že vydá investorovi TW jednu prioritní akcii, jež bude po skončení platnosti skupinového stropu převoditelná na takový počet kmenových akcií třídy A, který investor TW nesměl získat v důsledku skupinového stropu.

Smlouva o upsání s RSL

Na základě smlouvy o upsání s RSL se společnost zavázala, že po splnění určitých podmínek, mj. provedení primárního úpisu investorem TW podle smlouvy a závazku prodeje akcií, vydá investorovi RSL 2 000 000 kusů kmenových akcií třídy A za kupní cenu.

Úpisy a konverze

Dne 15. června 2012 společnost na základě smlouvy o závazku prodeje akcií vydala 9 901 260 kusů svých kmenových akcií třídy A („**primární úpis TW**“) investorovi TW a na základě smlouvy o upsání s RSL 2 000 000 kusů svých kmenových akcií třídy A investorovi RSL („**úpis RSL**“) a společně s primárním úpisem TW „**primární úpisy**“). Společnost ke stejnému datu použila celý výnos ve výši přibližně 89 mil. USD ke splacení části úvěrů TW.

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| | | <p>Dne 27. června 2012 společnost uplatnila svou opci, na jejímž základě byl investor TW povinen koupit opční akcie. Dne 3. července 2012 společnost uskutečnila prodej 874 819 kusů svých kmenových akcií třídy A a jedné své konvertibilní prioritní akcie řady A, která je převoditelná na 11 211 449 kusů jejích kmenových akcií třídy A, investorovi TW („dodatečný úpis TW“). Společnost použila celý výnos ve výši přibližně 90,8 mil. USD ke splacení zbývající nesplacené části úvěrů TW.</p> <p><i>Konverze kmenových akcií třídy B</i></p> <p>V souvislosti s realizací primárních úpisů investor TW a Ronald S. Lauder se svými spřízněnými osobami provedli konverzi svých 7 516 936 kmenových akcií třídy B na kmenové akcie třídy A (kus za kus) bez doplatku.</p> |
| E.4 | Zájmy, které mají významný vztah k emisi | Neuplatní se: Nové akcie již byly vydány investorovi RSL a investorovi TW. |
| E.5 | Jméno/název osoby nabízející prodej cenných papírů | Neuplatní se: žádná třetí strana nebo společnost kromě CME nenabízí Nové akcie k prodeji. |
| E.6 | Rozředění | Před primárními úpisy a dodatečným úpisem TW bylo v oběhu celkem 56 892 114 kusů kmenových akcií společnosti třídy A a každá kmenová akcie třídy A opravňuje k jednomu hlasu. V důsledku primárních úpisů, dodatečného úpisu TW a důsledkem konverze všech kmenových akcií třídy B na kmenové akcie třídy A, bylo vydáno celkem 20 293 015 kusů kmenových akcií třídy A. Kromě toho byla vydána jedna konvertibilní prioritní akcie řady A, která je převoditelná na 11 211 449 kusů kmenových akcií společnosti třídy A (každá oprávnující k jednomu hlasu na akcii). |
| E.7 | Odhad nákladů investorů | Neuplatní se: žádné další poplatky nebo náklady v souvislosti s vydáním Nových akcií nevzniknou. |

**CHAPTER A:
PROSPECTUS SUMMARY**

PUBLISHED IN CONNECTION WITH THE ADMISSION OF 31,504,464 SHARES OF CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.'S CLASS A COMMON STOCK FOR LISTING AND TRADING ON THE PRAGUE STOCK EXCHANGE

NOTE TO THE PROSPECTUS SUMMARY

Summaries are made up of disclosure requirements known as “Elements.” These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required by the Prospectus Regulation to be included in a summary for this type of securities and Issuer. Because the Prospectus Regulation does not require all Elements to be addressed for this issuance, there may be gaps in the numbering sequence of Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the notation of “not applicable.”

| Section A – Introduction and Warnings | | |
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| A.1 | Introduction and Warnings | <p>This summary should be read as an introduction to the Prospectus. Any decision to invest in securities of the Company should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to the persons who presented the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read with other parts of the prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p> <p>The following is a summary of some of the information contained in this Prospectus. We urge you to read this entire document carefully, including the risk factors, our historical consolidated financial statements and the notes to those financial statements. Unless the context requires otherwise, references in this Prospectus to the “Company,” “we,” “us,” “our” and “CME” are to Central European Media Enterprises Ltd., a Bermuda company and its subsidiaries and predecessors collectively.</p> |
| A.2 | Consent of the Issuer | Not applicable; the New Shares have already been issued in a private placement transaction as further described herein and therefore there is no offer period or contemplated use of this Prospectus for subsequent resale or final placement, nor were the New Shares placed by any financial intermediary. |

| Section B – Issuer | | |
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| B.1 | Legal and Commercial Name | Central European Media Enterprises Ltd. |

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| B.2 | Domicile, Legal Form, Legislation and Country of Incorporation | CME is a company limited by shares incorporated and existing under the laws of Bermuda. |
| B.3 | Nature of Current Operations | <p>CME is a media and entertainment company operating leading broadcast, production and distribution, and new media businesses in Central and Eastern Europe. CME holds its assets through a series of Dutch and Curaçao holding companies. We operate mainly in Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia.</p> <p>We manage our business on a divisional basis, with three operating segments: Broadcast, Media Pro Entertainment, our production and distribution business, and New Media.</p> <p><u>Broadcast</u></p> <p>Our Broadcast segment consists of 33 television channels primarily in six countries. We generate advertising revenues in our Broadcast segment primarily through entering into agreements with advertisers, advertising agencies and sponsors to place advertising on the television channels that we operate. Our main general entertainment television channels in each country are distributed on a free-to-air basis terrestrially in analog, digital or both, depending on the digitalization status in each country, and are also distributed via cable and satellite. Our other channels are generally distributed via cable and satellite. Unless otherwise indicated, we own 100% of our broadcast operating and license companies in each country.</p> <p><i>Bulgaria</i></p> <p>We operate one general entertainment channel, BTV, and five other channels, BTV CINEMA, BTV COMEDY, RING.BG, BTV ACTION and BTV LADY, a female-oriented cable channel. We also own several radio channels. We currently own 94.0% of CME Bulgaria B.V. (“CME Bulgaria”), the subsidiary that owns our Bulgaria Broadcast operations. Top Tone Media Holdings Limited, the third party that owns the remaining interest in CME Bulgaria, has exercised its right to acquire additional equity in CME Bulgaria, however the closing of this transaction has not yet occurred. Upon consummation of the equity transfer, we will own 90.0% of our Bulgaria Broadcast operations.</p> <p><i>Croatia</i></p> <p>We operate one general entertainment channel, NOVA TV (Croatia), one female-oriented channel, DOMA (Croatia), and an international channel, NOVA WORLD.</p> <p><i>Czech Republic</i></p> <p>We operate one general entertainment channel, TV NOVA (Czech Republic), and four other channels, NOVA CINEMA, NOVA SPORT, MTV CZECH and FANDA, a male-oriented channel.</p> <p><i>Romania</i></p> <p>We operate two general entertainment channels, PRO TV and ACASA, four other channels, PRO CINEMA, SPORT.RO, MTV ROMANIA and ACASA GOLD, a female-oriented cable channel, and an international channel, PRO TV INTERNATIONAL, as well as a general entertainment channel broadcasting in Moldova, PRO TV CHISINAU.</p> <p><i>Slovak Republic</i></p> <p>We operate one general entertainment channel, TV MARKIZA, one female-orientated channel, DOMA (Slovak Republic) and one male-orientated channel DAJTO.</p> |

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| | | <p><i>Slovenia</i></p> <p>We operate two general entertainment channels, POP TV and KANAL A, and POP NON STOP, a subscription package of six channels which includes POP KINO, POP KINO2, POP BRIO, POP FANI, POP OTO and POP SPOT.</p> <p><u>Media Pro Entertainment</u></p> <p>Media Pro Entertainment (“MPE”), our production and distribution business, leverages creative talent across all our countries and focuses on the development, production and distribution of content for our television channels and to third parties, both within our region and globally.</p> <p>MPE is organized into two businesses:</p> <p>Production: This business provides assets and expertise to produce a range of fiction, reality and entertainment programming, and films, using both licensed formats as well as original formats and content developed by the business. The content produced can be easily adapted for use across several markets and in many revenue-generating windows.</p> <p>Distribution: In addition to having responsibility for selling finished content and formats developed by our production operations to third parties, this business acquires rights to international film and television content across our region and distributes them both to third party clients and to our Broadcast operations. Our distribution operations are also able to generate third-party revenue by distributing content through the theatrical and home video operations. MPE owns and operates sixteen cinema screens in Romania. In addition, a home video distribution business sells DVD and Blu Ray discs to wholesale and retail clients in the Czech Republic, the Slovak Republic, Romania and Hungary. A significant portion of our distribution revenues are to third parties, which are expected to generate a significant portion of MPE’s consolidated profits in the short-term.</p> <p>The MPE segment currently generates the majority of its revenues from sales to our Broadcast segment. For that reason, the financial results of the segment are dependent to an extent on the performance of the television advertising market, although the long-term nature of the production process is such that it takes time for significant market changes to be reflected in this segment's results.</p> <p><u>New Media</u></p> <p>We own and operate more than 75 websites across our markets as well as our video-on-demand service, Voyo, in order to build strong online channels to distribute popular content and to operate an efficient marketing tool for our Broadcast operations. The New Media segment focuses on offering viewers the choice of watching our premium television content anytime, anywhere and operates a series of news portals, ranging from general information to sports or niche sites.</p> <p>Voyo is an internet-based content aggregation and distribution platform that offers consumers both free and paid content in multiple distribution windows. During the first three months of 2012, Voyo completed the introduction of a subscription based video-on-demand service in all of our regions, offering premium locally produced productions as well as hundreds of local and foreign feature films. It also offers an embedded transactional video-on-demand element devoted to movie content from major Hollywood and independent studios. Revenues generated by the New Media segment are primarily derived from the sale of advertising.</p> |
| B.4a | Significant Recent Trends | <p>After adjusting for inflation, we estimate that GDP in our territories grew slightly overall during the six months ended June 30, 2012, but was down from the 1.5% growth rate reported in the second half of 2011 following the combination of a slowdown in export growth and ongoing tight fiscal measures in some of the countries in our region. Real private consumption is estimated to have declined</p> |

| | | slightly overall during the six months ended June 30, 2012. On a constant currency basis, television advertising spending in our markets declined by 7% in the six months ended June 30, 2012, with variances ranging from negative 14% in Croatia to negative 1% in the Slovak Republic. In Croatia, the decline in advertising spending was primarily due to a reduction in spending by advertisers in the telecoms industry, while in the Slovak Republic, television advertising spending benefited from additional advertising spending ahead of parliamentary elections. A full recovery in our region continues to be hampered by continuing concerns surrounding the levels of European sovereign debt, uncertainty about the future of the Euro and a general lack of confidence about economic growth in our countries. All of these issues are contributing to the reluctance of advertisers to spend. | | | | | | | | | | | | | | | |
|--|-----------------------------------|--|---|-----------------------------------|------------------------------|---|-------------------|--|------------|---|-------|--------------------|--|-----------|---|------|------|
| B.5 | Group | CME is a media and entertainment company operating leading broadcast, production and distribution, and new media businesses in Central and Eastern Europe. CME holds its assets through a series of Dutch and Curaçao holding companies. We operate businesses mainly in Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia. | | | | | | | | | | | | | | | |
| B.6 | Major Shareholders | <p>The ownership of shareholders holding more than a 5% economic interest in the Company is as follows:</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>Class A common stock^a</th> <th>Preferred Share^b</th> <th>Ownership of shares of Class A common stock</th> <th>Economic Interest</th> </tr> </thead> <tbody> <tr> <td>Time Warner Media Holdings B.V.^c</td> <td>32,898,443</td> <td>1</td> <td>42.6%</td> <td>49.9%^d</td> </tr> <tr> <td>Ronald S. Lauder and affiliates^e</td> <td>5,616,936</td> <td>-</td> <td>7.3%</td> <td>6.4%</td> </tr> </tbody> </table> <p>^a Excludes unexercised stock options and unvested restricted stock units issued by the Company.</p> <p>^b The single share of Series A convertible preferred stock will automatically convert into 11,211,449 share of Class A common stock following the termination of Irrevocable Voting Deed and Corporate Representative Appointment dated May 18, 2009 (the “Voting Agreement”) with Ronald S. Lauder, non-executive Chairman of CME’s Board of Directors.</p> <p>^c Based on the Schedule 13D/A filed by TW Investor and certain affiliates with the SEC on July 11, 2012, TW Investor reported that it beneficially owns 32,898,443 outstanding shares of Class A common stock and that it may be deemed to beneficially own the 5,616,936 outstanding shares of Class A common stock beneficially owned by Ronald S. Lauder.</p> <p>^d Voted by Ronald S. Lauder under the Voting Agreement, which is expected to terminate in May 2013.</p> <p>^e Based on the Schedule 13D/A filed by Ronald S. Lauder and certain affiliates with the SEC on July 12, 2012, Ronald S. Lauder claims beneficial ownership of 5,616,936 outstanding shares of Class A common stock held by himself and his affiliates (2,000,000 shares of Class A common stock held directly by RSL Investor; 26,000 shares of Class A common stock held directly by Ronald S. Lauder; 2,885,705 shares of Class A common stock held directly by RSL Investments Corporation; 105,231 outstanding shares of Class A common stock held directly by RAJ Family Partners, L.P.; and 600,000 outstanding shares of Class A common stock held directly by The Neue Galerie New York). Ronald S. Lauder also claims beneficial ownership of the 32,898,443 outstanding shares of Class A common stock held directly by TW Investor, which shares RSL Savannah LLC, of which Ronald S. Lauder is the sole member, is entitled to vote pursuant to the terms of the Voting Agreement.</p> <p>The holders of shares of Class A common stock are entitled to one vote per share and are entitled to vote as a single class together with the holder of the share of Series A convertible preferred stock, which is entitled to 11,211,449 votes, on all matters subject to shareholder approval.</p> | Shareholder | Class A common stock ^a | Preferred Share ^b | Ownership of shares of Class A common stock | Economic Interest | Time Warner Media Holdings B.V. ^c | 32,898,443 | 1 | 42.6% | 49.9% ^d | Ronald S. Lauder and affiliates ^e | 5,616,936 | - | 7.3% | 6.4% |
| Shareholder | Class A common stock ^a | Preferred Share ^b | Ownership of shares of Class A common stock | Economic Interest | | | | | | | | | | | | | |
| Time Warner Media Holdings B.V. ^c | 32,898,443 | 1 | 42.6% | 49.9% ^d | | | | | | | | | | | | | |
| Ronald S. Lauder and affiliates ^e | 5,616,936 | - | 7.3% | 6.4% | | | | | | | | | | | | | |

| | | |
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| | | <p>Pursuant to the Voting Agreement, an affiliate of Ronald S. Lauder is entitled to vote the 32,898,443 outstanding shares of Class A common stock held directly by TW Investor. Accordingly, Ronald S. Lauder controls approximately 56.3% of the voting power of the Company as of the date hereof.</p> |
| <p>B.7</p> | <p>Selected Historical Key Financial Information</p> | <p>The following information should be read together with the information set forth in Section C of this Prospectus as well as the information presented under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Company’s consolidated financial statements and related notes to those statements from our Annual Report on Form 10-K for the period ended December 31, 2011 (the “2011 Annual Report”) and our Quarterly Report for the period ended June 30, 2012.</p> <p>The following table sets forth our summary consolidated financial data for the six months ended June 30, 2012 and 2011, and each of the fiscal years ended December 31, 2011, 2010 and 2009.</p> <p>We have derived the consolidated statements of operations data for the years ended December 31, 2011, 2010 and 2009 and the consolidated balance sheet data as of December 31, 2011, 2010 and 2009 from the audited consolidated financial statements contained in our 2011 Annual Report. We have derived the consolidated statement of operations data for the six months ended June 30, 2012 and 2011, and the balance sheet data as of June 30, 2012, from the unaudited consolidated interim financial statements from our Quarterly Report for the period ended June 30, 2012. We have derived the capitalization data as of June 30, 2012 from our unaudited consolidated interim financial statements from our Quarterly Report for the period ended June 30, 2012.</p> <p>Our consolidated financial statements are prepared in accordance with US GAAP. In the opinion of management, our unaudited consolidated financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.</p> <p>Our financial results for the six months ended June 30, 2012 reflect the acquisition of Bontonfilm on June 30, 2011; the initial benefits from the rollout of Voyo, our subscription video-on-demand service in all our territories; and the impact from the continued general lack of confidence in the growth of the economies in our region. On a constant currency basis, the television advertising spending in our markets declined by 7% in the six months ended June 30, 2012 impacting the advertising revenues in our Broadcast division. Overall, on a constant currency basis, our consolidated net revenues remained flat compared to the corresponding period in 2011 due to the growth in revenues in our MPE and New Media divisions.</p> <p>Our negative free cash flow of US\$ 59.3 million for the six months ended June 30, 2012, compared to positive free cash flow of US\$ 14.8 million for the corresponding period in 2011, was lower mainly due to the unusually high cash flow in 2011. In the first quarter of 2011, we implemented an advance collection program that generated US\$ 47 million of cash receipts from customers that were granted discounts to pay much earlier than our normal terms. Most of these advances were accelerated receipts from the second half of 2011. We did not repeat this program in the first half of 2012 and therefore our free cash flow is more in line with the seasonal nature of our business. Furthermore, we continued to invest in our content production resulting in higher local programming payments in the first half of 2012.</p> |

| | Unaudited | | As at December 31, | | |
|---|----------------|----------|---------------------|-----------|-----------|
| | As at June 30, | | 2011 | 2010 | 2009 |
| | 2012 | 2011 | (in thousands US\$) | | |
| Consolidated statement of operations data: | | | | | |
| Net revenues | 378,655 | 422,428 | 864,782 | 737,134 | 681,945 |
| Operating income/(loss) | 13,347 | 31,808 | 6,792 | 22,877 | (38,971) |
| Net income/(loss) from continuing operations | (10,672) | (20,183) | (179,604) | (116,924) | (70,983) |
| (Loss)/income on discontinued operations | -- | -- | -- | 213,697 | (36,824) |
| Net income/(loss) | (10,672) | (20,183) | (179,604) | 96,773 | (107,807) |
| Net income/(loss) attributable to CME Ltd. | (9,436) | (20,164) | (174,611) | 100,175 | (97,157) |
| Comprehensive income/(loss) | (42,134) | 111,063 | (239,034) | 79,187 | (214,411) |
| Comprehensive income/(loss) attributable to CME Ltd. | (40,957) | 110,553 | (234,761) | 82,008 | (203,335) |

Per share data:

Net income/(loss) per common share from:

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Continuing operations - basic..... | (0.14) | (0.31) | (2.71) | (1.77) | (1.11) |
| Continuing operations - diluted | (0.14) | (0.31) | (2.71) | (1.77) | (1.11) |
| Discontinued operations - basic | 0.00 | 0.00 | 0.00 | 3.34 | (0.68) |
| Discontinued operations - diluted | 0.00 | 0.00 | 0.00 | 3.34 | (0.68) |
| Net income/(loss) - basic | (0.14) | (0.31) | (2.71) | 1.57 | (1.79) |
| Net income/(loss) - diluted | (0.14) | (0.31) | (2.71) | 1.57 | (1.79) |
| Weighted average common shares used to compute per share amounts (000s) | | | | | |
| Basic | 65,447 | 64,377 | 64,385 | 64,029 | 54,344 |
| Diluted..... | 65,447 | 64,377 | 64,385 | 64,029 | 54,344 |

| | Unaudited | | As at December 31, | | |
|--|---------------------|--|--------------------|------|------|
| | As at June 30, 2012 | | 2011 | 2010 | 2009 |
| | (in thousands US\$) | | | | |

Consolidated balance sheet data:

| | | | | |
|------------------------------------|-----------|-----------|-----------|-----------|
| Current assets | 524,414 | 538,289 | 612,085 | 881,461 |
| Non-current assets | 2,073,309 | 2,143,480 | 2,328,465 | 1,991,326 |
| Total assets | 2,597,723 | 2,681,769 | 2,940,550 | 2,872,787 |
| Current liabilities | 379,268 | 255,575 | 243,076 | 352,118 |
| Non-current liabilities | 1,174,802 | 1,408,252 | 1,449,722 | 1,348,829 |
| Shareholders' equity | 1,029,140 | 1,001,692 | 1,226,879 | 1,177,589 |
| Non-controlling interests | 14,513 | 16,250 | 20,873 | (5,749) |
| Total equity | 1,043,653 | 1,017,942 | 1,247,752 | 117,1840 |
| Total liabilities and equity | 2,597,723 | 2,681,769 | 2,940,550 | 2,872,787 |

| | | <u>Unaudited</u> <u>As at June 30, 2012</u> |
|--|--|--|
| Capitalization data: | | |
| Cash and cash equivalents..... | | 124,814 |
| Indebtedness..... | | 1,216,028 |
| Shareholders' equity: | | |
| Class A common stock..... | | 6,104 |
| Preferred stock..... | | -- |
| Additional paid in capital..... | | 1,493,231 |
| Retained earnings/(accumulated deficit)..... | | (456,269) |
| Accumulated other comprehensive income..... | | (13,926) |
| Total CME shareholders' equity..... | | 1,029,140 |
| Noncontrolling interests..... | | 14,513 |
| Total shareholders' equity..... | | 1,043,653 |
| B.8 | Pro Forma Financial Information | Not applicable; no pro forma financial information was provided in connection with the issuance of the New Shares. |
| B.9 | Profit Forecast or Estimate | Not applicable; no profit forecast or estimate was made in connection with the issuance of the New Shares. |
| B.10 | Qualifications in Audit Report for Historical Financial Information | Not applicable; relevant audit reports do not contain qualifications. |
| B.11 | Working Capital | Not applicable; as set forth in the Quarterly Report for the period ending June 30, 2012, CME believes its working capital to be adequate. |

| Section C – Securities | | |
|-------------------------------|--|--|
| C.1 | Securities to be Admitted | <p>The New Shares of the Company's Class A common stock sought for admission on the main market of the PSE consist of (a) 9,901,260 shares of Class A common stock issued to TW Investor and 2,000,000 shares of Class A common stock issued to RSL Investor in private placements on June 15, 2012, (b) 7,516,936 shares of Class A common stock resulting from the conversion of all of the Company's issued and outstanding shares of Class B common stock into Class A common stock on June 15, 2012, and (c) 874,819 shares of Class A common stock issued to TW Investor and 11,211,449 shares of Class A common stock underlying one share of Series A convertible preferred stock issued to TW Investor in a private placement on July 3, 2012.</p> <p>The ISIN number for shares of our Class A common stock is BMG200452024 and the CUSIP number is G20045202.</p> |
| C.2 | Currency of the Securities Issued | The par value of the New Shares is in U.S. dollars. Trading of our New Shares on the PSE will be in Czech koruna. |
| C.3 | Authorized Share Capital | The Company's authorized share capital is divided into 220,000,000 shares, which consists of 200,000,000 shares of Class A common stock, par value US\$ 0.08 per share, 15,000,000 shares of |

| | | |
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| | | Class B common stock, par value US\$ 0.08 per share, and 5,000,000 shares of preferred stock, par value US\$ 0.08 per share. As of the date of this Prospectus, there are 77,185,129 shares of Class A common stock issued and outstanding, no shares of Class B common stock issued and outstanding, and one share of Preferred Stock, designated as Series A convertible preferred stock, issued and outstanding. All outstanding shares of Class A common stock and the one outstanding share of Preferred Stock are fully paid. |
| C.4 | Rights Attached to Outstanding Securities | The holders of shares of Class A common stock are entitled to one vote per share and are entitled to vote as a single class together with the holder of the share of Series A convertible preferred stock, which is entitled to 11,211,449 votes, on all matters subject to shareholder approval. The holders of issued shares of Class A common stock are entitled to receive dividends as and when declared by our Board of Directors, pari passu with the holder of the share of Series A convertible preferred stock, out of funds legally available therefor, subject to any preferred dividend right of the holders of any Preferred Stock. Under Bermuda law, a company's board of directors may declare and pay dividends from time to time unless there are reasonable grounds for believing that the company is or would, after the payment, be unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than its liabilities. The holders of shares of Class A common stock have no preemptive or cumulative voting rights and no rights to convert their shares of Class A common stock into any other securities. In the event of our dissolution or winding up, the holders of shares of Class A common stock are entitled to receive and share ratably and equally in our remaining assets, if any, after the payment of all of our debts and liabilities and subject to any liquidation preference on any issued and outstanding shares of Preferred Stock. |
| C.5 | Restrictions on Transfer | The New Shares are not registered under United States Securities laws. Upon entry into trading of the New Shares held by the RSL Investor and the TW Investor on the Nasdaq Global Select Market and the PSE, the New Shares will be held solely in book-entry form and there will not be any restrictions on the transferability of such New Shares. |
| C.6 | Regulated Markets where Securities are Traded | Shares of our Class A common stock are currently listed on the Nasdaq Global Select Market and the Prague Stock Exchange. Subject to compliance with the applicable securities laws and regulations, including those of the CNB and the listing requirements of the PSE, the New Shares will be listed for trading on the PSE under the symbol "CETV". |
| C.7 | Dividend Policy | The holders of issued shares of Class A common stock are entitled to receive dividends as and when declared by our Board of Directors, out of funds legally available therefor, subject to any preferred dividend right of the holders of any Preferred Stock. Under Bermuda law, a company's board of directors may declare and pay dividends from time to time unless there are reasonable grounds for believing that the company is or would, after the payment, be unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than its liabilities. We have never declared or paid dividends on our capital stock. We do not expect to pay any dividends in the foreseeable future. We currently intend to retain our earnings for the development of our business. |

| Section D – Risk Factors | |
|---------------------------------|---|
| | <p>This Prospectus summary and the following discussion of risk factors contain forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks and uncertainties described below and elsewhere in this report. These risks and uncertainties are not the only ones we may face. Additional risks and uncertainties of which we are not aware, or that we currently deem immaterial, may also become important factors that affect our financial condition, results of operations and cash flows.</p> <p>Additional risks not presently known to us or which we consider immaterial based on information currently available to us may also materially adversely affect us. If any of the events anticipated by the risks described occur, our results of</p> |

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| | operations and financial condition could be adversely affected, which could result in a decline in the market price of our Class A common stock. | |
| D.1 | Key Risks Associated with Issuer or its Industry | <p>Risks Relating to our Financial Position</p> <ul style="list-style-type: none"> • The global recession, credit crisis and concerns regarding the Eurozone have adversely affected our financial position and results of operations; we cannot predict if or when economic conditions in the countries in which we operate will recover or how long any recovery may last. A failure to achieve prompt and lasting recoveries will continue to adversely affect our results of operations. • Our operating results will be adversely affected if we cannot generate strong advertising sales. • We may be unable to repay or refinance our existing indebtedness or obtain favorable refinancing terms. • Even after the repurchase of certain of our indebtedness with near-term maturities, we may still require additional external sources of capital for future debt service and other obligations, which may not be available or may not be available on acceptable terms. • A downgrading of our ratings may adversely affect our ability to raise additional financing. • Our debt service obligations may restrict our ability to fund our operations. • A default under our obligations under the Senior Notes, the Convertible Notes or the Secured Revolving Credit Facility could result in our inability to continue to conduct our business. • If our goodwill, indefinite-lived intangible assets and long-lived assets become impaired, we may be required to record significant charges to earnings. • Fluctuations in exchange rates may adversely affect our results of operations. <p>Risks Relating to our Operations</p> <ul style="list-style-type: none"> • Our operating results are dependent on the importance of television as an advertising medium. • We may seek to make acquisitions of other channels, networks, content providers or other companies in the future and we may fail to acquire them on acceptable terms or successfully integrate them or we may fail to identify suitable targets. • Our programming content may become more expensive to produce or acquire or we may not be able to develop or acquire content that is attractive to our audiences. • The transition to digital broadcasting may require substantial additional investments and the timing of such investments is uncertain. • Our businesses are vulnerable to significant changes in technology that could adversely affect us. • We may not be aware of all related party transactions, which may involve risks of conflicts of interest that result in transactions being concluded on less favorable terms than could be obtained in arms-length transactions. |

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| | | <ul style="list-style-type: none"> • Our broadcasting licenses may not be renewed and may be subject to revocation. • Our operations are in developing markets where there is a risk of economic uncertainty, biased treatment and loss of business. • Our success depends on attracting and retaining key personnel. <p>Risks Relating to Enforcement Rights</p> <ul style="list-style-type: none"> • We are a Bermuda company and enforcement of civil liabilities and judgments may be difficult. • Our Bye-laws restrict shareholders from bringing legal action against our officers and directors. • |
| D.3 | Key Risks Associated with the Securities | <p>Risks Relating to our Common Stock</p> <ul style="list-style-type: none"> • Our controlling shareholder is in a position to decide corporate actions that require shareholder approval and may have interests that differ from those of other shareholders. • The price of our Class A common stock is likely to remain volatile. • Our share price may be adversely affected by sales of unrestricted shares or future issuances of shares of Class A common stock. |

| Section E – Private Placements | | |
|---------------------------------------|---|--|
| E.1 | Total Net Proceeds and Expenses | The Initial Subscriptions and the TW Additional Subscription (each as defined below) resulted in approximately US\$ 180 million in proceeds, which were applied to repay amounts outstanding under the TW Credit Agreement (as defined below). No further fees or expenses will be incurred by the Company and no fees or expenses will be charged to any investors in connection with the issuance of the New Shares. |
| E.2a | Background of the Private Placement Transactions | <p>Our Board of Directors and management regularly evaluate our liquidity and capital resources, and consider financing options designed to provide us with financial flexibility and additional liquidity. As of December 31, 2011, we had approximately US\$ 1.24 billion of senior debt outstanding. Due to the pending maturity of certain series of our debt and the effect of our remaining debt service obligations on our liquidity, we determined that it was in the best interests of the Company to improve our liquidity position by refinancing certain of our outstanding debt with the proceeds of equity issuances.</p> <p>On April 19, 2012, the Board of Directors delegated to our Independent Directors the authority to review and evaluate the terms of the transactions described in Section E of this Chapter A above and determine, on behalf of the Board of Directors, whether the initial subscriptions by TW Investor and RSL Investor were fair and whether the transactions are in the best interest of the Company and its stockholders. On April 30, 2012, the Independent Directors approved the subscriptions by TW Investor and RSL Investor and related transactions, and, by unanimous action, authorized the execution, delivery and performance of the transaction documents and resolved to recommend to the shareholders of the Company that they approve the issuance of Class A common stock and other transactions contemplated by the transaction documents.</p> |

| | | |
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| | | <p>At the annual general meeting of the Company held on June 13, 2012, the Company’s shareholders approved the amendment of the Company’s Bye-laws and the condition of its Memorandum to increase the authorized share capital of the Company from US\$ 9.6 million to US\$ 17.4 million by increasing the number of authorized shares of Class A common stock from 100,000,000 shares to 200,000,000 shares, which allowed the Company sufficient authorized shares to complete the Initial Subscriptions and the TW Additional Subscription. The shareholders further approved the issuance and sale of shares of Class A common stock to TW Investor and RSL Investor and the share of Series A convertible preferred stock to TW Investor. The Initial Subscriptions were completed on June 15, 2012 and the TW Additional Subscription was completed on July 3, 2012.</p> <p>The approximately US\$ 180 million in proceeds with respect to the Initial Subscriptions and the TW Additional Subscription were used to repay amounts borrowed by the Company under the TW Credit Agreement.</p> |
| E.3 | <p>Terms and Conditions</p> | <p>The private placement transactions contained in this Prospectus were completed on June 15 and July 3, 2012.</p> <p>General Summary of Private Placement Transactions</p> <p>On April 30, 2012, the Company announced tenders (the “cash tenders”) to repurchase for cash up to US\$ 300 million in the aggregate of its outstanding 3.50% Senior Convertible Notes due 2013 (the “2013 Notes”), its outstanding Senior Floating Rate Notes due 2014 (the “2014 Notes”) or its outstanding 11.625% Senior Notes due 2016 (the “2016 Notes”) and entered into (i) a Term Loan Facilities Credit Agreement (the “TW Credit Agreement”) with Time Warner Inc. (“TW”), (ii) a Subscription and Equity Commitment Agreement (the “Equity Commitment Agreement”) with TW Investor, (iii) a Subscription Agreement (the “RSL Subscription Agreement”) with Ronald S. Lauder and RSL Investor, (iv) a Registration Rights Agreement (the “RSL Registration Rights Agreement”) with Ronald S. Lauder and RSL Investor and (v) a First Amendment to Investor Rights Agreement (the “Investor Rights Amendment”) with RSL Savannah LLC, RSL Investor, RSL Investments Corporation, Ronald S. Lauder and TW Investor.</p> <p>As described below, the Company was entitled to draw amounts under the TW Credit Agreement to repay certain of the Company’s outstanding indebtedness under the cash tenders and the Company could, subject to certain conditions, issue shares of its Class A common stock to TW Investor and RSL Investor at an agreed price in order to repay drawings under the TW Credit Agreement.</p> <p>The following descriptions are only intended as summaries of the various transaction documents.</p> <p>Cash Tenders and TW Loans</p> <p><i>TW Credit Agreement</i></p> <p>Under the TW Credit Agreement, TW agreed to loan an aggregate principal amount of up to US\$ 300 million to the Company in up to three tranches (the “TW Loans”), with the amounts the Company could draw upon for each tranche corresponding to the amount of its outstanding 2013 Notes, 2014 Notes or 2016 Notes, as applicable, validly tendered and accepted for purchase by the Company under the cash tenders. The tender offer for the 2013 Notes expired on May 27, 2012 and the tender offer for the 2014 Notes and the 2016 Notes expired on June 11, 2012.</p> <p>On May 30, 2012, the Company borrowed approximately US\$ 109 million under the TW Credit Agreement in connection with the repurchase of approximately \$109 million aggregate principal amount of 2013 Notes under the tender offer for the 2013 Notes. On June 13, 2012, the Company borrowed approximately US\$ 71 million under the TW Credit Agreement in connection with the repurchase of EUR 60.5 million aggregate principal amount of 2014 Notes under the tender offer</p> |

for the 2014 Notes and 2016 Notes.

For the first 180 days after drawing, the interest rate for the 2013 Notes tranche was the same as the 2013 Notes (3.50% per annum) and the interest rate on the 2014 Notes tranche was the same rate as the 2014 Notes (EURIBOR plus 1.625%). The 2013 Notes tranche had the same maturity date as the 2013 Notes and the 2014 Notes tranche had the same maturity date as the 2014 Notes. The Company had the option to prepay the TW Loans in whole or in part at any time without penalty prior to the scheduled maturity date. During the 180-day period following the drawing of any TW Loan, the interest rate on the 2013 Notes tranche would have increased to 15% per annum and the interest rate on the 2014 Notes tranche would have increased to 20% per annum under certain circumstances, none of which occurred.

Initial Subscriptions and TW Additional Subscription

Equity Commitment Agreement

Under the Equity Commitment Agreement, the Company agreed to sell to TW Investor not less than 9.5 million shares of its Class A common stock at a price of US\$ 7.51 per share (the “**Purchase Price**”) following the satisfaction of certain closing conditions, including the approval by the shareholders of the Company of the share issuances to TW Investor and RSL Investor described herein. The Purchase Price was equal to the Company’s volume-weighted average closing share price on the Nasdaq Global Select Market for the 20 trading days immediately preceding the signing of the Equity Commitment Agreement.

In addition, under the Equity Commitment Agreement, TW Investor granted to the Company an option to cause TW Investor to purchase, and the Company granted to TW Investor an option to purchase, at the Purchase Price, the number of shares of Class A common stock (the “**Option Shares**”) that would generate proceeds to repay the then outstanding principal amount under the TW Loans, subject to certain limitations, including restrictions that (i) TW Investor and its affiliates would not acquire any shares that would result in their beneficial ownership exceeding 49.9% of the total outstanding voting securities of the Company and (ii) TW Investor would not acquire any shares that would result TW Investor, along with its “group” (as such terms is used in Section 13(d)(3) of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), beneficially owning more than 49.9% of the outstanding number of shares of Class A common stock (the “**Group Cap**”), provided that, in the case of subclause (ii), the Company agreed to issue to TW Investor one share of preferred stock that would be convertible into the number of shares of Class A common stock that TW Investor was not able to acquire because of the Group Cap, when the Group Cap no longer is in effect.

RSL Subscription Agreement

Under the RSL Subscription Agreement, the Company agreed to issue to RSL Investor 2,000,000 shares of Class A common stock at the Purchase Price, subject to the satisfaction of certain conditions, including the completion of the initial subscription by TW Investor under the Equity Commitment Agreement.

Subscriptions and Conversion

On June 15, 2012, the Company issued 9,901,260 shares of its Class A common stock (the “**TW Initial Subscription**”) to TW Investor pursuant to the Equity Commitment Agreement and 2,000,000 shares of its Class A common stock to RSL Investor under the RSL Subscription Agreement (the “**RSL Subscription**” and together with the TW Initial Subscription, the “**Initial Subscriptions**”). The Company applied the entire proceeds of approximately US\$ 89 million to repay a portion of the TW Loans on the same date.

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|------------|---|---|
| | | <p>On June 27, 2012 the Company exercised its option to cause TW Investor to purchase Option Shares; and on July 3, 2012, the Company completed the sale to TW Investor of 874,819 shares of our Class A common stock and one share of Series A convertible preferred stock of the Company that is convertible into 11,211,449 shares of the Class A common stock of the Company (the “TW Additional Subscription”). The Company applied the entire proceeds of approximately US\$ 90.8 million to repay the remaining amount of the TW Loans outstanding.</p> <p><i>Conversion of the Shares of Class B Common Stock</i></p> <p>In connection with the closing of the Initial Subscriptions, TW Investor and Ronald S. Lauder together with his affiliates converted their 7,516,936 shares of Class B common stock into shares of Class A common stock on a one-for-one basis for no additional consideration.</p> |
| E.4 | Interests Material to the Issue | Not applicable; the New Shares have already been issued to RSL Investor and to TW Investor. |
| E.5 | Name of Person or Entity Offering to Sell the Security | Not applicable; no third party person or entity other than CME is offering to sell the New Shares. |
| E.6 | Dilution | Prior to the Initial Subscriptions and TW Additional Subscription, 56,892,114 shares of the Company’s Class A common stock were outstanding and each share of Class A common stock is entitled to one vote per share. As a result of the Initial Subscriptions and the TW Additional Subscription as well as the conversion of all outstanding shares of Class A common stock into Class B common stock, 20,293,015 shares of Class A common stock were issued. In addition, one share of Series A convertible preferred stock that is convertible into 11,211,449 shares of Class A common stock (each entitled to one vote per share) was issued. |
| E.7 | Estimated Expenses Charged to Investors | Not applicable; no further fees or expenses will be incurred by the Company in connection with the issuance of the New Shares. |

CHAPTER B: RISK FACTORS

This Prospectus and the following discussion of risk factors contain forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks and uncertainties described below and elsewhere in this report. These risks and uncertainties are not the only ones we may face. Additional risks and uncertainties of which we are not aware, or that we currently deem immaterial, may also become important factors that affect our financial condition, results of operations and cash flows.

Additional risks not presently known to us or which we consider immaterial based on information currently available to us may also materially adversely affect us. If any of the events anticipated by the risks described occur, our results of operations and financial condition could be adversely affected, which could result in a decline in the market price of our Common Stock.

Risks Relating to our Financial Position

The global recession, credit crisis and concerns regarding the Eurozone have adversely affected our financial position and results of operations; we cannot predict if or when economic conditions in the countries in which we operate will recover or how long any recovery may last. A failure to achieve prompt and lasting recoveries will continue to adversely affect our results of operations.

The results of our operations depend heavily on advertising revenue, and demand for advertising is affected by prevailing general and regional economic conditions. The economic uncertainty affecting the global financial markets and banking system since the beginning of 2009 has had an adverse impact on economic growth in our operating countries across Central and Eastern Europe, some of which are still emerging from recession. There has been a widespread withdrawal of investment funding from the Central and Eastern European markets and companies with investments in them, particularly in Bulgaria and Romania. Furthermore, the economic downturn has adversely affected consumer and business spending, access to credit, liquidity, investments, asset values and employment rates. These adverse economic conditions have had a material negative impact on the advertising industries in our markets, leading our customers to continue to spend less on advertising than at the peak period in 2008. This has negatively impacted our financial position, results of operations and cash flows. While GDP and private consumption returned to growth in 2011 in most of our operating countries, they have weakened again during the first six months of this year due to continuing concerns regarding Europe's sovereign debt crisis, the stability of the Eurozone, the sustainability of the Euro as a common currency, and the growth prospects of major emerging market and developed market economies globally. As a result, the economies of our operating countries could return to recession. Furthermore, recent economic events such as the continuing sovereign debt crisis in several EU countries have highlighted issues relating to the short- and long-term stability of the Euro as a single currency. The departure of a country from the Euro or the dissolution of the Euro by its members could negatively impact our business, as well as cause significant volatility and disruption in the global economy. Any of these developments would have a significant negative effect on our financial position, results of operations and cash flows.

Our operating results will be adversely affected if we cannot generate strong advertising sales.

We generate most of our revenues from the sale of advertising airtime on our television channels. In addition to general economic conditions, other factors that may affect our advertising sales are the pricing of advertising time as well as audience ratings, changes in programming strategy, changes in audience preferences, our channels' technical reach, technological developments relating to media and broadcasting, competition from other broadcasters and operators of other media platforms, seasonal trends in the advertising market, increased competition for the leisure time of audiences and shifts in population and other demographics. In addition, the occurrence of disasters, acts of terrorism, civil or military conflicts or general political instability may create further economic uncertainty that

reduces advertising spending. The reduction in advertising spending in our markets has had a negative effect on the prices at which we sell television advertising because of pressure to reduce prices from advertisers and discounting by competitors. Reduced advertising spending, discounting of the price of television advertising in our markets and competition from broadcasters seeking to attract similar audiences have had and may continue to have an adverse impact on our ability to maintain our advertising sales. Our ability to maintain audience ratings and to generate gross rating points, our main unit of sales, depends in part on our maintaining investments in television programming and productions at a sufficient level to continue to attract these audiences. Significant or sustained reductions in investments in programming, production or other operating costs in response to reduced advertising spending in our markets have had and may continue to have an adverse impact on television viewing levels. The significant decline in advertising sales has had and could continue to have a material adverse effect on our financial position, results of operations and cash flows.

We may be unable to repay or refinance our existing indebtedness or obtain favorable refinancing terms.

We face the risk that we may not be able to renew, repay or refinance our indebtedness when due, or that the terms of any renewal or refinancing will not be as favorable as the terms of such indebtedness being refinanced. This risk is exacerbated by the volatility in the capital markets, which has resulted in tightened lending requirements and in some cases the inability to refinance indebtedness. We have successfully completed previously announced transactions to repurchase our 2013 Convertible Notes and 2014 Floating Rate Notes. Nonetheless, we still have a substantial amount of indebtedness. We can give no assurances that we will be able to raise sufficient funds to repay or refinance all outstanding amounts of our current indebtedness. If we are unable to raise sufficient funds or otherwise repay or refinance our indebtedness on acceptable terms, we may be forced to dispose of assets on disadvantageous terms or reduce or suspend operations, any of which would materially and adversely affect our financial condition and results of operations.

Even after the repurchase of certain of our indebtedness with near-term maturities, we may still require additional external sources of capital for future debt service and other obligations, which may not be available or may not be available on acceptable terms.

If our cash flows from operations continue to be insufficient to cover operating expenses and interest payments, and if our cash flow together with other capital resources, including proceeds received from offerings of debt or equity and the disposition of assets, were to prove insufficient to fund our debt service obligations as they became due, we would face substantial liquidity problems. The availability of credit and the impact of a slow economic recovery on our operations may constrain our ability to obtain financing, whether through public or private debt or equity offerings, proceeds from the sale of assets or other financing arrangements. If economic conditions in our markets do not improve, if our assumptions regarding future operating results prove to be inaccurate, if our costs increase due to competitive pressures or other unanticipated developments or if our investment plans change, we may need to obtain additional financing to fund our operations or acquisitions, and to repay or refinance our outstanding indebtedness. It is not possible to ensure that additional debt financings will be available within the limitations on the incurrence of additional indebtedness contained in the indentures governing our Senior Notes and the agreement governing the Secured Revolving Credit Facility. Moreover, such financings, if available at all, may not be available on acceptable terms. Our inability to obtain financing as it is needed would mean that we may be obliged to reduce or delay capital or other material expenditures or dispose of material assets or businesses. If we cannot obtain adequate capital or obtain it on acceptable terms, this would have an adverse effect on our financial position, results of operations and cash flows.

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

Our corporate credit is currently rated B3 with a positive outlook and our 2017 Fixed Rate Notes are rated Ba3 by Moody's Investors Services. Our 2016 Fixed Rate Notes and 2013 Convertible Notes are rated CCC+, our 2017 Fixed Rate Notes are rated B- and corporate credit is rated B- with a stable outlook by Standard & Poor's. These ratings reflect each agency's opinion of our financial strength, operating performance and ability to meet our debt obligations as they become due. Credit rating agencies now monitor companies much more closely and have made liquidity and the key ratios associated with liquidity, such as gross leverage ratio, a particular priority. We intend to operate with sufficient liquidity to maintain our current ratings. However, this is dependent on a variety of factors, some of which may be beyond our control. The repurchase of our 2013 Convertible Notes and 2014 Floating Rate

Notes and subsequent repayment of the TW Loans (as defined in Section I of Chapter C of this Prospectus) has resulted in an improvement in our balance sheet. However, we may still be subject to potential downgrades if we fail to maintain adequate levels of liquidity. In the event our debt or corporate credit ratings are lowered by the ratings agencies, it will be more difficult for us to raise additional indebtedness, and we will have to pay higher interest rates, which would have an adverse effect on our financial position, results of operations and cash flows.

Each of Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Ltd is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such, each of Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Ltd is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

Our debt service obligations may restrict our ability to fund our operations.

Even after the repurchase of our 2013 Convertible Notes and the 2014 Floating Rate Notes we continue to have significant debt service obligations under our Senior Notes, Convertible Notes and Secured Revolving Credit Facility. As a result of these debt service obligations, we are restricted in the manner in which our business is conducted, including but not limited to our ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements. Furthermore, we may have a proportionally higher level of debt than our competitors, which may put us at a competitive disadvantage. Servicing our high level of debt may limit our flexibility in planning for, or reacting to, changes in our business, economic conditions and our industry.

A default under our obligations under the Senior Notes, the Convertible Notes or the Secured Revolving Credit Facility could result in our inability to continue to conduct our business.

Pursuant to the terms of the Secured Revolving Credit Facility agreement and the indentures governing the Senior Notes and the Convertible Notes, we have pledged shares in Central European Media Enterprises N.V. and CME BV, which own substantially all of our interests in our operating subsidiaries. In addition, pursuant to the indenture governing the 2017 Fixed Rate Notes and the Secured Revolving Credit Facility agreement, we have pledged our ownership interests in CET 21 and substantially all of CET 21's assets, including the shares of CME Slovak Holdings B.V. and the ownership interest in Media Pro Pictures s.r.o. If we were to default under the terms of any of our indentures, the Secured Revolving Credit Facility agreement, the secured parties under our indentures and the Secured Revolving Credit Facility agreement would have the right to enforce their security and to sell all or a portion of the assets pledged to them in order to pay amounts outstanding under such debt instruments.

If our goodwill, indefinite-lived intangible assets and long-lived assets become impaired, we may be required to record significant charges to earnings.

We review our long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill and indefinite-lived intangible assets are required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill, indefinite-lived intangible assets or long-lived assets may not be recoverable include slower growth rates in our markets, reduced expected future cash flows, increased country risk premia as a result of political uncertainty and a decline in stock price and market capitalization. We consider available current information in respect of calculating our impairment charge. If there are indicators of impairment, our long-term cash flow forecasts for our operations deteriorate, or discount rates increase, we may be required to recognize impairment charges in later periods.

Fluctuations in exchange rates may adversely affect our results of operations.

Our functional currency is the U.S. dollar but our consolidated revenues and costs, including programming rights expenses and interest on debt, are divided across a range of currencies. The Senior Notes are denominated in Euros and the Secured Revolving Credit Facility is denominated in Czech koruna. We have not attempted to hedge the foreign exchange on the principal amount of the Senior Notes or the outstanding amounts due under the Secured Revolving Credit Facility. Furthermore, continuing instability in the Eurozone may increase our exposure to

currency fluctuations. We may continue to experience significant gains and losses on the translation of our revenues, the Senior Notes or the Secured Revolving Credit Facility into U.S. dollars due to movements in exchange rates between the Euro, the Czech koruna, the currencies of our local operations and the U.S. dollar.

Risks Relating to our Operations

Our operating results are dependent on the importance of television as an advertising medium.

We generate most of our revenues from the sale of advertising airtime on television channels in our markets. Television competes with various other media, such as print, radio, the internet and outdoor advertising, for advertising spending. In all of the countries in which we operate, television constitutes the single largest component of all advertising spending. There can be no assurances that the television advertising market will maintain its current position among advertising media in our markets. Furthermore, there can be no assurances that changes in the regulatory environment or improvements in technology will not favor other advertising media or other television broadcasters. Increases in competition among advertising media arising from the development of new forms of advertising media and distribution could result in a decline in the appeal of television as an advertising medium generally or of our channels specifically. A decline in television advertising spending in any period or in specific markets would have an adverse effect on our financial position, results of operations and cash flows.

We may seek to make acquisitions of other channels, networks, content providers or other companies in the future and we may fail to acquire them on acceptable terms or successfully integrate them or we may fail to identify suitable targets.

Our business and operations have grown in part through acquisitions. While we continue to explore acquisition opportunities, prospective competitors may have greater financial resources than we do, and increased competition for target broadcasters or other media businesses may reduce the number of potential acquisitions that are available on acceptable terms. As we succeed in acquiring new businesses, their integration into our existing operations poses significant risks, including:

- additional demands placed on our senior management, who are also responsible for managing our existing operations;
- increased overall operating complexity of our businesses, requiring greater personnel and other resources;
- difficulties in expanding beyond our core expertise in the event that we acquire ancillary businesses;
- significant initial cash expenditures to acquire and integrate new businesses; and
- in the event we are able to incur debt to finance acquisitions, additional debt service costs related thereto as well as limitations that may arise under the indentures governing our Senior Notes or under the Secured Revolving Credit Facility agreement.

To manage our growth effectively and achieve pre-acquisition performance objectives, we will need to integrate new acquisitions into our existing businesses, implement financial and management controls and produce required financial statements for those operations. The integration of new businesses may also be difficult due to differing cultures, languages or management styles, poor internal controls and an inability to establish control over cash flows. If any acquisition and integration is not implemented successfully, our ability to manage our growth will be impaired and we may have to make significant additional expenditures to address these issues, which could harm our financial position, results of operations and cash flows. Furthermore, even if we are successful in integrating new businesses, expected synergies and cost savings may not materialize, resulting in lower than expected cash flows and profit margins.

Our programming content may become more expensive to produce or acquire or we may not be able to develop or acquire content that is attractive to our audiences.

Television programming is one of the most significant components of our operating costs. The ability of programming to generate advertising revenues depends substantially on our ability to develop, produce or acquire programming that matches audience tastes and attracts high audience shares, which is difficult to predict. The commercial success of a program depends on several tangible and intangible factors, including the impact of

competing programs, the availability of alternate forms of entertainment and leisure time activities and general economic conditions. Furthermore, the cost of acquiring content attractive to our viewers, such as feature films and popular television series and formats, has increased as a result of greater competition from existing and new television broadcasting channels. Our expenditure in respect of locally produced programming may also increase due to the implementation of new laws and regulations mandating the broadcast of a greater number of locally produced programs, changes in audience tastes in our markets in favor of locally produced content, and competition for talent. In addition, we typically acquire syndicated programming rights under multi-year commitments before we can predict whether such programming will perform well in our markets. In the event any such programming does not attract adequate audience share, it may be necessary to increase our expenditures by investing in additional programming as well as to write down the value of such underperforming programming. Any increase in programming costs or write downs could have a material adverse effect on our financial condition, results of operations and cash flows.

The transition to digital broadcasting may require substantial additional investments and the timing of such investments is uncertain.

Countries in which we have operations are migrating from analog terrestrial broadcasting to digital terrestrial broadcasting. Each country has independent plans for its digital switchover with its own timeframe, operating model and regulatory and investment regime. Croatia, the Czech Republic, the Slovak Republic and Slovenia have either completed or are in the final stages of the analog switch-off. The migration to digital broadcasting in Bulgaria is expected to be completed in 2013 and in Romania, which is in the initial stage, completion is expected by 2015. We cannot predict the full effect of the migration to digital terrestrial broadcasting on existing operations or the take up of digital terrestrial broadcasting by our audiences. We also cannot predict whether we will receive digital terrestrial broadcasting rights or licenses for any existing or additional channels if such additional rights or licenses should be required in those countries that have not completed the digital switchover. We may be required to make substantial investment and commit substantial other resources to implement digital terrestrial broadcasting and secure distribution in advance of knowing the take up of digital terrestrial broadcasting versus competing alternative distribution systems, such as direct-to-home platforms. We may not have access to resources sufficient to make such investments when required.

Our businesses are vulnerable to significant changes in technology that could adversely affect us.

The television broadcasting industry is affected by rapid innovations in technology. The implementation of new technologies and the introduction of broadcasting distribution systems other than analog terrestrial broadcasting, such as digital terrestrial broadcasting, direct-to-home cable and satellite distribution systems, the internet, video-on-demand, user-generated content sites and the availability of television programming on portable digital devices, have changed consumer behaviour by increasing the number of entertainment choices available to audiences. This has fragmented television audiences in more developed markets and could adversely affect our ability to retain audience share and attract advertisers as such technologies penetrate our markets. New technologies that enable viewers to choose when and what content to watch, as well as to fast-forward or skip advertisements, may cause changes in consumer behavior that could adversely impact our businesses. In addition, compression techniques and other technological developments allow for an increase in the number of channels that may be broadcast in our markets and expanded programming offerings that may be offered to highly targeted audiences. Reductions in the cost of launching additional channels could lower entry barriers for new channels and encourage the development of increasingly targeted niche programming on various distribution platforms. Our television broadcasting operations may be required to expend substantial financial and managerial resources to ensure necessary access to new broadcasting technologies or distribution systems. In addition, an expansion in competition due to technological innovation may increase competition for audiences and advertising revenue as well as the competitive demand for programming. Any requirement for substantial further investment to address competition that arises on account of technological innovations in broadcasting may have an adverse effect on our financial position, results of operations and cash flows.

We may not be aware of all related party transactions, which may involve risks of conflicts of interest that result in transactions being concluded on less favorable terms than could be obtained in arms-length transactions.

In certain of our markets, our officers, general directors or other members of the management of our operating companies may have other business interests, including interests in television and other media related companies. We may not be aware of all business interests or relationships that exist with respect to entities with which our operating companies enter into transactions. Transactions with companies, whether or not we are aware of any business relationship between our employees and third parties, may present conflicts of interest which may in turn result in the conclusion of transactions on terms that are not arm's length. It is likely that our subsidiaries will continue to enter into related party transactions in the future. In the event there are transactions with persons who subsequently are determined to be related parties, we may be required to make additional disclosure and, if such contracts are material, may not be in compliance with certain covenants under the indentures governing our Senior Notes. Any related party transaction that is entered into on terms that are not arm's length may result in a negative impact on our financial position, results of operations and cash flows.

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

We require broadcasting and, in some cases, other operating licenses as well as other authorizations from national regulatory authorities in our markets in order to conduct our broadcasting business. While the broadcast licenses for our operations in Slovenia and the Slovak Republic are valid for indefinite time periods, the majority of our broadcasting licenses expire at various times between January 2013 and January 2026. While we expect that our material licenses and authorizations will be renewed or extended as required to continue to operate our business, we cannot guarantee that this will occur or that they will not be subject to revocation, particularly in markets where there is relatively greater political risk as a result of less developed political and legal institutions. The failure to comply in all material respects with the terms of broadcasting licenses or other authorizations or with applications filed in respect thereto may result in such licenses or other authorizations not being renewed or otherwise being terminated. Furthermore, no assurances can be given that renewals or extensions of existing licenses will be issued on the same terms as existing licenses or that further restrictions or conditions will not be imposed in the future. Any non-renewal or termination of any other broadcasting or operating licenses or other authorizations or material modification of the terms of any renewed licenses may have a material adverse effect on our financial position, results of operations and cash flows.

Our operations are in developing markets where there is a risk of economic uncertainty, biased treatment and loss of business.

Our revenue generating operations are located in Central and Eastern Europe. These markets pose different risks to those posed by investments in more developed markets and the impact in our markets of unforeseen circumstances on economic, political or social life is greater. The economic and political systems, legal and tax regimes, standards of corporate governance and business practices of countries in this region continue to develop. Government policies may be subject to significant adjustments, especially in the event of a change in leadership. This may result in social or political instability or disruptions, potential political influence on the media, inconsistent application of tax and legal regulations, arbitrary treatment before judicial or other regulatory authorities and other general business risks, any of which could have a material adverse effect on our financial position, results of operations and cash flows. Other potential risks inherent in markets with evolving economic and political environments include exchange controls, higher tariffs and other levies as well as longer payment cycles. The relative level of development of our markets and the influence of local political parties also present a potential for biased treatment of us before regulators or courts in the event of disputes involving our investments. If such a dispute occurs, those regulators or courts might favor local interests over our interests. Ultimately, this could lead to the loss of one or more of our business operations. The loss of a material business would have an adverse impact on our financial position, results of operations and cash flows.

Our success depends on attracting and retaining key personnel.

Our success depends partly upon the efforts and abilities of our key personnel and our ability to attract and retain key personnel. Our management teams have significant experience in the media industry and have made important contributions to our growth and success. Although we have been successful in attracting and retaining such people

in the past, competition for highly skilled individuals is intense. There can be no assurance that we will continue to be successful in attracting and retaining such individuals in the future. The loss of the services of any of these individuals could have an adverse effect on our businesses, results of operations and cash flows.

Risks Relating to Enforcement Rights

We are a Bermuda company and enforcement of civil liabilities and judgments may be difficult.

CME Ltd. is a Bermuda company. Substantially all of our assets and all of our operations are located, and all of our revenues are derived, outside the United States. In addition, several of our directors and all of our officers are non-residents of the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, investors may be unable to affect service of process within the United States upon such persons, or to enforce against them judgments obtained in the United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws. There is uncertainty as to whether the courts of Bermuda and the countries in which we operate would enforce (i) judgments of United States courts obtained against us or such persons predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such countries, liabilities against us or such persons predicated upon the United States federal and state securities laws.

Our Bye-laws restrict shareholders from bringing legal action against our officers and directors.

Our Bye-laws contain a broad waiver by our shareholders of any claim or right of action in Bermuda, both individually and on our behalf, against any of our officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty.

Risks Relating to our Common Stock

Our controlling shareholder is in a position to decide corporate actions that require shareholder approval and may have interests that differ from those of other shareholders.

Ronald S. Lauder, our founder and Chairman of the Board of Directors, owns or has voting control over approximately 56.3% of our outstanding common stock. A portion of this voting power is attributable to a voting agreement among the Company, Mr. Lauder, RSL Savannah LLC, a company wholly owned by Mr. Lauder, and TW Investor, whereby Mr. Lauder is entitled to vote all 32,898,443 shares of Class A common stock and the share of Series A convertible preferred stock (which is entitled to one vote for each share of Class A common stock into which it is convertible) beneficially owned by TW, as well as any other of our shares acquired by TW during the term of the voting agreement. Notwithstanding the foregoing, TW reserves the right to vote certain shares in any transaction that would result in a change of control of the Company. Because of this voting power, Mr. Lauder is in a position to exercise significant influence over the outcome of corporate actions requiring shareholder approval, such as the election of directors or certain transactions, including issuances of common stock of the Company that may result in a dilution of the holders of shares of Class A common stock or in a change of control. The interests of Mr. Lauder may not be the same as those of other shareholders, and such shareholders will be unable to affect the outcome of such corporate actions for so long as Mr. Lauder retains voting control.

The price of our Class A common stock is likely to remain volatile.

The market price of shares of our Class A common stock may be influenced by many factors, many of which are beyond our control, including those described above under “Risks Relating to our Operations” as well as the following: general economic and business trends, variations in quarterly operating results, license renewals, regulatory and economic developments in our operating countries and the European Union, the condition of the media industry in our operating countries, the volume of trading in shares of our Class A common stock, future

issuances of shares of our Class A common stock and investors' and securities analysts' perception of us and other companies that investors or securities analysts deem comparable in the television broadcasting industry. In addition, stock markets in general have experienced extreme price and volume fluctuations that have often been unrelated to and disproportionate to the operating performance of broadcasting companies. These broad market and industry factors may materially reduce the market price of shares of our Class A common stock, regardless of our operating performance.

Our share price may be adversely affected by sales of unrestricted shares or future issuances of shares of Class A common stock.

As at July 20, 2012, we had a total of 2.3 million options to purchase Class A common stock and 600,000 restricted stock units outstanding. In 2007 we issued 1,275,227 unregistered shares of Class A common stock to Igor Kolomoisky. Adrian Sarbu beneficially owns 2,443,867 unregistered shares of Class A common stock and warrants to purchase an additional 850,000 unregistered shares of Class A common stock. TW beneficially holds 32,898,443 unregistered shares of Class A common stock and a share of preferred stock that is convertible into 11,211,449 shares of Class A common stock. TW has registration rights with respect to a significant majority of its shares of Class A common stock. The 2015 Convertible Notes are convertible into shares of our Class A common stock and mature on November 15, 2015. Prior to August 15, 2015, the 2015 Convertible Notes will be convertible following certain events and from that date at any time to November 15, 2015. We cannot predict what effect, if any, an issuance of shares of our Class A common stock, or the entry into trading of previously issued unregistered or restricted shares of our Class A common stock, will have on the market price of our shares. If more shares of common stock are issued, the economic interest of current shareholders may be diluted and the price of our shares may be adversely affected.

**CHAPTER C:
SUPPLEMENTAL INFORMATION CONCERNING CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**

I. SUMMARY OF PRIVATE PLACEMENT TRANSACTIONS

On April 30, 2012, the Company announced the cash tenders to repurchase for cash up to US\$ 300 million in the aggregate of its outstanding 2013 Notes, its outstanding 2014 Notes or its outstanding 2016 Notes and entered into (i) the TW Credit Agreement with TW, (ii) the Equity Commitment Agreement with TW Investor, (iii) the RSL Subscription Agreement with Ronald S. Lauder and RSL Investor, (iv) the RSL Registration Rights Agreement with Ronald S. Lauder and RSL Investor and (v) the Investor Rights Amendment with RSL Savannah LLC, RSL Investor, RSL Investments Corporation, Ronald S. Lauder and TW Investor.

As described below, the Company was entitled to draw amounts under the TW Credit Agreement to repay certain of the Company's outstanding indebtedness under the cash tenders and the Company could, subject to certain conditions, issue shares of its Class A common stock to TW Investor and RSL Investor at an agreed price in order to repay drawings under the TW Credit Agreement.

Cash Tenders and TW Loans

TW Credit Agreement

Under the TW Credit Agreement, TW agreed to loan the TW Loans in an aggregate principal amount of up to US\$ 300 million to the Company in up to three tranches, with the amounts the Company could draw upon for each tranche corresponding to the amount of its outstanding 2013 Notes, 2014 Notes or 2016 Notes, as applicable, validly tendered and accepted for purchase by the Company under the cash tenders. The tender offer for the 2013 Notes expired on May 27, 2012 and the tender offer for the 2014 Notes and the 2016 Notes expired on June 11, 2012.

On May 30, 2012, the Company borrowed approximately US\$ 109 million under the TW Credit Agreement in connection with the repurchase of approximately \$109 million aggregate principal amount of 2013 Notes under the tender offer for the 2013 Notes. On June 13, 2012, the Company borrowed approximately US\$ 71 million under the TW Credit Agreement in connection with the repurchase of EUR 60.5 million aggregate principal amount of 2014 Notes under the tender offer for the 2014 Notes and 2016 Notes.

For the first 180 days after drawing, the interest rate for the 2013 Notes tranche was the same as the 2013 Notes (3.50% per annum) and the interest rate on the 2014 Notes tranche was the same rate as the 2014 Notes (EURIBOR plus 1.625%). The 2013 Notes tranche had the same maturity date as the 2013 Notes and the 2014 Notes tranche had the same maturity date as the 2014 Notes. The Company had the option to prepay the TW Loans in whole or in part at any time without penalty prior to the scheduled maturity date. If during the 180-day period following the drawing of any TW Loan, the TW Loans, the interest rate on the 2013 Notes tranche would have increased to 15% per annum and the interest rate on the 2014 Notes tranche would have increased to 20% per annum under certain circumstances, none of which occurred.

The foregoing description is a summary of certain relevant terms of the TW Credit Agreement and is qualified in its entirety by reference to the TW Credit Agreement, a copy of which is filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on April 30, 2012 and the CNB on May 2, 2012, which is incorporated herein by reference.

Initial Subscriptions and TW Additional Subscription

Equity Commitment Agreement

Under the Equity Commitment Agreement, the Company agreed to sell to TW Investor not less than 9.5 million shares of its Class A common stock at the Purchase Price following the satisfaction of certain closing conditions, including the approval by the shareholders of the Company of the share issuances to TW Investor and RSL Investor described herein. The Purchase Price was equal to the Company's volume-weighted average closing share price on the Nasdaq Global Select Market for the 20 trading days immediately preceding the signing of the Equity Commitment Agreement.

In addition, under the Equity Commitment Agreement, TW Investor granted to the Company an option to cause TW Investor to purchase, and the Company granted to TW Investor an option to purchase, at the Purchase Price, the number of Option Shares that would generate proceeds to repay the then outstanding principal amount under the TW Loans, subject to certain limitations, including restrictions that (i) TW Investor and its affiliates would not acquire any shares that would result in their beneficial ownership exceeding 49.9% of the total outstanding voting securities of the Company and (ii) TW Investor would not acquire any shares that would result TW Investor, along with its "group" (as such terms is used in Section 13(d)(3) of the Exchange Act, beneficially owning more than the Group Cap, provided that, in the case of subclause (ii), the Company agreed to issue to TW Investor one share of preferred stock that would be convertible into the number of shares of Class A common stock that TW Investor was not able to acquire because of the Group Cap, when the Group Cap no longer is in effect.

The foregoing description of the Equity Commitment Agreement is a summary and is qualified in its entirety by reference to the Equity Commitment Agreement, a copy of which is filed as Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on April 30, 2012 and the CNB on May 2, 2012, which is incorporated herein by reference.

RSL Subscription Agreement

Under the RSL Subscription Agreement, the Company agreed to issue to RSL Investor 2,000,000 shares of Class A common stock at the Purchase Price, subject to the satisfaction of certain conditions, including the completion of the initial subscription by TW Investor under the Equity Commitment Agreement.

The foregoing description of the RSL Subscription Agreement is a summary and is qualified in its entirety by reference to the RSL Subscription Agreement, a copy of which is filed as Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on April 30, 2012 and the CNB on May 2, 2012, which is incorporated herein by reference.

Subscriptions and Conversion

On June 15, 2012, the Company completed the TW Initial Subscription by issuing 9,901,260 shares of its Class A common stock to TW Investor and completed the RSL Subscription by issuing 2,000,000 shares of its Class A common stock to RSL Investor. The Company applied the entire proceeds of approximately US\$ 89 million to repay a portion of the TW Loans on the same date.

On June 27, 2012 the Company exercised its option to cause TW Investor to purchase Option Shares; and on July 3, 2012, the Company completed the TW Additional Subscription by issuing to TW Investor 874,819 shares of our Class A common stock and one share of Series A convertible preferred stock of the Company that is convertible into 11,211,449 shares of the Class A common stock of the Company. The Company applied the entire proceeds of approximately US\$ 90.8 million to repay the remaining amount of the TW Loans outstanding.

Conversion of the Shares of Class B Common Stock

In connection with the closing of the Initial Subscriptions, TW Investor and Ronald S. Lauder together with his affiliates converted their 7,516,936 shares of Class B common stock into shares of Class A common stock on a one-for-one basis for no additional consideration.

Other Material Agreements

Voting Agreement

All of the TW Shares are subject to the Irrevocable Voting Deed and Corporate Representative Appointment, dated May 18, 2009, by and among the Company, TW Investor and RSL Savannah LLC. Pursuant to the Voting Agreement, TW Investor granted RSL Savannah LLC the right to vote shares of Class A common stock and the share of Series A convertible preferred stock, which is entitled to one vote for each share of Class A common stock into which it is convertible, held or acquired by TW Investor during the term of the Voting Agreement except with respect to certain transactions that would result in a change of control of the Company.

A description of the Voting Agreement is contained on page 2 of our Current Report on Form 8-K filed with the SEC on March 22, 2009, which is available as described in Chapter C, Section XIII “Documents on Display.” The Voting Agreement was previously filed with the SEC as Exhibit no. 10.72 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which is available as described in Chapter C, Section XIII “Documents on Display.”

Investor Rights Amendment

In connection with the closing of the Initial Subscriptions, the Company, TW Investor and RSL Investor (together with certain of RSL Investor’s affiliates) entered into the Investor Rights Amendment, which amends the Investor Rights Agreement dated May 18, 2009, by and among the Company, Ronald S. Lauder, RSL Savannah LLC, RSL Investment LLC, RSL Investments Corporation and TW Investor (the “**Investor Rights Agreement**”), to: (i) prevent the Company from issuing any equity securities other than Class A common stock, options, warrants, restricted stock units and other similar securities convertible into or exercisable for Class A common stock under options plans, (ii) prevent the Company from issuing any indebtedness, or amending the terms of any existing indebtedness, pursuant to which the having or acquiring of beneficial ownership of any amount or percentage of securities of the Company by TW Investor would result in a breach, default, fundamental change, change of control, triggering of special rights, acceleration or any similar event, (iii) add RSL Investor as a party to the Investor Rights Agreement and grant the RSL Investor the right to purchase shares to maintain a 4.7% pro rata interest in the Company in connection with Class A common stock offerings for cash we may undertake during the period ending 180 days after the date of the first drawing of the TW Loans, (iv) until the conclusion of the first annual general meeting of the Company following the termination of the Voting Agreement, have the Company agree to nominate two Board nominees designated by TW Investor and (v) require the RSL Investor and TW Investor to convert all shares of Class B common stock held by them and their affiliates into shares of Class A common stock on a one-to-one basis at the time the subscription shares are issued to TW Investor.

A description of the other material provisions of the Investor Rights Agreement is contained on pages 3-4 in our Current Report on Form 8-K filed with the SEC on March 22, 2009 which is available as described in Chapter C, Section XIII “Documents on Display.” The Investor Rights Agreement was previously filed with the SEC as Exhibit no. 10.71 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which is available as described in Chapter C, Section XIII “Documents on Display.”

Listing of Shares of Class A Common Stock on the Prague Stock Exchange

The shares of Class A common stock sought for admission on the Prague Stock Exchange consist of (a) the 9,901,260 shares of Class A common stock issued to TW Investor and 2,000,000 shares of Class A common stock issued to RSL Investor under the Initial Subscriptions, (b) the 7,516,936 shares of Class A common stock resulting from the conversion of all of the Company’s issued and outstanding shares of Class B common stock into Class A common stock on June 15, 2012, and (c) the 874,819 shares of Class A common stock and one share of Series A convertible preferred stock that is convertible into 11,211,449 shares of Class A common stock issued to TW Investor under the TW Additional Subscription on July 3, 2012.

II. BUSINESS OVERVIEW AND COMPETITION

2.1 Business Overview

Central European Media Enterprises Ltd. was incorporated in Bermuda under the Bermuda Companies Act 1981, as amended (the “**Companies Act**”) on June 15, 1994. We are a media and entertainment company operating leading broadcast, production and distribution, and new media businesses in Central and Eastern Europe. Our assets are held through a series of Dutch and Curaçao holding companies. We operate mainly in Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia.

We manage our business on a divisional basis, with three operating segments, Broadcast, Media Pro Entertainment, our production and distribution business, and New Media.

Broadcast

Our Broadcast segment consists of 33 television channels primarily in six countries. We generate advertising revenues in our Broadcast segment primarily through entering into agreements with advertisers, advertising agencies and sponsors to place advertising on the television channels that we operate. Our main general entertainment television channels in each country are distributed on a free-to-air basis terrestrially in analog, digital or both, depending on the digitalization status in each country, and are also distributed via cable and satellite. Our other channels are generally distributed via cable and satellite. Unless otherwise indicated, we own 100% of our broadcast operating and license companies in each country.

Bulgaria

We operate one general entertainment channel, BTV, and five other channels, BTV CINEMA, BTV COMEDY, RING.BG, BTV ACTION and BTV LADY, a female-oriented cable channel. We also own several radio channels. We currently own 94.0% of CME Bulgaria B.V., the subsidiary that owns our Bulgaria Broadcast operations. Top Tone Media Holdings Limited, the third party that owns the remaining interest in CME Bulgaria, has exercised its right to acquire additional equity in CME Bulgaria, however the closing of this transaction has not yet occurred. Upon consummation of the equity transfer, we will own 90.0% of our Bulgaria Broadcast operations.

Croatia

We operate one general entertainment channel, NOVA TV (Croatia), one female-oriented channel, DOMA (Croatia), and an international channel, NOVA WORLD.

Czech Republic

We operate one general entertainment channel, TV NOVA (Czech Republic), and four other channels, NOVA CINEMA, NOVA SPORT, MTV CZECH and FANDA, a male-oriented channel.

Romania

We operate two general entertainment channels, PRO TV and ACASA, four other channels, PRO CINEMA, SPORT.RO, MTV ROMANIA and ACASA GOLD, a female-oriented cable channel, and an international channel, PRO TV INTERNATIONAL, as well as a general entertainment channel broadcasting in Moldova, PRO TV CHISINAU.

Slovak Republic

We operate one general entertainment channel, TV MARKIZA, one female-orientated channel, DOMA (Slovak Republic) and one male-orientated channel, DAJTO.

Slovenia

We operate two general entertainment channels, POP TV and KANAL A, and POP NON STOP, a subscription package of six channels which includes POP KINO, POP KINO2, POP BRIO, POP FANI, POP OTO and POP SPOT.

Media Pro Entertainment

MPE, our production and distribution business, leverages creative talent across all our countries and focuses on the development, production and distribution of content for our television channels and to third parties, both within our region and globally.

MPE is organized into two businesses:

Production: This business provides assets and expertise to produce a range of fiction, reality and entertainment programming, and films, using both licensed formats as well as original formats and content developed by the business. The content produced can be easily adapted for use across several markets and in many revenue-generating windows.

Distribution: In addition to having responsibility for selling finished content and formats developed by our production operations to third parties, this business acquires rights to international film and television content across our region and distributes them both to third party clients and to our Broadcast operations. Our distribution operations are also able to generate third-party revenue by distributing content through the theatrical and home video operations. MPE owns and operates sixteen cinema screens in Romania. In addition, a home video distribution business sells DVD and Blu Ray discs to wholesale and retail clients in the Czech Republic, the Slovak Republic, Romania and Hungary. A significant portion of our distribution revenues are to third parties, which are expected to generate a significant portion of MPE's consolidated profits in the short-term.

The MPE segment currently generates the majority of its revenues from sales to our Broadcast segment. For that reason, the financial results of the segment are dependent to an extent on the performance of the television advertising market, although the long-term nature of the production process is such that it takes time for significant market changes to be reflected in this segment's results.

New Media

We own and operate more than 75 websites across our markets as well as our video-on-demand service, Voyo, in order to build strong online channels to distribute popular content and to operate an efficient marketing tool for our Broadcast operations. The New Media segment focuses on offering viewers the choice of watching our premium television content anytime, anywhere and operates a series of news portals, ranging from general information to sports or niche sites.

Voyo is an internet-based content aggregation and distribution platform that offers consumers both free and paid content in multiple distribution windows. During the first three months of 2012, Voyo completed the introduction of a subscription based video-on-demand service in all of our regions, offering premium locally produced productions as well as hundreds of local and foreign feature films. It also offers an embedded transactional video-on-demand element devoted to movie content from major Hollywood and independent studios. Revenues generated by the New Media segment are primarily derived from the sale of advertising.

A discussion of the Company's business overview is available in Part I, Item 1. "Business", on pages 3-7 of our 2011 Annual Report, which is attached as Exhibit I.

2.2 Competition

The Company is continuing with our actions to maintain our leadership in audience and market shares across all of our Broadcast operations, which provides us with a unique competitive advantage and is essential to achieving high

operating leverage. During 2011, our channels in Croatia increased their prime time audience share by four points to 34% and consequently increased their share of the television advertising market. Our channels in Bulgaria, Romania, the Slovak Republic and Slovenia had fairly stable audience shares and also increased their shares of the television advertising markets, with the exception of our operations in Romania where our market share remained flat. In the Czech Republic, our combined prime time audience share of 42% reflects the decision to adjust our audience to the consumption of advertising. Earlier this year we chose not to discount heavily in the Czech Republic; and as a result, our market share declined year-on-year from 69% to 67% for 2011. During the second half of 2011, our competitors continued to discount while our cost per point remained flat. (Sources: AGB Nielsen Media Research, Croatia; ATO MediaResearch, Czech Republic; PMT/TNS SK, Slovak Republic; AGB Nielsen Media Research, Slovenia; TNS-AGB INTL Romania; Peoplemeters Taylor Nelson Sofres, Bulgaria; CME estimates).

A table setting forth the Company's estimates of television advertising spending by market (in US\$ millions) for the years ended December 31, 2011, 2010 and 2009 is available on page 26 of our 2011 Annual Report, which is attached as Exhibit I.

A more detailed discussion of the competitive landscape in the countries in which we operate, including information on total advertising spend per capita, television advertising spend and audience share information, is available in Part I, Item 1. "Business" and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2011 Annual Report, which is attached as Exhibit I.

2.3 Background to the Private Placement Transactions

Our Board of Directors and management regularly evaluate our liquidity and capital resources, and consider financing options designed to provide us with financial flexibility and additional liquidity. As of December 31, 2011, we had approximately US\$ 1.24 billion of senior debt outstanding. Due to the pending maturity of certain series of our debt and the effect of our remaining debt service obligations on our liquidity, we determined that it was in the best interests of the Company to improve our liquidity position by refinancing certain of our outstanding debt with the proceeds of equity issuances.

On April 19, 2012, the Board of Directors delegated to our Independent Directors the authority to review and evaluate the terms of the transactions described in Item I. "Summary of Private Placement Transactions" of this Chapter C above and determine, on behalf of the Board of Directors, whether the initial subscriptions by TW Investor and RSL Investor were fair and whether the transactions are in the best interest of the Company and its stockholders. On April 30, 2012, the Independent Directors approved the subscriptions by TW Investor and RSL Investor and related transactions, and, by unanimous action, authorized the execution, delivery and performance of the transaction documents and resolved to recommend to the shareholders of the Company that they approve the issuance of Class A common stock and other transactions contemplated by the transaction documents.

At the annual general meeting of the Company held on June 13, 2012, the Company's shareholders approved the amendment of the Company's Bye-laws and the condition of its Memorandum to increase the authorized share capital of the Company from US\$ 9.6 million to US\$ 17.4 million by increasing the number of authorized shares of Class A common stock from 100,000,000 shares to 200,000,000 shares, which allowed the Company sufficient authorized shares to complete the Initial Subscriptions and the TW Additional Subscription. The shareholders further approved the issuance and sale of shares of Class A common stock to TW Investor and RSL Investor and the share of Series A convertible preferred stock to TW Investor. The Initial Subscriptions were completed on June 15, 2012 and the TW Additional Subscription was completed on July 3, 2012.

2.4 Recent Business Acquisitions

A discussion of the Company's acquisition activities during the past three fiscal years is available in Part II, Item 8, Note 3, "Acquisitions and Dispositions" of our 2011 Annual Report, which is attached as Exhibit I. No further acquisitions or dispositions have occurred through the date hereof.

2.5 Legal Proceedings

We are, from time to time, a party to litigation or arbitration proceedings arising in the normal course of our business operations, but we are not presently, and for a period covering the previous 12 months have not been, a party to any such litigation or arbitration which could reasonably be expected to have a material effect on our business or results of operations.

2.6 Related Party Transactions

We consider our related parties to be those shareholders who have direct control and/or influence and other parties that can significantly influence management as well as our officers and directors; a “connected” party is one in relation to whom we are aware of the existence of a family or business connection to a shareholder, director or officer. We have identified transactions with individuals or entities associated with the following individuals or entities as material related party transactions: Adrian Sarbu, our President and Chief Executive Officer, a member of our Board of Directors and beneficial owner of approximately 3.2% of our outstanding shares of Class A common stock as at September 30, 2012; and Time Warner, who is represented on our Board of Directors and holds a 49.9% economic interest in CME as at September 30, 2012.

Related Party Transactions – Adrian Sarbu

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|-----------------------|---|-------------|--|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Purchases of services | \$ 734 | \$ 1,229 | \$ 2,696 | \$ 3,636 |
| Sales | 333 | 225 | 934 | 960 |

| | As at September | | As at December | |
|---------------------|------------------------|-------------|-----------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Accounts payable | \$ 470 | \$ 512 | | |
| Accounts receivable | 1,614 | 765 | | |

Related Party Transactions – Time Warner

| | For the Three Months | | For the Nine Months | |
|--------------------------|-----------------------------|-------------|----------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Purchases of programming | \$ 20,011 | \$ 35,127 | \$ 44,268 | \$ 51,360 |
| Sales | 55 | 59 | 222 | 119 |

| | As at September | | As at December | |
|---------------------|------------------------|-------------|-----------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Accounts payable | \$ 56,710 | \$ 78,016 | | |
| Accounts receivable | 129 | 159 | | |

A fuller discussion of the Company's related party transactions for each of the past three years is available in Part II, Item 8, Note 22, "Related Party Transactions" of our 2011 Annual Report, which is attached as Exhibit I hereto.

2.7 Employees

At the end of 2011, 2010 and 2009, we had approximately 4,500, 4,400 and 4,900 employees, respectively. As of the date of this Prospectus, we had a total of approximately 4,300 employees. As of June, 2012, the breakdown of the percentage of employees by geographical location of our main operating entities and as well as the CME central team (which is present in a number of countries but tracked separately) is as follows:

| Country | June 2012 |
|-----------------------|-----------|
| Bulgaria | 15% |
| Croatia | 8% |
| Czech Republic | 20% |
| Romania | 31% |
| Slovakia | 10% |
| Slovenia | 13% |
| CME central (various) | 3% |

Each year the Compensation Committee of the Board of Directors reviews and approves annual grants of equity incentives to a group of senior employees. In 2011, 45 employees, including the executive officers described below, received option awards. Annual grant levels are determined based on an individual's position in the organization and include a number of other factors, including the role the individual plays in setting and achieving long-term Company goals, the overall dilution represented by the equity grants and the cost of such grants as reflected in our financial statements. Such awards are made pursuant to CME's Stock Incentive Plan, which is available is set forth under "Proposal 5, Amendments to the Stock Incentive Plan" on pages 61-65 of our Proxy Statement filed with the SEC on May 21, 2012 and the CNB on May 22, 2012, which is incorporated herein by reference.

None of our employees or the employees of any of our subsidiaries is covered by a collective bargaining agreement. We believe that our relations with our employees are good.

III. CORPORATE INFORMATION

3.1 Incorporation and Registration Number

Central European Media Enterprises Ltd., a Bermuda company limited by shares, was incorporated under the Companies Act on June 15, 1994. Our registered office is located at O'Hara House, 3 Bermudiana Road, Hamilton HM 08, Bermuda and our telephone number is +1-441-295-7149. A subsidiary of the Company maintains offices at Křiženeckého náměstí 1078/5, 152 00 Prague 5, Czech Republic. CME's United States Internal Revenue Service Employer Identification Number is 98-0438382. CME's registration number with the Bermuda Registrar of Companies is 19574.

3.2 Organization History

CME was founded by Ronald S. Lauder in 1994 with the launch of TV Nova in the Czech Republic. CME is a media and entertainment company operating leading businesses in six Central and Eastern European markets, with an aggregate population of approximately 50 million people. It currently operates 33 commercial and subscription television channels.

CME's television brands are now market and audience share leaders in all of its markets. The total television advertising spend in these markets in 2011 amounted to over US\$1 billion and was estimated to account for approximately 53% of total advertising spend (*source: CME estimates, Group M*). The Company's success across the region is attributable to its strategy of producing and broadcasting high quality local programming and

independent news, building multichannel networks and sharing knowledge and skills between its highly talented and locally managed teams.

Supporting the broadcast division is the content and distribution division, Media Pro Entertainment, the owner of one of the largest studio facilities in Central and Eastern Europe and a distributor of content both in CME's markets and around the world. The local programming it produces is consistently the most popular in the region.

CME's business model, One Content, Multiple Distribution, is built on delivering strong content in each country of operations and will enable the company to diversify from advertising to paid and subscription revenues, positioning it as the industry trend setter in the region. This is further supported by CME's New Media division, which operates Voyo, the pan-regional video-on-demand service, over 75 websites and has developed a number of device applications.

IV. FINANCIAL DATA

The following information should be read together with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and related notes to those statements, which are attached as Exhibit I, and our Quarterly Report for the period ended June 30, 2012, which is incorporated herein by reference.

The following table sets forth our summary consolidated financial data for the six months ended June 30, 2012 and 2011, and each of the fiscal years ended December 31, 2011, 2010 and 2009.

We have derived the consolidated statements of operations data for the years ended December 31, 2011, 2010 and 2009 and the consolidated balance sheet data as of December 31, 2011, 2010 and 2009 from the audited consolidated financial statements contained in our 2011 Annual Report, which is attached as Exhibit I. We have derived the consolidated statement of operations data for the six months ended June 30, 2012 and 2011, and the balance sheet data as of June 30, 2012, from the unaudited consolidated interim financial statements from our Quarterly Report for the period ended June 30, 2012, which is incorporated herein by reference. We have derived the capitalization data as of June 30, 2012 from our unaudited consolidated interim financial statements from our Quarterly Report for the period ended June 30, 2012, which is incorporated herein by reference. Our consolidated financial statements are prepared in accordance with US GAAP. In the opinion of management, our unaudited consolidated financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

Auditors reports with respect to the audited consolidated annual financial statements are contained within our Annual Reports on Form 10-K for the relevant period.

Our financial results for the six months ended June 30, 2012 reflect the acquisition of Bontonfilm on June 30, 2011; the initial benefits from the rollout of Voyo, our subscription video-on-demand service in all our territories; and the impact from the continued general lack of confidence in the growth of the economies in our region. On a constant currency basis, the television advertising spending in our markets declined by 7% in the six months ended June 30, 2012 impacting the advertising revenues in our Broadcast division. Overall, on a constant currency basis, our consolidated net revenues remained flat compared to the corresponding period in 2011 due to the growth in revenues in our MPE and New Media divisions.

Our negative free cash flow of US\$ 59.3 million for the six months ended June 30, 2012, compared to positive free cash flow of US\$ 14.8 million for the corresponding period in 2011, was lower mainly due to the unusually high cash flow in 2011. In the first quarter of 2011, we implemented an advance collection program that generated US\$ 47 million of cash receipts from customers that were granted discounts to pay much earlier than our normal terms. Most of these advances were accelerated receipts from the second half of 2011. We did not repeat this program in the first half of 2012 and therefore our free cash flow is more in line with the seasonal nature of our business. Furthermore, we continued to invest in our content production resulting in higher local programming payments in the first half of 2012.

4.1 Selected Consolidated Financial Data for the six months ended June 30, 2012 and 2011, and each of the years ended December 31, 2011, 2010 and 2009

| | Unaudited | | As at December 31, | | |
|--|----------------|------|--------------------|------|------|
| | As at June 30, | | 2011 | 2010 | 2009 |
| | 2012 | 2011 | | | |

(in thousands US\$)

Consolidated statement of operations data:

| | | | | | |
|---|----------|----------|-----------|-----------|-----------|
| Net revenues..... | 378,655 | 422,428 | 864,782 | 737,134 | 681,945 |
| Operating income/(loss) | 13,347 | 31,808 | 6,792 | 22,877 | (38,971) |
| Net income/(loss) from continuing operations | (10,672) | (20,183) | (179,604) | (116,924) | (70,983) |
| (Loss)/income on discontinued operations | -- | -- | -- | 213,697 | (36,824) |
| Net income/(loss) | (10,672) | (20,183) | (179,604) | 96,773 | (107,807) |
| Net income/(loss) attributable to CME Ltd. | (9,436) | (20,164) | (174,611) | 100,175 | (97,157) |
| Comprehensive income/(loss) | (42,134) | 111,063 | (239,034) | 79,187 | (214,411) |
| Comprehensive income/(loss) attributable to CME Ltd. | (40,957) | 110,553 | (234,761) | 82,008 | (203,335) |

Per share data

Net income/(loss) per common share from:

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Continuing operations - basic | (0.14) | (0.31) | (2.71) | (1.77) | (1.11) |
| Continuing operations - diluted | (0.14) | (0.31) | (2.71) | (1.77) | (1.11) |
| Discontinued operations - basic | 0.00 | 0.00 | 0.00 | 3.34 | (0.68) |
| Discontinued operations - diluted | 0.00 | 0.00 | 0.00 | 3.34 | (0.68) |
| Net income/(loss) - basic | (0.14) | (0.31) | (2.71) | 1.57 | (1.79) |
| Net income/(loss) - diluted | (0.14) | (0.31) | (2.71) | 1.57 | (1.79) |
| Weighted average common shares used to compute per share amounts (000s) . | | | | | |
| Basic | 65,447 | 64,377 | 64,385 | 64,029 | 54,344 |
| Diluted..... | 65,447 | 64,377 | 64,385 | 64,029 | 54,344 |

| | Unaudited | | As at December 31, | | |
|--|---------------------|--|--------------------|------|------|
| | As at June 30, 2012 | | 2011 | 2010 | 2009 |

(in thousands US\$)

Consolidated balance sheet data:

| | | | | |
|------------------------------------|-----------|-----------|-----------|-----------|
| Current assets | 524,414 | 538,289 | 612,085 | 881,461 |
| Non-current assets | 2,073,309 | 2,143,480 | 2,328,465 | 1,991,326 |
| Total assets | 2,597,723 | 2,681,769 | 2,940,550 | 2,872,787 |
| Current liabilities | 379,268 | 255,575 | 243,076 | 352,118 |
| Non-current liabilities | 1,174,802 | 1,408,252 | 1,449,722 | 1,348,829 |
| Shareholders' equity | 1,029,140 | 1,001,692 | 1,226,879 | 1,177,589 |
| Non-controlling interests | 14,513 | 16,250 | 20,873 | (5,749) |
| Total equity | 1,043,653 | 1,017,942 | 1,247,752 | 117,1840 |
| Total liabilities and equity | 2,597,723 | 2,681,769 | 2,940,550 | 2,872,787 |

Unaudited
As at June 30, 2012

Capitalization data:

| | |
|---|-----------|
| Cash and cash equivalents | 124,814 |
| Indebtedness | 1,216,028 |
| Shareholders' equity: | |
| Class A common stock | 6,104 |
| Preferred stock | -- |
| Additional paid in capital | 1,493,231 |
| Retained earnings/(accumulated deficit) | (456,269) |
| Accumulated other comprehensive income | (13,926) |
| Total CME shareholders' equity | 1,029,140 |
| Noncontrolling interests | 14,513 |
| Total shareholders' equity | 1,043,653 |

A description of the various indebtedness of the Company is set out in Part I, Item 1, Note 4 "Long-Term Debt and Other Financing Arrangements" of our Quarterly Report for the period ended June 30, 2012, which is incorporated herein by reference.

As at September 30, 2012 and December 31, 2011, the Company's indebtedness was as follows:

| | September 30, 2012 | December 31, 2011 |
|--|---------------------------|--------------------------|
| Senior debt | \$ 1,305,452 | \$ 1,243,207 |
| Total credit facilities and capital leases | 6,781 | 81,162 |
| Total long-term debt and other financing arrangements | 1,312,233 | 1,324,369 |
| Less current maturities | (21,155) | (1,058) |
| Total non-current long-term debt and other financing arrangements | \$ 1,291,078 | \$ 1,323,311 |

Senior Debt

Our senior debt comprised the following as at September 30, 2012 and December 31, 2011:

| | Carrying Value | | Fair Value | |
|---|---------------------------|--------------------------|---------------------------|--------------------------|
| | September 30, 2012 | December 31, 2011 | September 30, 2012 | December 31, 2011 |
| USD 20.6 million 2013 Convertible Notes | \$ 20,135 | \$ 121,230 | \$ — | \$ 117,926 |
| EUR 87.5 million 2014 Floating Rate Notes | 113,138 | 191,497 | — | 141,708 |
| USD 261.0 million 2015 Convertible Notes | 229,585 | 223,341 | 234,299 | 163,276 |
| EUR 478.6 million 2016 Fixed Rate Notes | 624,970 | 487,176 | 643,583 | 373,215 |
| EUR 240.0 million 2017 Fixed Rate Notes | 317,624 | 219,963 | 239,593 | 206,765 |
| | \$ 1,305,452 | \$ 1,243,207 | \$ 1,117,475 | \$ 1,002,890 |

4.2 Independent Registered Public Accounting Firm

The consolidated balance sheets of the Company and its subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive income, equity, cash flows, and the related financial statement schedule for each of the three years in the period ended December 31, 2011 attached as Exhibit I hereto and the effectiveness of the Company's internal control over financial reporting as of December 31, 2011 have been audited by Deloitte LLP, an independent registered public accounting firm, as stated in their reports. The report for financial year ended December 31, 2009 is available under Item 8. on page 113 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which is incorporated herein by reference. The report for financial year ended December 31, 2010 is available under Item 8. on page 69 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which is incorporated herein by reference. The report for financial year ended December 31, 2011 is available under Item 8 on page 50 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which is attached hereto as Exhibit I.

Deloitte LLP is registered with the Institute of Chartered Accountants in England and Wales and its address is 2 New Street Square, London EC4A 3BZ, United Kingdom. The selection of Deloitte LLP as the Company's independent registered public accountants for the fiscal year ending December 31, 2012 was ratified by the Company's stockholders on June 13, 2012 and filed under a Current Report on Form 8-K with the SEC on June 13, 2012 and the CNB on June 14, 2012.

V. MAJOR SHAREHOLDERS

The ownership of shareholders holding more than a 5% economic interest in the Company is as follows:

| Shareholder | Class A common stock ^a | Preferred Share ^b | Ownership of shares of Class A common stock | Economic Interest |
|--|-----------------------------------|------------------------------|---|--------------------|
| Time Warner Media Holdings B.V. ^c | 32,898,443 | 1 | 42.6% | 49.9% ^d |
| Ronald S. Lauder and affiliates ^e | 5,616,936 | - | 7.3% | 6.4% |

^a Excludes unexercised stock options and unvested restricted stock units issued by the Company.

^b The single share of Series A convertible preferred stock will automatically convert into 11,211,449 share of Class A common stock following the termination of the Voting Agreement with Ronald S. Lauder, non-executive Chairman of CME's Board of Directors.

^c Based on the Schedule 13D/A filed by TW Investor with the SEC on July 11, 2012, TW Investor reported that it beneficially owns 32,898,443 outstanding shares of Class A common stock and that it may be deemed to beneficially own the 5,616,936 outstanding shares of Class A common stock beneficially owned by Ronald S. Lauder.

^d Voted by Ronald S. Lauder under the Voting Agreement, which is expected to terminate in May 2013.

^e Based on the Schedule 13D/A filed by Ronald S. Lauder with the SEC on July 12, 2012, Ronald S. Lauder claims beneficial ownership of 5,616,936 outstanding shares of Class A common stock held by himself and his affiliates (2,000,000 shares of Class A common stock held directly by RSL Investor; 26,000 shares of Class A common stock held directly by Ronald S. Lauder; 2,885,705 shares of Class A common stock held directly by RSL Investments Corporation; 105,231 outstanding shares of Class A common stock held directly by RAJ Family Partners, L.P.; and 600,000 outstanding shares of Class A common stock held directly by The Neue Galerie New York). Ronald S. Lauder also claims beneficial ownership of the 32,898,443 outstanding shares of Class A common stock held directly by TW Investor, which shares RSL Savannah LLC, of which Ronald S. Lauder is the sole member, is entitled to vote pursuant to the terms of the Voting Agreement.

A description of the beneficial ownership of the Company by Directors and executive officers is set forth under “Security Ownership of Certain Beneficial Owners and Management” on pages 33-36 of our Proxy Statement filed with the SEC on May 21, 2012 and the CNB on May 22, 2012, which is incorporated herein by reference.

Although Ronald S. Lauder has voting control of CME and serves as the Chairman of the Board of Directors, independent directors serve as a majority of our Board of Directors.

VI. DIRECTORS AND EXECUTIVE OFFICERS

6.1 Board of Directors

As of the date of this Prospectus, the following individuals are on the Company’s Board of Directors until the next annual general meeting of the Company:

| Director’s Name | Age | Position |
|-----------------------|-----|---------------------------|
| Ronald S. Lauder | 68 | Director & Chairman |
| Herbert A. Granath | 84 | Director |
| Paul T. Cappuccio | 51 | Director |
| Michael Del Nin | 41 | Director |
| Charles R. Frank, Jr. | 75 | Director |
| Alfred W. Langer | 62 | Director |
| Fred Langhammer | 68 | Director |
| Bruce Maggin | 69 | Director |
| Parm Sandhu | 44 | Director |
| Adrian Sarbu | 57 | Director, President & CEO |
| Duco Sickinghe | 54 | Director |
| Kelli Turner | 42 | Director |
| Eric Zinterhofer | 41 | Director |

Ronald S. Lauder’s son-in-law, Eric Zinterhofer, also serves as a Director. There are no other familial relationships among the other Directors and/or executive officers.

With respect to potential conflicts of interest, CME notes the following:

- Each of Paul T. Cappuccio and Michael Del Nin are employees of Time Warner Inc., which holds a 49.9% economic interest in CME through TW Investor.
- Ronald S. Lauder has voting control of CME pursuant to the Voting Agreement and serves as the Chairman of our Board of Directors.
- Kelli Turner is Chief Operating Officer, Chief Financial Officer and Executive Vice President of RSL Management Corporation and President of RSL Investments Corporation, entities that are controlled by Ronald S. Lauder.

No other Director has a conflict of interest except as described above.

Other than as set forth below, for the previous five years from the date of this Prospectus, none of the Directors or executive officers of CME has:

- (a) been convicted in relation to fraudulent offenses;
- (b) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer; or

- (c) been associated with any bankruptcy, receivership or liquidation or similar proceedings in their capacity as members of any administrative, managing or supervising body or as a senior executive.

A company in which Mr. Sarbu holds a controlling interest, Compania de Constructii Bucuresti S.A., entered into involuntary bankruptcy proceedings in 2010.

CME does not have a supervisory board.

There is no arrangement or understanding between any director and any other person pursuant to which such person was selected as a director other than Paul T. Cappuccio and Michael Del Nin, who were nominated by Time Warner Inc. pursuant to the terms of the Investor Rights Agreement (as amended by the Investor Rights Amendment).

Detailed biographical information for CME's Directors is available under "Election of Directors" on pages 3-6, and descriptions of the audit, compensation and other committees of our Board of Directors and corporate governance matters are available under "Corporate Governance and Board of Director Matters" on pages 7-10, of our Proxy Statement filed with the SEC on May 21, 2012 and the CNB on May 22, 2012, which is incorporated herein by reference.

Compensation and remuneration information with respect to CME's Directors is available under "Summary Compensation Table" on pages 31-33, of CME's Proxy Statement filed with the SEC on May 21, 2012 and the CNB on May 22, 2012, which is incorporated herein by reference.

6.2 Executive Officers

Our principal executive officers as of the date of this Prospectus are as follows:

- Adrian Sarbu (57), *President and Chief Executive Officer*
- David Sach (51), *Chief Financial Officer*
- Anthony Chhoy (35), *Executive Vice President - Strategic Planning and Operations*
- Daniel Penn (47), *General Counsel*

Detailed biographical information for CME's executive officers is available under "Executive Officers" on pages 11-12, and compensation and remuneration information is available under "Summary Compensation Table" on pages 22-31, of CME's Proxy Statement filed with the SEC on May 21, 2012 and the CNB on May 22, 2012, which is incorporated herein by reference.

The address for correspondence for all our Directors and executive officers is c/o: CME Media Services Limited, Křiženeckého náměstí 1078/5, 152 00 Prague 5, Czech Republic.

VII. ADMISSION TO TRADING AND SETTLEMENT OF SHARE TRADING

7.1 Listing and Trading

Our shares of Class A common stock are currently listed on Nasdaq Global Select Market and on the main market of the PSE.

With respect to the planned listing of the New Shares on the PSE, all trades of such shares on the PSE will be settled and cleared through the Central Depository, a 100% subsidiary of the PSE that acts as the clearing and settlement system of the PSE.

7.2 Settlement and Delivery of the New Shares

The interests in the New Shares to be listed on the PSE will be in book-entry form and must be held in the Central Depository.

The persons shown in the records of Clearstream or the Central Depository, as the case may be, as the holders of the New Shares will, in principle, not have the New Shares registered in their names, will not receive or be entitled to receive physical delivery of definitive certificates evidencing interests in the New Shares and will not be considered registered owners or holders thereof.

Those who hold interests in the New Shares through either of Clearstream or the Central Depository, as the case may be, will only be able to transfer their interests in accordance with the rules and procedures of such clearing systems.

Settlement (delivery and payment) of transactions on the PSE will only be effected through the Central Depository. The Central Depository is an accountholder with Clearstream and interests in the New Shares held by the Central Depository will be recorded on its account with Clearstream. As a result, the Central Depository will hold all the interests in the New Shares to be settled for transactions on the PSE. The Central Depository will hold interests in the New Shares for the benefit of the Central Depository accountholders and will record interests of the Central Depository accountholders in the New Shares in book-entry form listed on the PSE.

VIII. ORGANIZATIONAL STRUCTURE

As of the date hereof, Central European Media Enterprises Ltd. holds, directly or indirectly, the capital and voting rights of each of the following subsidiaries and affiliates:

| <u>Company</u> | <u>Jurisdiction of Organization</u> | <u>Voting Interest</u> |
|--|--|-------------------------------|
| CME Austria GmbH | Austria | 100% |
| BTV Media Group EAD | Bulgaria | 94% |
| Media Pro Sofia EOOD | Bulgaria | 100% |
| Radiocompany C.J. OOD | Bulgaria | 69.56% |
| Media Pro Audiovizual d.o.o. | Croatia | 100% |
| Nova TV d.d. | Croatia | 100% |
| Central European Media Enterprises II B.V. | Curaçao | 100% |
| Central European Media Enterprises N.V. | Curaçao | 100% |
| BONTONFILM a.s. | Czech Republic | 100% |
| CET 21 spol. s r.o. | Czech Republic | 100% |
| CME Services s.r.o. | Czech Republic | 100% |
| Čertova nevěsta, s.r.o. | Czech Republic | 51% |
| Meme Media a.s. | Czech Republic | 100% |
| Media Pro Pictures s.r.o. | Czech Republic | 100% |
| Pro Video Film & Distribution Kft. | Hungary | 100% |
| Pro Digital S.R.L. | Moldova | 100% |
| CME Bulgaria B.V. | Netherlands | 94% |
| CME Development Financing B.V. | Netherlands | 100% |
| CME Investments B.V. | Netherlands | 100% |
| CME Media Enterprises B.V. | Netherlands | 100% |
| CME Media Pro B.V. | Netherlands | 100% |
| CME Media Pro Distribution B.V. | Netherlands | 100% |
| CME Programming B.V. | Netherlands | 100% |
| CME Slovak Holdings B.V. | Netherlands | 100% |
| CME Slovenia B.V. | Netherlands | 100% |
| Domino Production S.R.L. | Romania | 51% |

| | | |
|---|--------------------------|--------|
| Hollywood Multiplex Operation S.R.L. | Romania | 100% |
| Hollywood Multiplex Operations Cinemas S.R.L. | Romania | 100% |
| Mediapro Magic Factory S.R.L. | Romania | 100% |
| Media Pro Distribution S.R.L. | Romania | 100% |
| Media Pro International S.A. | Romania | 100% |
| Media Pro Music and Entertainment S.R.L. | Romania | 100% |
| Media Pro Pictures S.A. | Romania | 100% |
| Media Vision S.R.L. | Romania | 100% |
| Music Television System S.R.L. | Romania | 100% |
| Pro TV S.A. | Romania | 100% |
| Pro Video S.R.L. | Romania | 100% |
| Sport Radio TV Media SRL | Romania | 100% |
| Studiourile Media Pro S.A. | Romania | 92.21% |
| A.R.J., a.s. | Slovak Republic | 100% |
| BONTONFILM a.s. | Slovak Republic | 100% |
| MARKÍZA-SLOVAKIA, spol. s r.o. | Slovak Republic | 100% |
| MediaPro Entertainment Slovakia, s.r.o. | Slovak Republic | 100% |
| CME Media Pro Ljubljana, d.o.o. | Slovenia | 100% |
| Kanal A d.o.o. | Slovenia | 100% |
| MM TV 1 d.o.o. | Slovenia | 100% |
| POP TV d.o.o. | Slovenia | 100% |
| Produkcija Plus d.o.o. | Slovenia | 100% |
| Televideo d.o.o. (t/a TV PIKA) | Slovenia | 100% |
| CME Media Services Limited | United Kingdom | 100% |
| CME Development Corporation | United States (Delaware) | 100% |

IX. WORKING CAPITAL STATEMENT

Historically, our Broadcast operations in the Czech Republic, Slovenia and Romania have generated positive cash flows sufficient, in conjunction with new equity and debt financing, to fund our operations, launch new channels, acquire non-controlling interests in our existing channels and for other investment activities. During the difficult economic conditions that we have experienced since the end of 2008, operating cash flows in the aggregate have declined, yet remain positive. We still expect our businesses to continue to generate sufficient cash, in conjunction with our current cash and available facilities, to fund our operations for the next twelve months as well as to meet our other external financial obligations. As at June 30, 2012, we had US\$ 139.5 million available in cash and credit facilities.

We continue to take steps to improve our liquidity position. These steps have included targeted reductions to our operating cost base through headcount reductions and cost optimization programs, the deferral of programming commitments and capital expenditure, the rescheduling of expansion plans and increasing our cash resources through additional debt facilities and refinancing existing credit facilities.

A more detailed discussion of the Company's cash outlook is available in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, Part "V. Liquidity and Capital Resources" of our Quarterly Report for the period ended June 30, 2012, which is incorporated herein by reference.

X. SUMMARY OF MATERIAL CONTRACTS

In addition to the TW Credit Agreement and subscription documents in respect of the New Shares, which are summarized in Item I. “Summary of Private Placement Transactions” of this Chapter C above, the Company has entered into the following material contracts outside of the ordinary course of business during the two years prior to the filing of this Prospectus:

Supplemental Indenture

On May 29, 2012, the Company entered into a Supplemental Indenture (the “**Supplemental Indenture**”) to the Indenture dated March 10, 2008 (the “**2013 Notes Indenture**”) among the Company, Central European Media Enterprises N.V. (“**CME N.V.**”) and CME Media Enterprises B.V. (“**CME B.V.**”) and together with CME N.V., the “**Subsidiary Guarantors**”) as subsidiary guarantors and The Bank of New York Mellon as trustee and security trustee, paying agent, conversion agent, transfer agent and registrar, governing the Company’s 2013 Notes. The Supplemental Indenture was entered into to eliminate specified reporting covenants, to make certain amendments to the limitations on liens covenant, to eliminate specified events of default and to modify other related provisions of the 2013 Notes Indenture.

The foregoing description of the Supplemental Indenture is a summary and is qualified in its entirety by reference to the Supplemental Indenture, a copy of which is filed as Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on May 29, 2012 and the CNB on June 5, 2012, which is available as described in Chapter C, Section XIII “Documents on Display.”

2015 Notes Indenture

On February 18, 2011, the Company entered into an indenture (the “**2015 Notes Indenture**”) with CME N.V., CME B.V. and Deutsche Bank Trust Company Americas, as trustee, security agent, paying agent, conversion agent, transfer agent and registrar (the “**Trustee**”), relating to the issuance of US\$ 206,252,000 aggregate principal amount of 5.0% Senior Convertible Notes due 2015 of the Company (the “**2015 Notes**”). The 2015 Notes were issued on February 18, 2011.

The 2015 Notes are secured by a security interest in the shares of CME N.V. and the shares of CME B.V. owned by CME N.V., each dated February 18, 2011. This collateral is currently pledged to secure CME’s obligations under (i) its US\$ 234 million aggregate principal amount of 3.50% Senior Convertible Notes due 2013, (ii) its €148 million aggregate principal amount of 2014 Notes, (iii) its €391 million aggregate principal amount of 2016 Notes, (iv) its €170 million aggregate principal amount of 9.0% Senior Secured Notes due 2017 (the “**2017 Notes**”) issued by CET 21 spol. s r.o., a wholly owned subsidiary of CME (“**CET 21**”) and (v) CET 21’s CZK 1.5 billion Secured Revolving Credit Facility (as discussed below). Pursuant to an intercreditor agreement dated February 18, 2011 among the Company, the Subsidiary Guarantors, the Trustee, BNY Corporate Trustee Services Limited and The Bank of New York Mellon (formerly The Bank of New York), as trustee for the 2014 Notes, The Bank of New York Mellon (formerly The Bank of New York), as trustee for the 2013 Notes, The Bank of New York Mellon, acting through its London Branch, as trustee for the 2016 Notes, The Law Debenture Trust Corporation p.l.c., as security trustee for the 2009 Notes, Citibank, N.A., London Branch, as trustee for the 2010 Notes, BNP Paribas Trust Corporation UK Limited, as security trustee for the 2017 Notes and the Secured Revolved Credit Facility (defined below) and BNP Paribas S.A., as agent for the Secured Revolved Credit Facility, these creditors have agreed, among other things, to share any proceeds received by any party thereto upon enforcement of these share pledges on a ratable basis.

The foregoing description of the 2015 Notes Indenture is a summary and is qualified in its entirety by reference to the 2015 Notes Indenture, a copy of which is filed as Exhibit 4.1 to our Quarterly Report for the period ended March 31, 2011, which is available as described in Chapter C, Section XIII Documents on Display.”

CET 21 Financing Agreements

On October 21, 2010, CET 21, a wholly-owned subsidiary of the Company, issued and sold € 170.0 million (approximately US\$ 237.5 million) of 2017 Notes pursuant to an indenture (the “**2017 Indenture**”) among CET 21,

Citibank N.A., London branch, as trustee, principal paying agent and transfer agent (the “**Trustee**”), Citigroup Global Markets Deutschland AG, as registrar, and the Company, its wholly-owned subsidiaries CME N.V., CME B.V., CME Investments B.V. (“**CME Investments**”), CME Slovak Holdings B.V. (“**CME SH**”) and MARKIZA-SLOVAKIA spol. s r.o. (“**Markiza**”) as guarantors. CET 21 received net proceeds of approximately € 163.8 million (approximately US\$ 228.8 million), after deducting expenses. A portion of these proceeds have been used to repay the CZK 2.8 billion (approximately US\$ 159.4 million) principal amount outstanding under CET 21’s Secured Revolving Credit Facility described below.

On October 21, 2010, CET 21 entered into a CZK 1.5 billion (approximately US\$ 85.4 million) secured revolving credit facility (the “**Secured Revolving Credit Facility**”) with BNP Paribas, S.A., J.P. Morgan plc, Citigroup Global Markets Limited, ING Bank N.V. and Ceska Sporitelna a.s., as mandated lead arrangers and original lenders, BNP Paribas S.A., as agent, BNP Paribas Trust Corporation UK Limited, as security agent, and the Company, CME N.V., CME B.V., CME Investments, CME SH and Markiza as guarantors. Interest under the facility is calculated at a rate per annum of 4.50% above the Prague Interbank Offered Rate for the relevant interest period. The Secured Revolving Credit Facility will decrease to CZK 750.0 million (approximately US\$ 42.7 million) on the fourth anniversary of the signing date. Drawings under the facility by CET 21 are expected to be used for working capital requirements and for general corporate purposes. Prior to CET 21’s utilizing the Secured Revolving Credit Facility, the Company is required to have applied, subsequent to September 30, 2010, not less than US\$ 100.0 million to repurchase its senior indebtedness. The Secured Revolving Credit Facility was fully repaid and terminated on August 16, 2012.

The foregoing descriptions of the 2017 Notes Indenture and the Secured Revolving Credit Facility are a summary and is qualified in its entirety by reference to the 2017 Notes Indenture and the Secured Revolving Credit Facility, copies of which are filed as Exhibits 4.10 and 10.40 to our Annual Report on Form 10-K for the period ended December 31, 2010, which is available as described in Chapter C, Section XIII “Documents on Display.”

XI. TAX CONSEQUENCES

Set out below are the main Czech tax consequences likely to apply to Czech investors who will hold our Class A common stock under Czech Act no. 586/1992 Coll., on Income Taxes, as amended (the “**CITA**”), in force as of June 30, 2012. The tax regime described below may be modified by subsequent laws or regulations, which should be followed by the investors with the help of their tax advisor.

Please note that the information set out below is only a summary of the applicable Czech tax regime. Each particular situation should be carefully analyzed by a tax advisor, especially regarding tax residence and the possible impact of citizenship.

11.1 Individual Investors who are Czech Tax Residents Holding Common Stock as a Private Investment

In accordance with Section 10 of the CITA, capital gains realized upon the disposal of Class A common stock will be subject to personal income tax at a flat rate of 15% unless the exemption under Section 4 of the CITA applies.

Taxable income is computed as the difference between the revenue earned on disposal of the Class A common stock and related costs (in principle, the costs of acquisition of the Class A common stock). Tax is settled on an annual basis via an annual tax return, which must generally be filed by March 31 of the calendar year following the year in which the income was earned (this also being the deadline for paying the relevant income tax liability).

In the case of an individual investor who is a Czech tax resident who does not hold the Class A common stock as business property, any loss incurred on sale of the Class A common stock will generally be tax non-deductible, except for a situation when such loss is deducted against other taxable capital gains derived by the individual investor from the sale of securities in the given tax period.

Capital gains from disposal of the Class A common stock may be exempt from Czech personal income tax if, for example, the period between acquisition and subsequent sale of the Class A common stock exceeds six months (as of January 1, 2015, this will be extended to 3 years).

11.2 Czech Tax Resident Shareholders that are Legal Entities and Subject to Corporate Tax

As a general rule, capital gains realized upon the disposal of Class A common stock will be included in the taxable income of companies taxable at the ordinary corporate tax rate of the 19%. A specific tax treatment would apply in the case where Class A common stock would qualify for the participation exemption as further specified by the CITA.

11.3 Czech Withholding Tax

Whether received in the Czech Republic or abroad, dividend payments (if any) made in respect of the Class A common stock received by Czech tax residents must be included in the income taxable base. Dividends received by an individual investor who is a Czech tax resident will be included in the general tax base subject to 15% personal income tax rate. Dividends received by Czech tax resident shareholders that are legal entities and subject to corporate tax will be included in the special tax base subject to 15% corporate income tax rate, unless they qualify for the participation exemptions.

11.4 Other Czech Taxes and Duties

No Czech taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a holder of shares of Class A common stock by reason only of the purchase, ownership or disposal of such Class A common stock.

11.5 Bermuda Tax Matters

As of the date hereof, neither we nor our holders of our Class A common stock (who or which holders are not persons ordinarily resident in Bermuda) are subject to any Bermuda income or profits tax, capital gains tax, capital transfer tax, estate duty or inheritance tax, in respect of our shares of Class A common stock. We are not required to withhold any taxes in Bermuda in respect of our shares of Class A common stock.

We have obtained a tax assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, as amended, that, in the event there is enacted in Bermuda any legislation imposing tax computed on profits, income, capital assets, gain or appreciation or any tax in the nature of an estate duty or inheritance tax, such tax shall not, prior to March 31, 2035, be applicable to us or to our Class A common stock, except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by us in respect of real property owned or leased by us in Bermuda.

XII. RIGHTS RELATED TO THE SECURITIES

12.1 Authorized Share Capital; Type and the Class of the Securities; Security Identification Code

As of the date of this Prospectus, the Company's authorized share capital is divided into 220,000,000 shares, which consists of 200,000,000 shares of Class A common stock, 15,000,000 shares of Class B common stock and 5,000,000 shares of preferred stock, par value US\$ 0.08 per share (the "**Preferred Stock**"). As of January 1, 2009, CME's authorized share capital consisted of 100,000,000 shares of Class A common stock, 15,000,000 shares of Class B common stock and 5,000,000 shares of Preferred Stock. At the annual general meeting of CME held on June 13, 2012, CME's shareholders approved the amendment of CME's Bye-laws and the condition of its Memorandum of Association to increase the authorized share capital of CME from US\$ 9.6 million to US\$ 17.4 million by increasing the number of authorized shares of Class A Common Stock from 100,000,000 shares to 200,000,000 shares.

As of the date of this Prospectus, there are 77,185,129 shares of Class A common stock issued and outstanding, no shares of Class B common stock issued and outstanding, and one share of Preferred Stock, designated as Series A convertible preferred stock, issued and outstanding. At December 31, 2011 there were 56,892,114 shares of Class A

common stock issued and outstanding, 7,500,936 shares of Class B common stock issued and outstanding, and no shares of Preferred Stock issued and outstanding.

Subject to compliance with the applicable securities laws and regulations, including those of the CNB and the listing requirements of the PSE, the New Shares will be listed and traded on the PSE under the symbol “CETV”. The ISIN number for shares of our Class A common stock is BMG200452024 and the CUSIP number is G20045202.

12.2 Legislation and Authorization under which the Securities Have Been Created; Purpose

Our Common Stock and Preferred Stock were created pursuant to the Companies Act, our Memorandum of Association, and our Bye-Laws, as amended. On April 19, 2012, our Board of Directors formed a Financing Committee to delegate the approval of the transactions resulting in the issuance of New Shares to TW Investor and RSL Investor and on April 30, 2012, the duly established Financing Committee of the Board of Directors approved these transactions, including the issuance of the New Shares.

Pursuant to Article 6 of our Memorandum of Association, the Company’s objectives, among other things, are to act as and perform all of the functions of a holding company and to provide financing and financial services to our subsidiaries and affiliates.

12.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

In general, stockholders may hold the shares of Class A common stock either in certificated (i.e., paper), direct registered (i.e., held in book-entry with the transfer agent) or street name (i.e., held in book-entry through a broker) form. A register of holders of the Class A common stock is maintained by Citco (Bermuda) Limited in Bermuda (“**Citco**”), and a branch register is maintained in the United States by our transfer agent, American Stock Transfer and Trust Company (“**Amstock**”). Amstock’s address is 6201 15th Avenue, Brooklyn, NY 11219, United States of America.

There is no register of holders of the Class B common stock as no shares of Class B common stock are currently issued and outstanding.

A register of holders of the Preferred Stock is maintained by Citco in Bermuda. The address of Citco is O’Hara House, 3 Bermudiana Road, Hamilton HM 08, Bermuda.

The New Shares are not registered under United States Securities laws. Upon entry into trading of the New Shares held by the RSL Investor and the TW Investor on the Nasdaq Global Select Market and the PSE, the New Shares will be held solely in book-entry form and there will not be any restrictions on the transferability of such New Shares. Settlement of any transactions on the PSE shall occur through the book-entry facilities of the Central Depository (address: Rybná 14,100 05 Prague 1, Czech Republic).

12.4 Currency of Trading

Trading of our New Shares on the PSE will be in Czech koruna.

12.5 Rights Attached to the Common Stock and the Preferred Stock

Common Stock

The holders of shares of Class A common stock are entitled to one vote per share and are entitled to vote as a single class together with the holder of the share of Series A convertible preferred stock, which is entitled to 11,211,449 votes, on all matters subject to shareholder approval. The holders of issued shares of Class A common stock are entitled to receive dividends as and when declared by our Board of Directors, pari passu with the holder of the share of Series A convertible preferred stock, out of funds legally available therefor, subject to any preferred dividend right of the holders of any Preferred Stock. Under Bermuda law, a company’s board of directors may declare and pay dividends from time to time unless there are reasonable grounds for believing that the company is or would,

after the payment, be unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than its liabilities. The holders of shares of Class A common stock have no preemptive or cumulative voting rights and no rights to convert their shares of Class A common stock into any other securities. In the event of our dissolution or winding up, the holders of shares of Class A common stock are entitled to receive and share ratably and equally in our remaining assets, if any, after the payment of all of our debts and liabilities and subject to any liquidation preference on any issued and outstanding shares of Preferred Stock.

The holders of issued shares of Class A common stock are entitled to receive dividends as and when declared by our Board of Directors, out of funds legally available therefor, subject to any preferred dividend right of the holders of any Preferred Stock. Under Bermuda law, a company's board of directors may declare and pay dividends from time to time unless there are reasonable grounds for believing that the company is or would, after the payment, be unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than its liabilities. We have never declared or paid dividends on our capital stock. We do not expect to pay any dividends in the foreseeable future. We currently intend to retain our earnings for the development of our business.

Series A Convertible Preferred Stock

The holder of the share of Series A convertible preferred stock will have the right to vote together with the Class A common stock as a single class on an as-converted basis on all matters on which the holders of the Class A common stock are entitled to vote. In the event of a change of control, or similar events, the share of Series A convertible preferred stock shall (at the holder's option) be treated on an as-converted basis.

The share of Series A convertible preferred stock shall, with respect to rights on payments in liquidation, dissolution or winding up, rank senior to shares of Common Stock of the Company and be entitled to a liquidation preference equal to the amount of US\$ 84,197,981.99 (subject to adjustment upon a share split or similar events). To the extent the Company issues dividends or other similar rights of any kind to the holders of the Class A common stock, the holder of the share of Series A convertible preferred stock shall have the right to participate on an as-converted basis.

Neither the Company nor the holder of the share of Series A convertible preferred stock may convert or redeem the share of Series A convertible preferred stock at its option. The share of Series A convertible preferred stock will be automatically converted into a number of shares of Class A common stock equal to the amount obtained by dividing (x) the liquidation preference of the Series A convertible preferred stock in the amount of US\$ 84,197,981.99, by (y) the conversion price of US\$ 7.51 (such amount currently being 11,211,449 shares of Class A common stock, as such number may be adjusted upon share splits or similar events) on the date that is 61 days after the date on which the number of outstanding shares of Class A common stock owned by the holder of the Series A convertible preferred stock (assuming the conversion of the Series A convertible preferred stock into shares of Class A common stock), when aggregated with the outstanding shares of Class A common stock of any group (as this term is used in Section 13(d)(3) of the Exchange Act that includes the holder and any of the holder's Affiliates (as defined below), would not result in the holder of the Series A convertible preferred stock being a beneficial owner (as this term is used in Section 13(d)(3) of the Exchange Act) of more than 49.9% of the outstanding shares of Class A common stock of the Company (the "**Group Cap End Date**").

"**Affiliate**" means any other person or entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such first person or entity. As used in this definition, the term "control," including the correlative terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise).

The number of shares of Class A common stock into which the share of Series A convertible preferred stock is convertible shall be proportionately adjusted for any subdivision or combination (by stock split, reverse stock split, dividend, reorganization, recapitalization or otherwise) of the Class A common stock that occurs before the Group Cap End Date.

The foregoing description is a summary of certain relevant terms of the Company's Bye-laws and the Certificate of Designation of the Series A convertible preferred stock and is qualified in its entirety by reference to the Bye-laws, a

copy of which is filed as Exhibit 3.01 to our Quarterly Report for the period ended June 30, 2012, and the Certificate of Designation for the Series A convertible preferred stock, a copy of which is filed as Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on July 3, 2012 and the CNB on July 9, 2012.

12.6 Mandatory Squeeze-Out Rules in Relation to the Securities

Section 103 of the Companies Act provides that the holders of 95% of the shares or any class of shares in a Bermuda company (the “**Majority Holders**”) can give notice to the remaining shareholders or such class of shareholders (collectively, the “**Minority Holders**”) of the intention of the Majority Holders to acquire the Minority Holders’ shares on the terms set out in the notice. The Majority Holders are entitled and bound to acquire the shares on those terms unless any Minority Holder applies to the court for an appraisal of the value of the shares being purchased, within one month of such Minority Holder’s receipt notice from the Majority Holders. Within one month of the court appraising the value of any shares under a requested appraisal, the Majority Holders shall be entitled to either acquire all the shares involved at the price fixed by the Court or cancel the notice to acquire such shares from the Minority Holder.

Section 102(1) of the Companies Act provides that with respect to an agreement involving the proposed transfer of shares or any class of shares in a Bermuda company (the “**Target Company**”) to another company (the “**Acquiror**”), where the holders of 90% of the shares of the Target Company (other than shares held by the Acquiror or any of its subsidiaries), within four months of the Acquiror’s offer, accept such offer, the Acquiror may, at any time within two months beginning with the date on which such acceptance is obtained, give notice to any dissenting shareholder of the Target Company that the Acquiror wishes to acquire such dissenting shareholder’s shares in the Target Company, and when such a notice is given the Acquiror shall, unless a dissenting shareholder, within one month from the date on which the notice was received, objects to the court with respect to the transfer, be entitled and bound to acquire the minority shares in the Target Company on the terms on which, under the agreement, the shares of the approving shareholders of the Target Company are to be transferred to the Acquiror.

12.7 Use of Proceeds

The approximately US\$ 180 million in proceeds from the Initial Subscriptions and the TW Additional Subscription were used to repay in full amounts due under the TW Credit Agreement. No further fees or expenses will be incurred by the Company in connection with the issuance of the New Shares.

XIII. DOCUMENTS ON DISPLAY

During the life of this Prospectus, copies of the following documents may be physically inspected at the offices of our subsidiary, CME Media Services Limited, at Křiženeckého náměstí 1078/5, 152 00 Prague 5 – Barrandov, Czech Republic:

- (a) our Memorandum of Association and Bye-Laws;
- (b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at our request any part of which is included or referred to in this Prospectus; and
- (c) the Company’s historical financial information for each of the two financial years preceding the publication of this Prospectus. Historical financial information of our subsidiaries for each of the two financial years preceding the publication of this Prospectus is available at the registered seats of such subsidiaries to the extent such financial information is publicly available in such applicable jurisdictions.

We file annual, quarterly and current reports, proxy statements and other information with the SEC and the CNB. The SEC maintains a website, <http://www.sec.gov>, which contains reports, proxy statements and information statements and other information regarding registrants that file electronically with the SEC, including us. The CNB maintains a website, https://oam.cnb.cz/sipresextdad/SIPRESWEB.WEB21.START_INPUT_OAM?p_lang=cz, where

the Company furnishes its filings to the extent required by applicable laws and regulations to the CNB. We maintain a corporate website at www.cme.net and our filings can be downloaded on our website at <http://www.cetv-net.com/en/investors/sec-filings.php>. The contents of our website are not part of this Prospectus except to the extent specifically incorporated herein and should not be relied upon with respect to this Prospectus.

You may also request a copy of our filings at no cost by writing or telephoning us at:

Central European Media Enterprises Ltd.
c/o CME Media Services Limited
Kříženeckého náměstí 1078/5
152 00 Prague 5 - Barrandov
Czech Republic

Attention: Romana Wyllie
Vice President of Corporate Communications
Tel.: +420 242 465 525
Email: romana.wyllie@cme.net

COMPANY REPRESENTATIVE FOR PROSPECTUS

- 1.1 David Sach, Chief Financial Officer of Central European Media Enterprises Ltd., acting for and on behalf of Central European Media Enterprises Ltd.
- 1.2 I hereby declare, after taking all reasonable care for this purpose and to the best of my knowledge, that the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no material omission likely to affect its import.

/s/ David Sach
David Sach
Chief Financial Officer

In Prague on October 26, 2012

EXHIBIT

- I. Annual Report on Form 10-K for the period ended December 31, 2011, filed with the SEC on February 22, 2012 and the CNB on February 23, 2012

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2011**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-24796

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

(Exact name of registrant as specified in its charter)

BERMUDA

(State or other jurisdiction of incorporation and organization)

98-0438382

(IRS Employer Identification No.)

**Mintflower Place, 4th floor
8 Par-La-Ville Rd, Hamilton, Bermuda**

(Address of principal executive offices)

HM 08 Bermuda

(Zip Code)

Registrant's telephone number, including area code: +1 441 296-1431

Securities registered pursuant to Section 12(b) of the Act:

CLASS A COMMON STOCK, \$0.08 PAR VALUE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for each shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of the registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" or "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act) Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2011 (based on the closing price of US\$ 19.75 of the registrant's Class A Common Stock, as reported by the Nasdaq Global Select Market on such date) was US\$ 725.1 million.

Number of shares of Class A Common Stock outstanding as of February 17, 2012: 56,892,114

Number of shares of Class B Common Stock outstanding as of February 17, 2012: 7,500,936

DOCUMENTS INCORPORATED BY REFERENCE

| Document | Location in 10-K in Which Document is Incorporated |
|--|---|
| Registrant's Proxy Statement for the 2012 Annual General Meeting of Shareholders | Part III |

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

FORM 10-K

For the year ended December 31, 2011

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Unless the context otherwise requires, references in this report to the “Company”, “CME”, “we”, “us” or “our” refer to Central European Media Enterprises Ltd. (“CME Ltd.”) or CME Ltd. and its consolidated subsidiaries listed in Exhibit 21.01 hereto. Unless otherwise noted, all statistical and financial information presented in this report has been converted into U.S. dollars using appropriate exchange rates. All references in this report to “US\$” or “dollars” are to U.S. dollars, all references to “BGN” are to Bulgarian lev, all references to “HRK” are to Croatian kuna, all references to “CZK” are to Czech korunas, all references to “RON” are to the New Romanian lei, all references to “UAH” are to Ukrainian hryvnia, and all references to “Euro” or “EUR” are to the European Union Euro. The exchange rates as of December 31, 2011 used in this report are BGN/US\$ 1.51; HRK/US\$ 5.82; CZK/US\$ 19.94; RON/US\$ 3.34; and EUR/US\$ 0.77.

As used herein, the term “2014 Floating Rate Notes” refers to our floating rate senior notes due 2014; the term “2016 Fixed Rate Notes” refers to our 11.625% senior notes due 2016; the term “2017 Fixed Rate Notes” refers to the 9.0% senior secured notes due 2017 issued by our wholly owned subsidiary, CET 21 spol. s r.o. (“CET 21”); the term “Senior Notes” refers collectively to the 2014 Floating Rate Notes, 2016 Fixed Rate Notes and 2017 Fixed Rate Notes; the term “2015 Convertible Notes” refers to our 5.0% senior convertible notes due 2015, the term “2013 Convertible Notes” refers to our 3.50% senior convertible notes due 2013 and the term “Convertible Notes” refers collectively to the 2013 Convertible Notes and the 2015 Convertible Notes. The term “Secured Revolving Credit Facility” refers to the five-year CZK 1.5 billion secured revolving credit facility entered into on October 21, 2010 by CET 21 with BNP Paribas, S.A., J.P. Morgan plc, Citigroup Global Markets Limited, ING Bank N.V. and Ceska Sporitelna a.s. (“CSAS”) as mandated lead arrangers and original lenders, BNP Paribas, S.A. as agent, BNP Paribas Trust Corporation UK Limited as security agent, and CME Ltd. and our wholly-owned subsidiaries Central European Media Enterprises N.V., CME Media Enterprises B.V. (“CME BV”), CME Investments B.V., CME Slovak Holdings B.V. and MARKÍZA-SLOVAKIA, spol. s r.o., as the original guarantors.

I. Forward-looking Statements

This report contains forward-looking statements, including those relating to our capital needs, business strategy, expectations and intentions. Statements that use the terms “believe”, “anticipate”, “expect”, “plan”, “estimate”, “intend” and similar expressions of a future or forward-looking nature identify forward-looking statements for purposes of the U.S. federal securities laws or otherwise. For these statements and all other forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy or are otherwise beyond our control and some of which might not even be anticipated. Forward-looking statements reflect our current views with respect to future events and because our business is subject to such risks and uncertainties, actual results, our strategic plan, our financial position, results of operations and cash flows could differ materially from those described in or contemplated by the forward-looking statements contained in this report.

Important factors that contribute to such risks include, but are not limited to, those factors set forth under Part I, Item 1A, “Risk Factors” as well as the following: the effect of the economic downturn and Eurozone instability in our markets and the extent and timing of any recovery; the extent to which our debt service obligations restrict our business; decreases in TV advertising spend and the rate of development of the advertising markets in the countries in which we operate; our ability to make future investments in television broadcast operations; changes in the political and regulatory environments where we operate and application of relevant laws and regulations; the timely renewal of broadcasting licenses and our ability to obtain additional frequencies and licenses; and our ability to develop and acquire necessary programming and attract audiences. The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included in this report. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise.

PART I

ITEM 1. BUSINESS

CME is a media and entertainment company operating leading broadcast, content and new media businesses in Central and Eastern Europe. Our assets are held through a series of Dutch and Curaçao holding companies. We manage our business on a divisional basis, with three operating segments: Broadcast, Media Pro Entertainment, our production and distribution business, and New Media. These business segments reflect how CME's operations are managed and the structure of our internal financial reporting. CME content is critical to maintaining our leadership positions in our broadcasting operations and expanding our new media operations. We have concentrated our creative resources to develop some of the most popular original content in our markets for distribution across the entire spectrum of existing and emerging platforms to bring greater diversification of revenues. Content is a core asset and ownership of it is the cornerstone of our strategy to monetize our content across multiple distribution platforms.

General market information

We operate mainly in Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia. All of these countries are members of the European Union (the "EU") except for Croatia, which is an accession candidate country. These emerging economies have adopted Western-style democratic forms of government within the last twenty years and have economic structures, political and legal systems, systems of corporate governance and business practices that continue to evolve. As the economies of our countries converge with more developed nations and their economic and commercial infrastructures continue to develop, the business risks of operating in these countries will continue to decline. We also have broadcast operations in Moldova and content distribution operations in Hungary. Our operations in these countries are immaterial in comparison with our other operations.

The following table shows the per capita nominal gross domestic product ("GDP") (i.e., at current prices) for the markets of Central and Eastern Europe in which we operate and for a combined group of developed markets comprised of Austria, France, Germany, Spain, the United Kingdom and the United States (collectively, the "developed markets"). GDP is a measure of economic activity and represents the estimated total value of final goods and services produced by a country in a specified period. Comparative period amounts have been adjusted to present GDP at constant exchange rates.

| Nominal GDP per capita US\$ | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CME markets | \$ 12,921 | \$ 12,369 | \$ 12,085 | \$ 12,477 | \$ 11,232 | \$ 9,927 | \$ 8,900 |
| <i>Growth rate</i> | 4% | 2% | (3)% | 11% | 13% | 12% | 9% |
| Developed markets | \$ 44,974 | \$ 43,635 | \$ 42,291 | \$ 43,798 | \$ 43,205 | \$ 41,430 | \$ 39,500 |
| <i>Growth rate</i> | 3% | 3% | (3)% | 1% | 4% | 5% | 4% |

Source: International Monetary Fund ("IMF")

The following table shows the ratio of combined per capita nominal GDP at purchasing power parity ("PPP") in our markets to that of developed markets.

| Ratio of nominal GDP at PPP per capita | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CME markets as a % of developed markets | 42% | 41% | 42% | 42% | 40% | 38% | 36% |

Source: IMF

The above two tables show that the level of nominal GDP per capita in our markets was converging towards the level of the developed markets fairly significantly up until 2008, when the global recession impacted our markets to a greater extent than the developed markets and convergence slowed down. We believe that convergence of GDP in our markets with the developed markets will revive as higher growth returns. As our markets grow, the level of disposable income of the population increases, which provides an incentive for advertisers to advertise their products.

The following table shows total advertising spend per capita in the markets of Central and Eastern Europe in which we operate and for the developed markets at constant exchange rates:

| Total advertising spend per capita US\$ | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CME markets | \$ 41 | \$ 42 | \$ 45 | \$ 61 | \$ 55 | \$ 49 | \$ 42 |
| <i>Growth rate</i> | (2)% | (5)% | (26)% | 10 % | 13% | 15% | 11% |
| Developed markets | \$ 378 | \$ 371 | \$ 364 | \$ 399 | \$ 413 | \$ 406 | \$ 385 |
| <i>Growth rate</i> | 2 % | 2 % | (9)% | (3)% | 2% | 6% | 4% |

Source: CME estimates, Group M, IMF

The ratio of total advertising spend per capita to nominal GDP per capita, also known as advertising intensity, was converging until 2008 and had risen to a weighted average level in our markets of 0.49% in 2008, compared to 0.91% in the developed markets. Due to the recent period of advertising market decline, the weighted average advertising intensity in CME markets has fallen to 0.32% in 2011, compared to 0.84% in the developed markets. We expect advertising intensity to begin converging again as our markets grow faster than the developed markets. Furthermore, we expect the rate of increase to be greater in the first years of economic recovery as our markets resume growth from a lower base.

The convergence of advertising intensity is driven by several factors, including the introduction of premium products into the market by new or existing advertisers aiming to capture increased consumer disposable income. In the developed markets, the marketing of premium products, including finance, automotive, entertainment and travel products, makes up the majority of current television advertising spend. In the markets in which we operate, basic products such as food, beverages and detergents comprise the main source of advertising revenues.

The following table shows a comparison of the allocation of advertising budgets between basic and premium products in our markets versus those in more developed countries in 2011:

| Mix of advertised products | CME markets | Developed markets |
|----------------------------|-------------|-------------------|
| Premium | 32% | 63% |
| Basic | 66% | 32% |
| Other | 2% | 5% |

Source: CME estimates, Group M

Similar to the trends described above, through 2008 the proportion of premium goods advertised in our markets gradually increased over time. During the recent period of TV advertising spend decline in our markets, we saw a decrease in the proportion of advertising revenues from premium products caused by a weakening of consumer demand for such products in the recessionary period. We believe this is a temporary reversal of the longer-term historic trend. In those markets where TV advertising growth has already returned we have started to see an increase in the level of interest from advertisers of premium products and expect the historic trend to resume as our markets recover.

The following table shows TV advertising spend per capita in the markets of Central and Eastern Europe in which we operate and for the developed markets at constant exchange rates.

| TV advertising spend per capita US\$ | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| CME markets | \$ 22 | \$ 22 | \$ 23 | \$ 30 | \$ 27 | \$ 23 | \$ 20 |
| Growth rate | —% | (4)% | (24)% | 13 % | 17 % | 16% | 12% |
| Developed markets | \$ 144 | \$ 141 | \$ 134 | \$ 146 | \$ 148 | \$ 150 | \$ 142 |
| Growth rate | 2% | 5 % | (8)% | (1)% | (2)% | 6% | 1% |

Source: CME estimates, Group M, IMF

The preceding tables indicate that TV advertising spend per capita in our markets has historically grown at a faster rate but declined less during the recession period than total advertising. This is because TV advertising spend has grown as a percentage of total advertising spend in our markets, as shown below. Furthermore, since television was commercialized in our markets at the same time as other forms of media, TV advertising generally accounts for a higher proportion of total advertising spend than in the developed markets, where newspapers and magazines and radio were established as advertising media well before the advent of television.

The following tables show TV and internet advertising spend as a percentage of total advertising spend in the markets of Central and Eastern Europe in which we operate and for the developed markets.

| TV advertising spend as a % of total advertising spend | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|------|------|------|------|------|------|------|
| CME markets | 59% | 58% | 54% | 52% | 51% | 50% | 51% |
| Developed markets | 38% | 38% | 37% | 37% | 36% | 37% | 37% |

Source: Group M

| Internet advertising spend as a % of total advertising spend | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|------|------|------|------|------|------|------|
| CME markets | 9% | 8% | 7% | 6% | 6% | 4% | 4% |
| Developed markets | 22% | 20% | 18% | 15% | 13% | 10% | 8% |

Source: Group M

As shown above, both TV and internet advertising have grown overall at the expense of print and radio advertising (the other primary components of the total advertising market) in our markets during the last seven years. We believe that this trend will continue because of the greater reach and better measurement capabilities of TV and internet advertising, which make these mediums more effective to advertisers compared to print and radio. Television is especially attractive to advertisers because it delivers high reach at low cost compared to other forms of media and the internet is attractive because of its highly effective measurement capabilities.

In summary, as markets recover we expect the economies of the countries in which we operate to resume their convergence with more developed markets, particularly Western Europe, resulting in higher growth of GDP per capita in our markets compared to that of the developed countries. We expect advertising intensity in our markets to also return to a pattern of convergence and reach its previous high of 0.49% and beyond in the next few years. Furthermore, we expect TV and internet advertising spend to continue to grow in relation to total advertising spend, resulting in significantly higher TV and internet advertising spend growth in our markets compared to the developed markets.

BROADCAST

Our broadcast segment consists of 30 television channels reaching an aggregate of approximately 49 million people primarily in six countries.

In Bulgaria, we operate one general entertainment channel, BTV, four other channels, BTV CINEMA, BTV COMEDY, RING.BG and BTV ACTION and several radio channels. On January 28, 2012, we launched BTV LADY, a female-oriented cable channel.

In Croatia, we operate one general entertainment channel, NOVA TV (Croatia), one female-oriented channel, DOMA (Croatia) and an international channel, NOVA WORLD.

In the Czech Republic, we operate one general entertainment channel, TV NOVA (Czech Republic), and three other channels, NOVA CINEMA, NOVA SPORT and MTV CZECH.

In Romania, we operate two general entertainment channels, PRO TV and ACASA, three other channels, PRO CINEMA, SPORT.RO and MTV ROMANIA, and an international channel, PRO TV INTERNATIONAL, as well as a general entertainment channel broadcasting in Moldova, PRO TV CHISINAU, which was acquired in January 2011 (see Part II, Item 8, Note 3, "Acquisitions and Dispositions").

In the Slovak Republic, we operate one general entertainment channel, TV MARKIZA, and one female-oriented channel, DOMA (Slovak Republic).

In Slovenia, we operate two general entertainment channels, POP TV and KANAL A, and POP NON STOP, a subscription package of six channels which includes POP KINO, POP KINO2, POP BRIO, POP FANI, POP OTO and POP SPOT.

Our strategy for our Broadcast segment is to maintain and increase our audience leadership in each of our markets in order to implement our pricing policy and maximize our revenues. We have built our audience leadership in each of our markets by operating a multi-channel business model with a diversified portfolio of strong television channels.

Distribution

Our main general entertainment television channels in each country are distributed on a free-to-air basis terrestrially in analog, digital or both, depending on the digitalization status in each country, and are also distributed via cable and satellite. Our other channels are generally distributed via cable and satellite.

The following table shows the technical reach of our main general entertainment television channels as of December 31, 2011.

| Country | Technical Reach |
|----------------|------------------------|
| Bulgaria | 99.7% |
| Croatia | 99.0% |
| Czech Republic | 99.7% |
| Romania | 98.1% |
| Slovakia | 99.2% |
| Slovenia | 99.2% |

Source: TNS, AGB Nielsen Media Research, ATO- Mediaresearch, Internal Estimates & Establishment Survey, PMT / TNS SK, AGB Nielsen Media Research and APEK

As the distribution platforms in our region develop and become more diversified, our television channels and content will reach viewers through new distribution offerings, such as internet TV, portable media and mobile TV.

Programming

Our programming strategy for our Broadcast segment is tailored to match the expectations of key audience demographics by scheduling and marketing an optimal mix of programs in a cost effective manner. The programming that we provide drives our audience shares and ratings (see "Audience Share and Ratings" below) and consists of locally-produced news, current affairs, fiction, and reality and entertainment shows as well as acquired foreign movies, series and sports programming.

We focus our programming investment resources on securing a leading position during prime time, where the majority of advertising revenues are delivered, and improving our cost efficiency through optimizing the programming mix and limiting the cost of programming scheduled off-prime time.

The tables below provide a comparison of all day and prime time audience shares for 2011 in the target demographic of our leading channels in the six countries in which we operate to the primary channels of our main competitors:

Bulgaria

| Target Demographic | Main Television Channels | Ownership | All day audience share (2011) | Prime time audience share (2011) |
|--------------------|--------------------------|-------------------|-------------------------------|----------------------------------|
| (18-49) | BTV | CME | 36.1% | 43.9% |
| | NOVA TV | MTG | 14.6% | 16.5% |
| | BNT 1 | Public television | 5.5% | 6.1% |

Source: TNS / GARB

Including our other four channels that were broadcasting in 2011, the combined all day and prime time audience shares of our Bulgaria Broadcast operations in 2011 was 42.6% and 49.8%, respectively.

Croatia

| Target Demographic | Main Television Channels | Ownership | All day audience share (2011) | Prime time audience share (2011) |
|--------------------|--------------------------|-------------------|-------------------------------|----------------------------------|
| (18-54) | Nova TV (Croatia) | CME | 23.4% | 29.6% |
| | RTL | RTL | 20.0% | 22.0% |
| | HTV 1 | Public television | 16.6% | 14.1% |

Source: AGB Nielsen Media Research

Including our other channel, the combined all day and prime time audience shares of our Croatia Broadcast operations in 2011 was 27.7% and 33.6%, respectively.

Czech Republic

| Target Demographic | Main Television Channels | Ownership | All day audience share (2011) | Prime time audience share (2011) |
|--------------------|---------------------------------|-------------------|-------------------------------|----------------------------------|
| (15-54) | TV NOVA (Czech Republic) | CME | 31.2% | 35.6% |
| | TV Prima | MTG | 15.9% | 16.4% |
| | CT 1 | Public television | 13.4% | 14.3% |

Source: ATO- Mediaresearch

Including NOVA CINEMA, the combined all day and prime time audience shares of our Czech Republic Broadcast operations in 2011 was 36.9% and 41.5% respectively.

Romania

| Target Demographic | Main Television Channels | Ownership | All day audience share (2011) | Prime time audience share (2011) |
|--------------------|--------------------------|---------------------------|-------------------------------|----------------------------------|
| (18-49 Urban) | PRO TV | CME | 18.2% | 21.5% |
| | Antena 1 | Intact group | 12.0% | 12.4% |
| | Prima TV | ProSiebenSat1 Media Group | 5.1% | 6.9% |
| | TVR 1 | Public television | 3.6% | 4.3% |

Source: GFK Romania

Including our other channels (with the exception of PRO TV INTERNATIONAL and PRO TV CHISINAU) the combined all day and prime time audience shares of our Romania Broadcast operations in 2011 was 27.0% and 30.7%, respectively.

Slovak Republic

| Target Demographic | Main Television Channels | Ownership | All day audience share (2011) | Prime time audience share (2011) |
|--------------------|--------------------------|-----------------------|-------------------------------|----------------------------------|
| (12-54) | TV MARKIZA | CME | 31.1% | 33.8% |
| | TV JOJ | J&T Media Enterprises | 21.3% | 23.9% |
| | STV 1 | Public Television | 6.9% | 7.1% |

Source: PMT / TNS SK

Including our other channel, the combined all day and prime time audience shares of our Slovak Republic Broadcast operations in 2011 was 34.6% and 37.1%, respectively.

Slovenia

| Target Demographic | Main Television Channels | Ownership | All day audience share (2011) | Prime time audience share (2011) |
|--------------------|--------------------------|-------------------|-------------------------------|----------------------------------|
| (18-49) | POP TV | CME | 24.5% | 33.8% |
| | SLO 1 | Public Television | 10.9% | 12.9% |
| | TV3 | MTG | 6.4% | 6.2% |

Source: AGB Nielsen Media Research

Including our other seven channels, the combined all day and prime time audience shares of our Slovenia Broadcast operations in 2011 was 40.3% and 50.2% respectively.

Audience Share and Ratings

Audience share represents the share attracted by a channel as a proportion of the total audience watching television. Ratings represent the number of people watching a channel (expressed as a proportion of the total population measured). Audience share and ratings information are measured in each market by international measurement agencies, using peplemeters, which quantify audiences for different demographics and subgeographies of the population measured throughout the day. Our channels schedule programming intended to attract audiences within specific “target” demographics that we believe will be attractive to advertisers. The panel used in audience measurement in Bulgaria changed from September 1, 2011. The daily average combines daily results from January 1, 2011 through August 31, 2011 under the old official measurement panel and from September 1 through December 31 2011 under the new official measurement panel.

Sales

We generate advertising revenues in our Broadcast segment primarily through entering into agreements with advertisers, advertising agencies and sponsors to place advertising on the television channels that we operate.

Our main unit of inventory is the commercial gross rating point (“GRP”), a measure of the number of people watching television when an advertisement is aired. We generally contract with a client to provide an agreed number of GRPs for an agreed price (“cost per point” or “CPP”). Much less frequently, and usually only for small niche channels, we may sell on a fixed spot basis where an advertisement is placed at an agreed time for a negotiated price that is independent of the number of viewers. The price per GRP varies, depending on the season and time of day the advertisement is aired, the volume of GRPs purchased, requests for special positioning of the advertisement, the demographic group that the advertisement is targeting and other factors. Our larger advertising customers generally enter into annual contracts and set the pricing for a committed volume of GRPs.

Our sales strategy is to maximize the monetization of our inventory by leveraging our high brand power, and applying an optimal mix of pricing and sell-out rate. The effectiveness of our sales strategy is measured by our share of the television advertising market which represents the proportion of our television advertising revenues in the market compared to the total television advertising market.

We operate our Broadcast segment based on a business model of audience leadership, control of our content and strong brands. These solid pillars provide us with the operating leverage to convert our leading audience shares into strong revenues, high margins and strong cash flows, especially as recovery in our markets progresses.

The public broadcasters in our operating countries are restricted in the amount of advertising that they may sell. See “Regulation of Television Broadcasting” below for additional information.

Seasonality

We experience seasonality, with advertising sales tending to be lowest during the third quarter of each calendar year due to the summer holiday period (typically July and August), and highest during the fourth quarter of each calendar year.

Regulation of Television Broadcasting

Television broadcasting in each of the countries in which we operate is regulated by a governmental authority or agency. In this report, we refer to such agencies individually as a “Media Council” and collectively as “Media Councils”. Media Councils generally supervise broadcasters and their compliance with national broadcasting legislation, as well as control access to the available frequencies through licensing regimes.

Programming and Advertising Regulation

All of the countries in which we operate are member states of the EU with the exception of Croatia, and our broadcast operations in such countries are subject to relevant EU legislation relating to media. Croatia is a candidate for EU accession and is expected to join the EU in 2013.

The EU Audiovisual Media Services Directive (the “AVMS Directive”) came into force in December 2007, amending the Television Without Frontiers Directive (the “TWF Directive”). The AVMS Directive extends the legal framework from television broadcasting provided by the TWF Directive to media services generally in the EU. The AVMS Directive covers both linear (i.e., broadcasting) and non-linear (e.g., video-on-demand and mobile television) transmissions of media services, with the latter subject to less stringent regulation. Among other things, the AVMS Directive preserves the requirement that broadcasters, where “practicable and by appropriate means,” reserve a majority of their broadcast time for “European works.” Such works are defined as originating from an EU member state or a signatory to the Council of Europe’s Convention on Transfrontier Television as well as being written and produced mainly by residents of the EU or Council of Europe member states or pursuant to co-production agreements between such states and other countries. In addition, the AVMS Directive also preserves the requirement that at least 10% of either broadcast time or programming budget is dedicated to programs made by European producers who are independent of broadcasters. News, sports, games, advertising, teletext services and teleshopping are excluded from the calculation of these quotas. The AVMS Directive has relaxed regulations in respect of advertising shown in linear broadcasts and has extended some of those rules to non-linear broadcasts. In general, rules restricting when programming can be interrupted by advertising in linear broadcasting have been abolished except in the case of movies, news and childrens’ programming, where programming can be interrupted once every thirty minutes or more. In addition, broadcasters may use product placement in most genres, subject to the identification of such practices and limitations on prominence.

Member states were required to implement the AVMS Directive by December 19, 2009, and of the countries in which we operate Romania, the Czech Republic and the Slovak Republic have notified the European Commission that the regulations have been put in place. Legislation has been adopted in Bulgaria and Slovenia to implement the AVMS Directive. Under the AVMS Directive, member states are permitted to adopt stricter conditions than those set forth in the AVMS Directive. The legislation enacted in our operating countries is consistent with the EU rules. Croatia has put in place legislation that aligns its programming regulations with the AVMS.

Please see below for more detailed information on programming and advertising regulations that impact our channels.

Bulgaria: In Bulgaria, privately owned broadcasters are permitted to broadcast advertising for up to 12 minutes per hour. The public broadcaster, BNT, which is financed through a compulsory television license fee and by the government, is restricted to broadcasting advertising for 4 minutes per hour and no more than 15 minutes per day, of which only five minutes may be in prime time. There are also restrictions on the frequency of advertising breaks (for example, news and childrens’ programs shorter than 30 minutes cannot be interrupted). These restrictions apply to both publicly and privately owned broadcasters. Further restrictions relate to advertising content, including a ban on tobacco advertising and restrictions on alcohol advertising, and regulations on advertising targeted at children or during childrens’ programming. In addition, members of the news department of our channels are prohibited from appearing in advertisements. Our channels in Bulgaria are required to comply with several restrictions on programming, including regulations on the origin of programming. These channels must ensure that 50.0% of broadcast time consists of EU- or locally-produced programming and 12% of programming must be produced by independent producers in the EU. News, sports, games and teleshopping programs, as well as advertising and teletext services, are excluded from these restrictions.

Croatia: In Croatia, privately owned broadcasters are permitted to broadcast advertising for up to 12 minutes per hour with no daily limit, and direct sales advertising has to last continuously for at least 15 minutes. Additional restrictions apply to childrens’ programming and movies. The public broadcaster HRT, which is financed through a compulsory television license fee, is restricted to broadcasting nine minutes of advertising per hour generally and four minutes per hour from 6 p.m. to 10 p.m. HRT is not permitted to broadcast spots for teleshopping. There are other restrictions that relate to advertising content, including a ban on tobacco and alcohol advertising. NOVATV (Croatia) is required to comply with several restrictions on programming, including regulations on the origin of programming. These include the requirement that 20.0% of broadcast time consists of locally produced programming and 50.0% of such locally produced programming be shown during prime time (between 4:00 p.m. and 10:00 p.m.). These restrictions are not applicable to DOMA (Croatia).

Czech Republic: Privately owned broadcasters in the Czech Republic are permitted to broadcast advertising for up to 12 minutes per hour. In September 2011, legislation was implemented in the Czech Republic which restricts the amount of advertising that may be shown on the channels of the public broadcaster, CT. Pursuant to the regulation, no advertising may be shown on the public channels CT 1 and CT 24, while the channels CT 4 and CT 2 may show a limited amount of advertising. Also included in the legislation is the requirement that national private broadcasters must contribute annually to a Czech cinematography fund in an amount equal to 2% of their net advertising revenues. Our production operations in the Czech Republic are entitled to apply for financing from the fund. In the Czech Republic, all broadcasters are restricted with respect to the frequency of advertising breaks during and between programs, as well as being subject to restrictions that relate to advertising content, including a ban on tobacco advertising and limitations on advertisements of alcoholic beverages, pharmaceuticals, firearms and munitions.

Romania: Privately owned broadcasters in Romania are permitted to broadcast advertising and direct sales advertising for up to 12 minutes per hour. There are also restrictions on the frequency of advertising breaks (for example, news and childrens’ programs shorter than 30 minutes cannot be interrupted). The public broadcaster, TVR, which is financed through a compulsory television license fee, is restricted to broadcasting advertising for eight minutes per hour and only between programs. Further restrictions relate to advertising content, including a ban on tobacco advertising and restrictions on alcohol advertising, and regulations on advertising targeted at children or during childrens’ programming. In addition, members of the news department of all channels are prohibited from appearing in advertisements.

Slovak Republic: Privately owned broadcasters in the Slovak Republic are permitted to broadcast advertising for up to 12 minutes per hour but not for more than 20.0% of their total daily broadcast time. The public broadcaster, STV, which is financed through a compulsory license fee, can broadcast advertising for up to 1.0% of its total broadcast time (up to 5.0% of total broadcast time including teleshopping programming), but between 7:00 p.m. and 10:00 p.m. may broadcast only 8 minutes of advertising per hour. There are restrictions on the frequency of advertising breaks during and between programs. STV is not permitted to broadcast advertising breaks during programs. There are also restrictions that relate to advertising content, including a ban on tobacco advertising and a ban on advertisements of alcoholic beverages (excluding beer and wine) between 6:00 a.m. and 10:00 p.m.

Slovenia: Privately owned broadcasters in Slovenia are allowed to broadcast advertising for up to 12 minutes in any hour. The public broadcaster, SLO, which is financed through a compulsory television license fee and commercial activities, is allowed to broadcast advertising for up to 10 minutes per hour, but is only permitted up to 7 minutes per hour between the hours of 6:00 p.m. and 11:00 p.m. There are also restrictions on the frequency of advertising breaks during programs and restrictions that relate to advertising content, including a ban on tobacco advertising and a prohibition on the advertising of any alcoholic beverages from 7:00 a.m. to 9:30 p.m. and generally for alcoholic beverages with an alcoholic content of more than 15.0%. Our Slovenia operations are required to comply with several restrictions on programming, including regulations on the origin of programming. These include the requirement that 20.0% of a station's daily programming consist of locally produced programming, of which at least 60 minutes must be broadcast between 6:00 p.m. and 10:00 p.m. In addition, 50.0% of the station's annual broadcast time must be European-origin audio-visual works and at least 10.0% of the stations annual broadcast time must be European audio-visual works produced by independent producers.

Licensing Regulation

The license granting and renewal process in our operating countries varies by jurisdiction and by type of broadcast permitted by the license (i.e., cable, terrestrial, satellite). Depending on the country, terrestrial licenses may be valid for an unlimited time period, may be renewed automatically upon application or may require a more lengthy renewal procedure, such as a tender process. Generally cable and satellite licenses are granted or renewed upon application. We expect each of our licenses to be renewed or new licenses to be granted as required to continue to operate our business. In addition, as our operating countries transition from analog to digital terrestrial broadcasting, we have applied for and will continue to apply for and obtain digital licenses that are issued in replacement of analog licenses. We will also apply for additional digital licenses and for licenses to operate digital networks where such applications are permissible and prudent.

The transition to digital terrestrial broadcasting in each jurisdiction in which we operate generally follows similar stages, although the approach being applied is not uniform. Typically, legislation governing the transition to digital broadcasting is adopted addressing the licensing of operators of the digital networks as well as the licensing of digital broadcasters, technical parameters concerning the allocation of frequencies to be used for digital services (including those currently being used for analog services), broadcasting standards to be provided, the timing of the transition and, ideally, principles to be applied in the transition, including transparency and non-discrimination. As a rule, these are embodied in a technical transition plan ("TTP") that, in most jurisdictions, is agreed among the relevant Media Council, the national telecommunications agency (which is generally responsible for the allocation and use of frequencies) and the broadcasters. The TTP will typically include the following: the timeline and final switchover date, time allowances for the phases of the transition, allocation of frequencies for digital broadcasting and other digital services, methods for calculating digital terrestrial signal coverage and penetration of set top boxes, parameters for determining whether the conditions for switchover have been satisfied for any phase, the technical specifications for broadcasting standards to be utilized and technical restrictions on parallel broadcasting in analog and terrestrial during the transition phase. Generally, the legislation relating to the digital transition provides that incumbent analog broadcasters are entitled to receive a digital license or that current licenses entitle the holders to digital terrestrial broadcasting, although broadcasters in a specific jurisdiction may be required to formally file an application in order for a digital license to be issued. Our markets are in different stages in the digitalization process. Croatia, Slovenia, the Slovak Republic and the Czech Republic have each completed the analog switch-off. In Bulgaria and Romania, the transition to digital broadcasting has not yet commenced, however each country expects completion to occur in 2015. Please see below for more detailed information on licenses for our channels.

Bulgaria: BTV operates pursuant to a national programming license issued by the Council for Electronic Media, the Bulgarian Media Council, and broadcasts pursuant to a national analog broadcasting permit that will expire at the time of the analog switch-off. BTV also has a must-carry digital license that expires in July 2024. BTV ACTION (formerly PRO.BG) broadcasts pursuant to a national cable registration that is valid for an indefinite time period and also has a must-carry digital license that expires in January 2025. BTV CINEMA, BTV COMEDY and RING.BG each broadcast pursuant to a national cable registration that is valid for an indefinite time period. BTV LADY, which was launched in January 2012, broadcasts pursuant to a national cable registration that is valid for an indefinite time period.

Croatia: NOVA TV (Croatia) broadcasts pursuant to a national terrestrial license granted by the Croatian Media Council, the Electronic Media Council, which expires in April 2025. DOMA (Croatia) broadcasts pursuant to a national terrestrial license that expires in January 2026.

Czech Republic: Our channels in the Czech Republic operate under a variety of licenses granted by the Czech Republic Media Council, The Council for Radio and Television Broadcasting. TV NOVA (Czech Republic) broadcasts under a national terrestrial license that expires in January 2025. TV NOVA (Czech Republic) may also broadcast pursuant to a satellite license that expires in December 2020. NOVA CINEMA broadcasts pursuant to a national terrestrial digital license that expires in 2023. NOVA CINEMA also broadcasts via satellite pursuant to a license that is valid until November 2019. NOVA SPORT broadcasts pursuant to a license that allows for both satellite and cable transmission that expires in October 2020, and MTV CZECH broadcasts pursuant to a satellite license that expires in October 2021.

Romania: PRO TV broadcasts pursuant to a network of regional and local analog licenses granted by the Romanian Media Council, the National Audio-Visual Council. PRO TV also broadcasts using a national satellite license. Our other Romanian channels (ACASA, PRO CINEMA, SPORT.RO, MTV ROMANIA and PRO TV INTERNATIONAL) each has a national cable and satellite license. Licenses for our Romanian operations expire on dates ranging from July 2012 to September 2018 and are renewed routinely upon application to the Romanian Media Council. From 2009, the Romanian Media Council may only extend the validity of a license until the date of the digital switchover, which is expected to occur in 2015. PRO TV and SPORT.RO also broadcast in high-definition pursuant to experimental terrestrial licenses that are valid until the digital switchover, while ACASA broadcasts in high-definition pursuant to a written consent from the Media Council. PRO TV Chisinau Moldova broadcasts pursuant to an analog license granted by the Audio-Visual Coordinating Council of the Republic of Moldova that expires in September 2015.

Slovak Republic: TV MARKIZA broadcasts pursuant to a national digital license granted by the Council for Broadcasting and Transmission, the Slovak Republic Media Council, which is valid for an indefinite period. DOMA (Slovak Republic) broadcasts pursuant to a license that permits digital, cable and satellite transmissions and is valid for an indefinite period.

Slovenia: Our Slovenian channels POP TV, KANAL A and channels that make up the POP NON-STOP subscription package each have licenses granted by the Post and Electronic Communications Agency of the Republic of Slovenia, the Slovenia Media Council, that allow for broadcasting on any platform, including digital, cable and satellite. These licenses are valid for an indefinite time period.

MEDIA PRO ENTERTAINMENT

We created the Media Pro Entertainment (“MPE”) segment by integrating our existing production operations with those of the Media Pro Entertainment business that we acquired in December 2009.

Delivering content that consistently generates high audience shares is crucial to maintaining the success of our broadcast operations. While content acquired from the Hollywood studios remains popular, our audiences increasingly demand content that is produced in their local language and which reflects their society, attitudes and culture. We believe developing and producing local content is key to being successful in prime time and supporting market-leading channels. Maintaining a regular stream of local content at the lowest possible cost will become ever more important in the future and establishing the MPE segment gives us the opportunity to accomplish this goal.

In addition to the support we are able to offer our broadcasters, our ability to develop, produce and distribute this content will present us with significant opportunities in a future that will increasingly place a heavy premium on content in an environment of competing distribution channels. In the medium term our markets will complete their switch to digital broadcasting, and alternative strategies for delivering content will become even more important. The result will likely be a fragmentation of audiences among distribution platforms and a shift away from the traditional linear delivery of content.

The fragmentation of distribution platforms will also present new possibilities for content producers to diversify their revenues from the current model, where the value of content is predominantly realized through advertising revenues on traditional linear broadcasts to new sources of revenues such as subscription TV windows, video-on-demand, direct downloads, international sales, and home video exploitation.

MPE is well positioned to exploit these opportunities. We have created a fully integrated production business that leverages creative talent across all of our countries and allows us to develop, produce and distribute content to maximize revenues under the new model and provides several key advantages to enable us to maintain a high output of quality content.

Media Pro Entertainment is organized into two businesses:

Production: This business includes the fiction and reality and entertainment reporting unit and the production services reporting unit, which together provide the assets and expertise to develop and produce a range of fiction, reality and entertainment programming and films, using both purchased formats and developing original formats.

Our business model enables us to produce across many countries and gives us the scale to deliver a large volume of quality content to our broadcasters at the lowest possible cost. Our position in the market enables us to utilize creative talent across countries and produce content that may be easily adapted for use across several markets and in many revenue-generating windows. The result is lower overall costs to our broadcasters without compromising high production values while also allowing us to generate higher margin revenues from the exploitation of our produced content in other ways, such as the sale of finished content and formats internationally, commissioned productions and the financing and production of feature films. In the short term, we expect that we will mostly produce shows for our own broadcasters.

Our production services operations, including studio spaces, set design and construction, camera, lighting, grip equipment, visual effects, costumes and post production services, allow us to achieve cost efficiencies. In most of our markets we own or lease all, or substantially all, of the facilities and assets necessary for production. This base of assets and professional expertise can be pooled in order to maximize asset usage and take best advantage of price arbitrage opportunities between jurisdictions. In addition, our operations in Romania also act as full scale production services providers to local and international production markets which generate additional third party revenues.

Distribution: In addition to having responsibility for selling finished content and formats developed by our fiction and reality and entertainment production operations to third parties, this business acquires rights to international film and television content across our region and distributes them both to third party clients and to our broadcast operations.

Our distribution operations are also able to generate third-party revenue by distributing content through the theatrical and home video operations. Media Pro Entertainment owns and operates sixteen cinema screens in Romania, including Romania's first multiplex operation. In addition, a home video distribution business sells DVD and Blu Ray discs to wholesale and retail clients in the Czech Republic, the Slovak Republic, Romania and Hungary. Input from our distribution business throughout the creative process enables us to maximize the attractiveness of our produced content in international markets. A significant portion of our distribution revenues are to third parties, which we believe will generate the bulk of MPE's profits in the short term.

In total, the MPE segment currently generates the majority of its revenues from sales to our Broadcast segment. For that reason, the financial results of the segment are largely dependent on the performance of television advertising markets, although the long-term nature of the production process is such that it takes time for significant market changes to be reflected in this segment's results. We expect that in the future, the growth of third party revenues will significantly outpace the growth in our intercompany revenues until the majority of our revenues will come from outside the CME group.

NEW MEDIA

We currently own and operate over 75 websites across our markets and we have recently launched our video-on-demand service, Voyo, with two principal objectives: to build a strong online channel of distributing popular content and to operate an efficient marketing tool for our Broadcast segment. The New Media segment focuses on offering viewers the choice of watching our premium television content, anytime, anywhere and building a series of news portals, ranging from general information to sports or niche sites. Revenues generated by the New Media segment are primarily derived from the sale of advertising.

During 2011, we focused on the build and roll-out of Voyo, our content aggregation and distribution platform that offers consumers transactional, subscription and free content. We operate Voyo in each of our territories and we aim to improve the library of available content and to increase distribution. We believe that Voyo will greatly enhance our New Media segment since it is our core platform for delivering our content and monetizing our audience further through paid online content.

In addition, we improved the core products of our New Media portfolio: news portals, niche websites and television-related websites. Our target is to achieve consistent growth of monthly and daily visitors in order to increase revenues and improve the number of advertising clients and consequently, to outperform the local internet market growth. We recently launched a series of products for smart phones and tablets as part of our strategy to increase the time our users spend consuming content that we deliver. During 2011, we increased the number of average daily non-duplicated unique visitors by 26% year-on-year and the number of advertising clients by 15% year-on-year in the countries where we operate.

We aim to become one of the top three local new media players in each of our broadcast countries in terms of audience, an achievement that we have already accomplished in Slovenia and Romania. At present, our internet sites attract about 2 million non-duplicated unique users every day and about 12 million people each month, representing a 20.0% increase over 2010.

According to local monitoring services, the largest players in our markets are local portals with a full-scale portfolio of online products from email and news to niches, search engines and news sites operated by publishing houses with a strong print presence.

OTHER INFORMATION

Employees

As of December 31, 2011, we had a total of approximately 4,500 employees (including contractors). None of our employees or the employees of any of our subsidiaries are covered by a collective bargaining agreement. We believe that our relations with our employees are good.

Corporate Information

CME Ltd. was incorporated in 1994 under the laws of Bermuda. Our registered offices are located at Mintflower Place, 4th floor, 8 Par-La-Ville Rd, Hamilton HM 08, Bermuda, and our telephone number is +1-441-296-1431. Communications can also be sent c/o Central European Media Enterprises Ltd. at Krizeneckeho nam. 1078/5, 152 00 Praha 5, Czech Republic, telephone number +420-242-465-525, or c/o CME Development Corporation at 52 Charles Street, London W1J 5EU, United Kingdom, telephone number +44-20-7127-5800. CME's Class A common stock is listed on the NASDAQ Global Select Market and the Prague Stock Exchange under the ticker symbol "CETV".

Financial Information by Operating Segment and by Geographical Area

For financial information by operating segment and geographic area, see Part II, Item 8, Note 18, "Segment Data".

Available Information

We make available, free of charge, on our website at <http://www.cme.net> our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

This report and the following discussion of risk factors contain forward-looking statements as discussed on page 2 of this report. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks and uncertainties described below and elsewhere in this report. These risks and uncertainties are not the only ones we may face. Additional risks and uncertainties of which we are not aware, or that we currently deem immaterial, may also become important factors that affect our financial condition, results of operations and cash flows.

Risks Relating to our Financial Position

The global recession, credit crisis and concerns regarding the Eurozone have adversely affected our financial position and results of operations; we cannot predict if or when economic conditions in the countries in which we operate will recover or how long any recovery may last. A failure to achieve prompt and lasting recoveries will continue to adversely affect our results of operations.

The results of our operations depend heavily on advertising revenue, and demand for advertising is affected by prevailing general and regional economic conditions. The economic uncertainty affecting the global financial markets and banking system since 2009 has had an adverse impact on economic growth in our operating countries across Central and Eastern Europe, some of which are still emerging from recession. There has been a widespread withdrawal of investment funding from the Central and Eastern European markets and companies with investments in them, particularly in Bulgaria and Romania. Furthermore, the economic downturn has adversely affected consumer and business spending, access to credit, liquidity, investments, asset values and employment rates. These adverse economic conditions have had a material negative impact on the advertising industries in our markets, leading our customers to continue to spend less on advertising than at the peak period in 2008. This has negatively impacted our financial position, results of operations and cash flows. While GDP and private consumption returned to growth in 2011 in most of our operating countries, the sustainability of these recoveries is uncertain due to escalating concerns regarding Europe's sovereign debt crisis and the stability of the Eurozone and as a result these economies could return to recession. Furthermore, recent economic events such as the sovereign debt crisis in several EU countries have highlighted issues relating to the short- and long-term stability of the Euro as a single currency. The departure of a country from the Euro or the dissolution of the Euro by its members could negatively impact our business, as well as cause significant volatility and disruption in the global economy. Any of these developments would have a significant negative effect on our financial position, results of operations and cash flows.

Our operating results will be adversely affected if we cannot generate strong advertising sales.

We generate most of our revenues from the sale of advertising airtime on our television channels. In addition to general economic conditions, other factors that may affect our advertising sales are the pricing of advertising time as well as audience ratings, changes in programming strategy, changes in audience preferences, our channels' technical reach, technological developments relating to media and broadcasting, competition from other broadcasters and operators of other media platforms, seasonal trends in the advertising market, increased competition for the leisure time of audiences and shifts in population and other demographics. In addition, the occurrence of disasters, acts of terrorism, civil or military conflicts or general political instability may create further economic uncertainty that reduces advertising spending. The reduction in advertising spending in our markets has had a negative effect on the prices at which we sell television advertising because of pressure to reduce prices from advertisers and discounting by competitors. Reduced advertising spending, discounting of the price of television advertising in our markets and competition from broadcasters seeking to attract similar audiences have had and may continue to have an adverse impact on our ability to maintain our advertising sales. Our ability to maintain audience ratings and to generate gross rating points, our main unit of sales, depends in part on our maintaining investments in television programming and productions at a sufficient level to continue to attract these audiences. Significant or sustained reductions in investments in programming, production or other operating costs in response to reduced advertising spending in our markets have had and may continue to have an adverse impact on television viewing levels. The significant decline in advertising sales has had and could continue to have a material adverse effect on our financial position, results of operations and cash flows.

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

We face the risk that we may not be able to renew, repay or refinance our indebtedness when due, or that the terms of any renewal or refinancing will not be as favorable as the terms of such indebtedness being refinanced. This risk is exacerbated by the volatility in the capital markets, which has resulted in tightened lending requirements and in some cases the inability to refinance indebtedness. Approximately US\$ 129.7 million aggregate principal amount of the 2013 Convertible Notes mature in March 2013, excluding the US\$ 49.5 million aggregate principal amount of 2013 Convertible Notes that are held by CME BV. If we are unable to refinance our indebtedness on acceptable terms or at all, we might be forced to dispose of assets on disadvantageous terms or reduce or suspend operations, any of which would materially and adversely affect our financial condition and results of operations.

Even if we are successful in refinancing indebtedness with current maturities, we may require additional external sources of capital for future debt service and other obligations, which may not be available or may not be available on acceptable terms.

If our cash flows from operations continue to be insufficient to cover operating expenses and interest payments, and if our cash flow together with other capital resources, including proceeds received from offerings of debt or equity and the disposition of assets were to prove insufficient to fund our debt service obligations as they became due, we would face substantial liquidity problems.

The availability of credit and the impact of a slow economic recovery on our operations may constrain our ability to obtain financing, whether through public or private debt or equity offerings, proceeds from the sale of assets or other financing arrangements. If economic conditions in our markets do not improve, if our assumptions regarding future operating results prove to be inaccurate, if our costs increase due to competitive pressures or other unanticipated developments or if our investment plans change, we may need to obtain additional financing to fund our operations or acquisitions, and to repay or refinance the Senior Notes, the Convertible Notes and the Secured Revolving Credit Facility. It is not possible to ensure that additional debt financings will be available within the limitations on the incurrence of additional indebtedness contained in the indentures governing our Senior Notes and the agreement governing the Secured Revolving Credit Facility. Moreover, such financings, if available at all, may not be available on acceptable terms. Our inability to obtain financing as it is needed would mean that we may be obliged to reduce or delay capital or other material expenditures at our channels or dispose of material assets or businesses. If we cannot obtain adequate capital or obtain it on acceptable terms, this would have an adverse effect on our financial position, results of operations and cash flows.

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

Our corporate credit is currently rated B3, our 2014 Floating Rate Notes are rated Caa1, and our 2017 Fixed Rate Notes are rated Ba3 by Moody's Investors Services. Our 2014 Floating Rate Notes, 2016 Fixed Rate Notes and 2013 Convertible Notes are rated B-, and our 2017 Fixed Rate Notes and corporate credit are rated B by Standard & Poor's, who revised its outlook for CME Ltd. from stable to negative in November 2011. These ratings reflect each agency's opinion of our financial strength, operating performance and ability to meet our debt obligations as they become due. Credit rating agencies now monitor companies much more closely and have made liquidity and the key ratios associated with liquidity, such as gross leverage ratio, a particular priority. We intend to operate with sufficient liquidity to maintain our current ratings. However, this is dependent on a variety of factors, some of which may be beyond our control. If we fail to maintain adequate levels of liquidity, we may be downgraded. In the event our debt or corporate credit ratings are lowered by the ratings agencies, it will be more difficult for us to raise additional indebtedness, and we will have to pay higher interest rates, which would have an adverse effect on our financial position, results of operations and cash flows.

Our debt service obligations may restrict our ability to fund our operations.

We have significant debt service obligations under our Senior Notes, Convertible Notes and Secured Revolving Credit Facility. As a result of these debt service obligations, we are restricted in the manner in which our business is conducted, including but not limited to our ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements. Furthermore, we may have a proportionally higher level of debt than our competitors, which may put us at a competitive disadvantage. Servicing our high level of debt may limit our flexibility in planning for, or reacting to, changes in our business, economic conditions and our industry.

A default under our obligations under the Senior Notes, the Convertible Notes or the Secured Revolving Credit Facility could result in our inability to continue to conduct our business.

Pursuant to the terms of the Secured Revolving Credit Facility agreement and the indentures governing the Senior Notes and the Convertible Notes, we have pledged shares in Central European Media Enterprises N.V. and CME BV, which own substantially all of our interests in our operating subsidiaries. In addition, pursuant to the indenture governing the 2017 Fixed Rate Notes and the Secured Revolving Credit Facility agreement, we have pledged our ownership interests in CET 21 and substantially all of CET 21's assets, including the shares of CME Slovak Holdings B.V. and the ownership interest in Media Pro Pictures s.r.o. If we were to default under the terms of any of our indentures or the Secured Revolving Credit Facility agreement, the secured parties under our indentures and the Secured Revolving Credit Facility agreement would have the ability to sell all or a portion of the assets pledged to them in order to pay amounts outstanding under such debt instruments.

If our goodwill, indefinite-lived intangible assets and long-lived assets become impaired, we may be required to record significant charges to earnings.

We review our long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill and indefinite-lived intangible assets are required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill, indefinite-lived intangible assets or long-lived assets may not be recoverable include slower growth rates in our markets, reduced expected future cash flows, increased country risk premia as a result of political uncertainty and a decline in stock price and market capitalization. We recorded an impairment charge of US\$ 68.7 million in the three months ended December 31, 2011 in respect of the Bulgaria Broadcast reporting unit and the production services reporting unit of Media Pro Entertainment due to a decrease in our expected future cash flows in those reporting units. We consider available current information in respect of calculating our impairment charge. If there are indicators of impairment, our long-term cash flow forecasts for our operations deteriorate, or discount rates increase, we may be required to recognize impairment charges in later periods.

Fluctuations in exchange rates may adversely affect our results of operations.

Our functional currency is the dollar but our consolidated revenues and costs, including programming rights expenses and interest on debt, are divided across a range of currencies. The Senior Notes are denominated in Euros. The Secured Revolving Credit Facility is denominated in Czech koruna. Although we have entered into currency swap agreements to reduce our exposure to movements in foreign exchange rates relating to interest payments on the Senior Notes (see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations, Cash Outlook" and Part II, Item 8, Note 12, "Financial Instruments and Fair Value Measurements"), we have not attempted to hedge the foreign exchange on the principal amount of the Senior Notes or the outstanding amounts due under the Secured Revolving Credit Facility. Furthermore, continuing instability in the Eurozone may increase our exposure to currency fluctuations. We may continue to experience significant gains and losses on the translation of our revenues, the Senior Notes or the Secured Revolving Credit Facility into dollars due to movements in exchange rates between the Euro, the Czech koruna, the currencies of our local operations and the dollar.

Risks Relating to our Operations

Our operating results are dependent on the importance of television as an advertising medium.

We generate most of our revenues from the sale of advertising airtime on television channels in our markets. Television competes with various other media, such as print, radio, the internet and outdoor advertising, for advertising spending. In all of the countries in which we operate, television constitutes the single largest component of all advertising spending. There can be no assurances that the television advertising market will maintain its current position among advertising media in our markets. Furthermore, there can be no assurances that changes in the regulatory environment or improvements in technology will not favor other advertising media or other television broadcasters. Increases in competition among advertising media arising from the development of new forms of advertising media and distribution could result in a decline in the appeal of television as an advertising medium generally or of our channels specifically. A decline in television advertising spending in any period or in specific markets would have an adverse effect on our financial position, results of operations and cash flows.

We may seek to make acquisitions of other channels, networks, content providers or other companies in the future and we may fail to acquire them on acceptable terms or successfully integrate them or we may fail to identify suitable targets.

Our business and operations have grown in part through acquisitions. While we continue to explore acquisition opportunities, prospective competitors may have greater financial resources than we do, and increased competition for target broadcasters or other media businesses may reduce the number of potential acquisitions that are available on acceptable terms.

As we succeed in acquiring new businesses, their integration into our existing operations poses significant risks, including:

- additional demands placed on our senior management, who are also responsible for managing our existing operations;
- increased overall operating complexity of our businesses, requiring greater personnel and other resources;
- difficulties in expanding beyond our core expertise in the event that we acquire ancillary businesses;
- significant initial cash expenditures to acquire and integrate new businesses; and
- in the event we are able to incur debt to finance acquisitions, additional debt service costs related thereto as well as limitations that may arise under the indentures governing our Senior Notes or under the Secured Revolving Credit Facility agreement.

To manage our growth effectively and achieve pre-acquisition performance objectives, we will need to integrate new acquisitions into our existing businesses, implement financial and management controls and produce required financial statements for those operations. The integration of new businesses may also be difficult due to differing cultures, languages or management styles, poor internal controls and an inability to establish control over cash flows. If any acquisition and integration is not implemented successfully, our ability to manage our growth will be impaired and we may have to make significant additional expenditures to address these issues, which could harm our financial position, results of operations and cash flows. Furthermore, even if we are successful in integrating new businesses, expected synergies and cost savings may not materialize, resulting in lower than expected cash flows and profit margins.

Our programming content may become more expensive to produce or acquire or we may not be able to develop or acquire content that is attractive to our audiences.

Television programming is one of the most significant components of our operating costs. The ability of programming to generate advertising revenues depends substantially on our ability to develop, produce or acquire programming that matches audience tastes and attracts high audience shares, which is difficult to predict. The commercial success of a program depends on several tangible and intangible factors, including the impact of competing programs, the availability of alternate forms of entertainment and leisure time activities and general economic conditions. Furthermore, the cost of acquiring content attractive to our viewers, such as feature films and popular television series and formats, has increased as a result of greater competition from existing and new television broadcasting channels. Our expenditure in respect of locally produced programming may also increase due to the implementation of new laws and regulations mandating the broadcast of a greater number of locally produced programs, changes in audience tastes in our markets in favor of locally produced content, and competition for talent. In addition, we typically acquire syndicated programming rights under multi-year commitments before we can predict whether such programming will perform well in our markets. In the event any such programming does not attract adequate audience share, it may be necessary to increase our expenditures by investing in additional programming as well as to write down the value of such underperforming programming. Any increase in programming costs or write downs could have a material adverse effect on our financial condition, results of operations and cash flows.

The transition to digital broadcasting may require substantial additional investments and the timing of such investments is uncertain.

Countries in which we have operations are migrating from analog terrestrial broadcasting to digital terrestrial broadcasting. Each country has independent plans for digital switchover with its own timeframe and regulatory and investment regime. Croatia, the Czech Republic, the Slovak Republic and Slovenia have either completed or are in the final stages of the analog switch-off. In Bulgaria and Romania, the migration to digital broadcasting is in the initial stages and completion is expected by 2015. The specific timing and approach to implementing digital switchover plans is subject to change. We cannot predict the effect of the migration to digital terrestrial broadcasting on existing operations or the take up of digital terrestrial broadcasting by our audiences. We also cannot predict whether all of our operations will receive rights or licenses to broadcast any additional channels if such additional rights or licenses should be required in those countries that have not completed the digital switchover. We may be required to make substantial additional capital investment and commit substantial other resources to implement digital terrestrial broadcasting and secure distribution, and the availability of competing alternative distribution systems, such as direct-to-home platforms, may require us to acquire additional distribution rights for content we broadcast. We may not have access to resources sufficient to make such investments when required.

Our businesses are vulnerable to significant changes in technology that could adversely affect us.

The television broadcasting industry is affected by rapid innovations in technology. The implementation of new technologies and the introduction of broadcasting distribution systems other than analog terrestrial broadcasting, such as digital terrestrial broadcasting, direct-to-home cable and satellite distribution systems, the internet, video-on-demand, user-generated content sites and the availability of television programming on portable digital devices, have changed consumer behavior by increasing the number of entertainment choices available to audiences. This has fragmented television audiences in more developed markets and could adversely affect our ability to retain audience share and attract advertisers as such technologies penetrate our markets. New technologies that enable viewers to choose when and what content to watch, as well as to fast-forward or skip advertisements, may cause changes in consumer behavior that could impact our businesses. In addition, compression techniques and other technological developments allow for an increase in the number of channels that may be broadcast in our markets and expanded programming offerings that may be offered to highly targeted audiences. Reductions in the cost of launching additional channels could lower entry barriers for new channels and encourage the development of increasingly targeted niche programming on various distribution platforms. Our television broadcasting operations may be required to expend substantial financial and managerial resources to ensure necessary access to new broadcasting technologies or distribution systems. In addition, an expansion in competition due to technological innovation may increase competition for audiences and advertising revenue as well as the competitive demand for programming. Any requirement for substantial further investment to address competition that arises on account of technological innovations in broadcasting may have an adverse effect on our financial position, results of operations and cash flows.

We may not be aware of all related party transactions, which may involve risks of conflicts of interest that result in concluding transactions on less favorable terms than could be obtained in arms-length transactions.

In certain of our markets, our officers, general directors or other members of the management of our operating companies have other business interests, including interests in television and other media related companies. We may not be aware of all business interests or relationships that exist with respect to entities with which our operating companies enter into transactions. Transactions with companies, whether or not we are aware of any business relationship between our employees and third parties, may present conflicts of interest which may in turn result in the conclusion of transactions on terms that are not arm's length. It is likely that our subsidiaries will continue to enter into related party transactions in the future. In the event there are transactions with persons who subsequently are determined to be related parties, we may be required to make additional disclosure and, if such contracts are material, may not be in compliance with certain covenants under the indentures governing our Senior Notes. Any related party transaction that is entered into on terms that are not arm's length may result in a negative impact on our financial position, results of operations and cash flows.

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

We require broadcasting and, in some cases, other operating licenses as well as other authorizations from national regulatory authorities in our markets in order to conduct our broadcasting business. While the broadcast licenses for our operations in Slovenia and the Slovak Republic are valid for indefinite time periods, the majority of our broadcasting licenses expire at various times between July 2012 through January 2026. While we expect that our material licenses and authorizations will be renewed or extended as required to continue to operate our business, we cannot guarantee that this will occur or that they will not be subject to revocation, particularly in markets where there is relatively greater political risk as a result of less developed political and legal institutions. The failure to comply in all material respects with the terms of broadcasting licenses or other authorizations or with applications filed in respect thereto may result in such licenses or other authorizations not being renewed or otherwise being terminated. Furthermore, no assurances can be given that renewals or extensions of existing licenses will be issued on the same terms as existing licenses or that further restrictions or conditions will not be imposed in the future. Any non-renewal or termination of any other broadcasting or operating licenses or other authorizations or material modification of the terms of any renewed licenses may have a material adverse effect on our financial position, results of operations and cash flows.

Our operations are in developing markets where there is a risk of economic uncertainty, biased treatment and loss of business.

Our revenue generating operations are located in Central and Eastern Europe. These markets pose different risks to those posed by investments in more developed markets and the impact in our markets of unforeseen circumstances on economic, political or social life is greater. The economic and political systems, legal and tax regimes, standards of corporate governance and business practices of countries in this region continue to develop. Government policies may be subject to significant adjustments, especially in the event of a change in leadership. This may result in social or political instability or disruptions, potential political influence on the media, inconsistent application of tax and legal regulations, arbitrary treatment before judicial or other regulatory authorities and other general business risks, any of which could have a material adverse effect on our financial position, results of operations and cash flows. Other potential risks inherent in markets with evolving economic and political environments include exchange controls, higher tariffs and other levies as well as longer payment cycles. The relative level of development of our markets and the influence of local political parties also present a potential for biased treatment of us before regulators or courts in the event of disputes involving our investments. If such a dispute occurs, those regulators or courts might favor local interests over our interests. Ultimately, this could lead to the loss of one or more of our business operations. The loss of a material business would have an adverse impact on our financial position, results of operations and cash flows.

Our success depends on attracting and retaining key personnel.

Our success depends partly upon the efforts and abilities of our key personnel and our ability to attract and retain key personnel. Our management teams have significant experience in the media industry and have made important contributions to our growth and success. Although we have been successful in attracting and retaining such people in the past, competition for highly skilled individuals is intense. There can be no assurance that we will continue to be successful in attracting and retaining such individuals in the future. The loss of the services of any of these individuals could have an adverse effect on our businesses, results of operations and cash flows.

Risks Relating to Enforcement Rights

We are a Bermuda company and enforcement of civil liabilities and judgments may be difficult.

CME Ltd. is a Bermuda company; substantially all of our assets and all of our operations are located, and all of our revenues are derived, outside the United States. In addition, several of our directors and all of our officers are non-residents of the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, investors may be unable to affect service of process within the United States upon such persons, or to enforce against them judgments obtained in the United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws. There is uncertainty as to whether the courts of Bermuda and the countries in which we operate would enforce (i) judgments of United States courts obtained against us or such persons predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such countries, liabilities against us or such persons predicated upon the United States federal and state securities laws.

Our bye-laws restrict shareholders from bringing legal action against our officers and directors.

Our bye-laws contain a broad waiver by our shareholders of any claim or right of action in Bermuda, both individually and on our behalf, against any of our officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty.

Risks Relating to our Common Stock

The holders of shares of our Class B common stock are in a position to decide corporate actions that require shareholder approval and may have interests that differ from those of other shareholders.

Shares of our Class B common stock carry ten votes per share and shares of our Class A common stock carry one vote per share. As of December 31, 2011, Ronald Lauder, our founder and Chairman of the Board of Directors, owns or has voting control over approximately 70.2% of our outstanding common stock. A portion of this voting power is attributable to a voting agreement among the Company, Mr. Lauder, RSL Savannah LLC, a company wholly owned by Mr. Lauder, and Time Warner Media Holdings B.V., an affiliate of Time Warner Inc. (“Time Warner”), whereby Mr. Lauder is entitled to vote all 17,622,364 shares of Class A common stock and 4,500,000 shares of Class B common stock owned by Time Warner, as well as any other of our shares acquired by Time Warner during the term of the voting agreement. Notwithstanding the foregoing, Time Warner reserves the right to vote certain shares in any transaction that would result in a change of control of the Company.

Because of this voting power, Mr. Lauder is in a position to control the outcome of corporate actions requiring shareholder approval, such as the election of directors or certain transactions, including issuances of common stock of the Company that may result in a dilution of the holders of shares of Class A common stock or in a change of control. The interests of Mr. Lauder may not be the same as those of other shareholders, and such shareholders will be unable to affect the outcome of such corporate actions for so long as Mr. Lauder retains voting control.

The price of our Class A common stock is likely to remain volatile.

The market price of shares of our Class A common stock may be influenced by many factors, some of which are beyond our control, including those described above under “Risks Relating to our Operations” as well as the following: general economic and business trends, variations in quarterly operating results, license renewals, regulatory developments in our operating countries and the European Union, the condition of the media industry in our operating countries, the volume of trading in shares of our Class A common stock, future issuances of shares of our Class A common stock and investors’ and securities analysts’ perception of us and other companies that investors or securities analysts deem comparable in the television broadcasting industry. In addition, stock markets in general have experienced extreme price and volume fluctuations that have often been unrelated to and disproportionate to the operating performance of broadcasting companies. These broad market and industry factors may materially reduce the market price of shares of our Class A common stock, regardless of our operating performance.

Our share price may be adversely affected by sales of unrestricted shares or future issuances of our shares.

As at February 17, 2012, we had a total of 2.4 million options to purchase Class A common stock outstanding and 0.1 million options to purchase shares of Class B common stock outstanding. In 2007 we issued 1,275,227 unregistered shares of Class A common stock to Igor Kolomoisky, for which he has registration rights. Adrian Sarbu beneficially owns 2,443,864 unregistered shares of Class A common stock and warrants to purchase an additional 850,000 unregistered shares of Class A common stock. An affiliate of Time Warner holds 17,622,364 unregistered shares of Class A common stock and 4,500,000 unregistered shares of Class B common stock. Time Warner has registration rights with respect to a significant majority of its shares of Class A common stock.

In addition, the 2013 Convertible Notes are convertible into shares of our Class A common stock and mature on March 15, 2013. Prior to December 15, 2012, the 2013 Convertible Notes will be convertible following certain events and from that date, at any time to March 15, 2013. The 2015 Convertible Notes are convertible in shares of our Class A common stock and mature on November 15, 2015. Prior to August 15, 2015, the 2015 Convertible Notes will be convertible following certain events and from that date at any time to November 15, 2015.

We cannot predict what effect, if any, an issuance of shares of our common stock, including the shares of Class A common stock underlying options or the Convertible Notes or into which outstanding shares of Class B common stock may be converted, in connection with future financings, or the entry into trading of previously issued unregistered or restricted shares of our Class A common stock, will have on the market price of our shares. If more shares of common stock are issued, the economic interest of current shareholders may be diluted and the price of our shares may be adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own and lease properties in the countries in which we operate. These facilities are fully utilized for current operations, are in good condition and are adequately equipped for purposes of conducting broadcasting, content production or such other operations as we require. We believe that suitable additional space is available on acceptable terms in the event of an expansion of our businesses. The table below provides a brief description of our significant properties.

| Location | Property | Use |
|---|----------------------------|---|
| Hamilton, Bermuda | Leased office | Registered office, corporate |
| Amsterdam, Netherlands | Leased office | Corporate office, corporate |
| London, United Kingdom | Leased office | Corporate office, corporate |
| Sofia, Bulgaria | Leased buildings | Office and studio space (Broadcast, Media Pro Entertainment and New Media Segments) |
| Zagreb, Croatia | Owned and leased buildings | Office and studio space (Broadcast, Media Pro Entertainment and New Media Segments) |
| Prague, Czech Republic | Owned and leased buildings | Administrative center, corporate Office and studio space (Broadcast, Media Pro Entertainment and New Media Segments) |
| Bucharest and other key cities within Romania | Owned and leased buildings | Office and studio space (Broadcast, Media Pro Entertainment and New Media Segments) |
| Bratislava, Slovak Republic | Owned buildings | Office and studio space (Broadcast, Media Pro Entertainment and New Media Segments) |
| Ljubljana, Slovenia | Owned and leased buildings | Office and studio space (Broadcast, Media Pro Entertainment and New Media Segments) |

For further information on the cash resources that fund these facility-related costs, see Part II, Item 7, III, "Liquidity and Capital Resources."

ITEM 3. LEGAL PROCEEDINGS

General

While we are, from time to time, a party to litigation or arbitration proceedings arising in the normal course of our business operations, we are not presently a party to any such litigation or arbitration which could reasonably be expected to have a material effect on our business or consolidated financial statements, including the proceeding described below.

Video International termination

On March 18, 2009, Video International Company Group, CGSC (“VI”), a Russian legal entity, filed a claim in the London Court of International Arbitration (“LCIA”) against our wholly-owned subsidiary CME BV, which was, at the time the claim was filed, the principal holding company of our former Ukrainian operations. The claim relates to the termination of an agreement between VI and CME BV dated November 30, 2006 (the “parent agreement”). The parent agreement was one of four related contracts by which VI subsidiaries, including LLC Video International-Prioritet (“Prioritet”), supplied advertising and marketing services to Studio 1+1 LLC (“Studio 1+1”) in Ukraine and International Media Services Ltd., an offshore affiliate of Studio 1+1 (“IMS”). Among these four contracts were the advertising services agreement and the marketing services agreements both between Prioritet and Studio 1+1. On December 24, 2008, each of CME BV, Studio 1+1 and IMS provided notices of termination to their respective contract counterparties, following which each of the four contracts terminated on March 24, 2009. In connection with these terminations, Studio 1+1 was required under the advertising and marketing services agreements to pay a termination penalty equal to (i) 12% of the average monthly advertising revenues, and (ii) 6% of the average monthly sponsorship revenues, in each case for advertising and sponsorship sold by Prioritet for the six months prior to the termination date, multiplied by six. On June 1, 2009, Studio 1+1 paid UAH 13.5 million (approximately US\$ 1.7 million) to Prioritet and set off UAH 7.4 million (approximately US\$ 0.9 million) against amounts owing to Studio 1+1 under the advertising and marketing services agreements. In its LCIA claim, VI sought payment of a separate indemnity from CME BV under the parent agreement equal to the aggregate amount of Studio 1+1’s advertising revenues for the six months ended December 31, 2008. The total amount of relief sought was US\$ 58.5 million. On September 30, 2010, a partial award was issued in the arbitration proceedings, pursuant to which VI’s claim for relief in the amount of US\$ 58.5 million was dismissed and CME BV was awarded reimbursement of its legal fees and other costs in respect of the arbitration proceedings, which were received on October 27, 2010. The partial award does permit VI to bring a subsequent claim against CME BV as parent guarantor in the event that VI establishes that it is entitled to certain additional compensation under the advertising and marketing services agreements with Studio 1+1 and that such compensation is not satisfied by Studio 1+1. On July 13, 2011, Prioritet filed claims against Studio 1+1 in the Commercial Court of Kiev. The claims relate to alleged violations of the advertising services agreement and marketing services agreement and the total amount of relief sought is approximately UAH 201.0 million (approximately US\$ 25.4 million). On September 23, 2011, the Commercial Court of Kiev dismissed Prioritet’s claims. On November 7, 2011, the Commercial Court of Appeal of Kiev dismissed an appeal of the lower court’s decision. On December 13, 2011, the Superior Commercial Court of Ukraine dismissed an appeal of Prioritet following the decision of the appellate court. Prioritet has indicated it intends to seek leave to appeal to the Supreme Court of Ukraine. We do not believe that it is likely that we will be required to make any further payment.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Shares of Class A common stock of Central European Media Enterprises Ltd. began trading on the NASDAQ National Market on October 13, 1994 under the trading symbol "CETV".

On February 17, 2012, the last reported sales price for shares of Class A common stock was US\$ 8.54.

The following table sets forth the high and low sales prices for shares of Class A common stock for each quarterly period during the last two fiscal years.

| Price Period | High (US\$ / Share) | | Low (US\$ / Share) | |
|---------------------|----------------------------|-------|---------------------------|-------|
| 2011 | | | | |
| Fourth Quarter | \$ | 12.14 | \$ | 6.25 |
| Third Quarter | | 19.40 | | 7.81 |
| Second Quarter | | 23.57 | | 19.11 |
| First Quarter | \$ | 21.20 | \$ | 17.96 |
| 2010 | | | | |
| Fourth Quarter | \$ | 26.36 | \$ | 18.75 |
| Third Quarter | | 25.45 | | 19.91 |
| Second Quarter | | 38.29 | | 19.64 |
| First Quarter | \$ | 31.70 | \$ | 25.44 |

At February 17, 2012, there were approximately 196 holders of record (including brokerage firms and other nominees) of shares of Class A common stock and four holders of record of shares of Class B common stock. There is no public market for shares of Class B common stock. Each share of Class B common stock has 10 votes.

6,000,000 shares have been authorized for issuance in respect of equity awards under a stock-based compensation plan (see Item 8, Note 16, "Stock-Based Compensation").

DIVIDEND POLICY

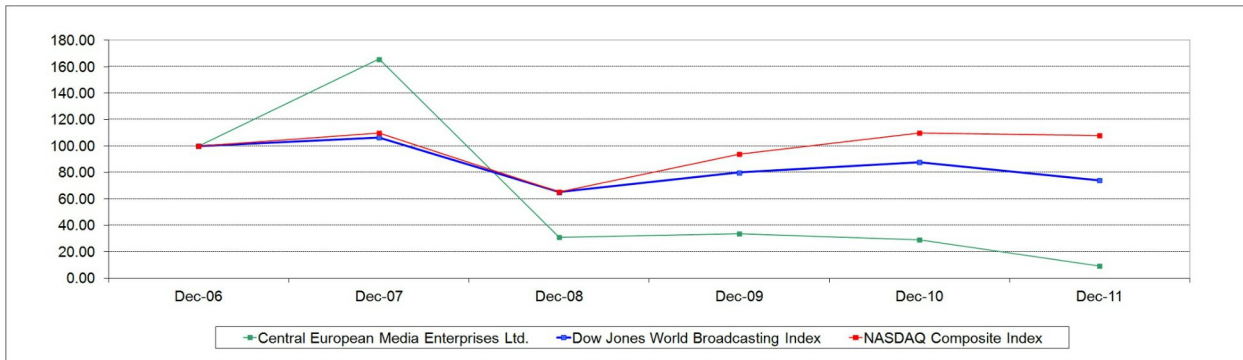
We have not declared or paid and have no present intention to declare or pay in the foreseeable future any cash dividends in respect to any class of our shares of common stock.

PURCHASE OF OWN STOCK

We did not purchase any of our own stock in 2011.

PERFORMANCE GRAPH

The following performance graph is a line graph comparing the change in the cumulative shareholder return of the Class A common stock against the cumulative total return of the Nasdaq Composite Index and the Dow Jones World Broadcasting Index between December 31, 2006 and December 31, 2011.



Value of US\$ 100 invested at December 31, 2006 as of December 31, 2011:

| | | |
|---|----|--------|
| Central European Media Enterprises Ltd. | \$ | 9.31 |
| NASDAQ Composite Index | \$ | 107.86 |
| Dow Jones World Broadcasting Index (1) | \$ | 74.13 |

(1) This index includes 63 companies, many of which are non-U.S. based. Accordingly, we believe that the inclusion of this index is useful in understanding our stock performance compared to companies in the television broadcast and cable industry.

ITEM 6. SELECTED FINANCIAL DATA
SELECTED CONSOLIDATED FINANCIAL DATA

Our selected consolidated financial data should be read together with our consolidated financial statements and related notes included in Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

The following tables set forth the selected consolidated financial data for each of the years in the five-year period ended December 31, 2011. The selected consolidated financial data is qualified in its entirety and should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8, “Financial Statements and Supplementary Data”. We have derived the consolidated statements of operations data for the years ended December 31, 2011, 2010 and 2009 and the consolidated balance sheet data as of December 31, 2011 and 2010 from the consolidated audited financial statements included elsewhere in this Annual Report on Form 10-K. The consolidated statement of operations data for the years ended December 31, 2008 and 2007 and the balance sheet data as of December 31, 2009, 2008 and 2007 were derived from consolidated audited financial statements that are not included in this Annual Report on Form 10-K.

| | For the Years Ending December 31, | | | | |
|--|--|-------------------|--------------------|------------------|---------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| | (US\$ 000's, except per share data) | | | | |
| CONSOLIDATED STATEMENT OF OPERATIONS DATA: | | | | | |
| Net revenues | \$ 864,782 | \$ 737,134 | \$ 681,945 | \$ 920,476 | \$ 712,018 |
| Operating income / (loss) | 6,792 | 22,877 | (38,971) | 183,466 | 190,230 |
| Net (loss) / income from continuing operations | (179,604) | (116,924) | (70,983) | 41,942 | 96,113 |
| Income / (loss) from discontinued operations | — | 213,697 | (36,824) | (309,421) | 9,612 |
| Net income / (loss) attributable to CME Ltd | \$ (174,611) | \$ 100,175 | \$ (97,157) | (269,546) | 88,618 |

PER SHARE DATA:

Net (loss) / income per common share from:

| | | | | | |
|---|-----------|-----------|-----------|--------|--------|
| Continuing operations - basic | \$ (2.71) | \$ (1.77) | \$ (1.11) | 0.94 | 1.91 |
| Continuing operations - diluted | (2.71) | (1.77) | (1.11) | 0.93 | 1.89 |
| Discontinued operations – Basic | — | 3.34 | (0.68) | (7.31) | 0.23 |
| Discontinued operations - Diluted | — | 3.34 | (0.68) | (7.25) | 0.23 |
| Net (loss) / income attributable to CME Ltd. – Basic | (2.71) | 1.57 | (1.79) | (6.37) | 2.14 |
| Net (loss) / income attributable to CME Ltd. – Diluted | \$ (2.71) | \$ 1.57 | \$ (1.79) | (6.32) | 2.12 |
| Weighted average common shares used in computing per share amounts (000's): | | | | | |
| Basic | 64,385 | 64,029 | 54,344 | 42,328 | 41,384 |
| Diluted | 64,385 | 64,029 | 54,344 | 42,683 | 41,833 |

CONSOLIDATED BALANCE SHEET DATA:

| | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash and cash equivalents | 186,386 | 244,050 | 445,954 | 94,423 | 128,159 |
| Other current assets | 351,903 | 368,035 | 435,507 | 485,089 | 435,387 |
| Non-current assets | 2,143,480 | 2,328,465 | 1,991,326 | 1,827,104 | 1,774,889 |
| Total assets | 2,681,769 | 2,940,550 | 2,872,787 | 2,406,616 | 2,338,435 |
| Current Liabilities | 255,575 | 243,076 | 352,118 | 248,484 | 238,571 |
| Non-current liabilities | 1,408,252 | 1,449,722 | 1,348,829 | 1,059,687 | 676,902 |
| CME Ltd. Shareholders' equity | 1,001,692 | 1,226,879 | 1,177,589 | 1,095,258 | 1,399,807 |
| Noncontrolling interests | 16,250 | 20,873 | (5,749) | 3,187 | 23,155 |
| Total liabilities and equity | 2,681,769 | 2,940,550 | 2,872,787 | 2,406,616 | 2,338,435 |

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the sections entitled "Forward-looking Statements" on page 2 and "Risk Factors" in Part I, Item 1A.

As used herein, the term "2014 Floating Rate Notes" refers to our floating rate senior notes due 2014; the term "2016 Fixed Rate Notes" refers to our 11.625% senior notes due 2016; the term "2017 Fixed Rate Notes" refers to the 9.0% senior secured notes due 2017 issued by our wholly owned subsidiary, CET 21 spol. s r.o. ("CET 21"); the term "Senior Notes" refers collectively to the 2014 Floating Rate Notes, 2016 Fixed Rate Notes and 2017 Fixed Rate Notes; the term "2015 Convertible Notes" refers to our 5.0% senior convertible notes due 2015, the term "2013 Convertible Notes" refers to our 3.50% senior convertible notes due 2013 and the term "Convertible Notes" refers collectively to the 2013 Convertible Notes and the 2015 Convertible Notes. The term "Secured Revolving Credit Facility" refers to the five-year CZK 1.5 billion secured revolving credit facility entered into on October 21, 2010 by CET 21 with BNP Paribas, S.A., J.P. Morgan plc, Citigroup Global Markets Limited, ING Bank N.V. and Ceska Sporitelna a.s. ("CSAS") as mandated lead arrangers and original lenders, BNP Paribas, S.A. as agent, BNP Paribas Trust Corporation UK Limited as security agent, and CME Ltd. and our wholly-owned subsidiaries Central European Media Enterprises N.V., CME Media Enterprises B.V. ("CME BV"), CME Investments B.V., CME Slovak Holdings B.V. and MARKÍZA-SLOVAKIA, spol. s r.o., as the original guarantors.

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I. Executive Summary

CME Strategy

We enjoy very strong positions in our markets based on brand strength, audience leadership, the depth and experience of local management and our expertise in the production of local content. Historically, these strengths have supported price leadership, high margins, and strong operating cash flows. These competitive advantages have permitted our operations some measure of resilience in the current economic downturn and should provide the opportunity for us to benefit as and when growth resumes.

Our strategy for the future is based on our assets: people, brands, audience and market leadership, own content and growing new distribution platforms. We are focused on enhancing the performance of the business over the short and medium term. Our priorities in this regard include:

- maintaining or increasing our audience and market shares in all of our markets;
- improving the effectiveness of our marketing and sales function;
- expanding our distribution platforms with an increased focus on pay and subscription TV channels and subscription video-on-demand;
- developing and producing our own content on a larger scale and distributing this content on multiple distribution platforms and devices in our region and internationally;
- maintaining our operating leverage, with a strong focus on cost control to protect both profitability and liquidity, while protecting our brands and competitive strengths;
- assessing opportunities to acquire or operate additional businesses in our regions in order to expand our offerings, target niche audiences and increase our product and services output when financially prudent; and
- generating positive free cash flows.

We are prepared to face new challenges and adjust our strategy when new opportunities or threats arise.

Summary of Results

The following tables provide a summary of our consolidated results for the years ended December 31, 2011, 2010 and 2009.

| | For the Years Ending December 31, (US\$ 000's) | | | | | |
|---|--|---------------------|----------------|---------------------|--------------------|----------------|
| | 2011 | 2010 | Movement | 2010 | 2009 | Movement |
| Net revenues | \$ 864,782 | \$ 737,134 | 17.3 % | \$ 737,134 | \$ 681,945 | 8.1 % |
| Cost of revenues | (669,655) | (594,044) | (12.7)% | (594,044) | (529,286) | (12.2)% |
| Selling, general and administrative expenses | (119,587) | (119,816) | 0.2 % | (119,816) | (109,787) | (9.1)% |
| Impairment charge | (68,748) | (397) | Nm (2) | (397) | (81,843) | 99.5 % |
| Operating income / (loss) | 6,792 | 22,877 | (70.3)% | 22,877 | (38,971) | Nm (2) |
| Loss from continuing operations | \$ (179,604) | \$ (116,924) | (53.6)% | \$ (116,924) | \$ (70,983) | (64.7)% |
| Net cash generated from / (used in) continuing operating activities | \$ 29,638 | \$ (49,614) | Nm (2) | \$ (49,614) | \$ 7,190 | Nm (2) |
| Capital expenditures, net | (33,101) | (45,872) | 27.8 % | (45,872) | (47,069) | 2.5 % |
| Free cash flow ⁽¹⁾ | \$ (3,463) | \$ (95,486) | 96.4 % | \$ (95,486) | \$ (39,879) | (139.4)% |

(1) Free cash flow is defined as cash flows from continuing operating activities less purchases of property, plant and equipment, net of disposals of property, plant and equipment and is useful as a measure of our ability to generate cash.

(2) Number is not meaningful.

Our financial results for the year ended December 31, 2011 reflect the continued impact of the global financial and economic crisis on our operations; the acquisition of Bontonfilm a.s. ("Bontonfilm") on June 30, 2011; the acquisition of the bTV group in Bulgaria on April 19, 2010; the acquisition of the Media Pro Entertainment business in Romania in December 2009; and the related integration of our content business into our new business model.

Our operating income for 2011 includes the recognition of a non-cash impairment charge of \$ 68.7 million compared to US\$ 0.4 million in the previous year, which resulted in an operating income for 2011 of US\$ 6.8 million compared to US\$ 22.9 million for 2010. During the fourth quarter of 2011, the majority of our markets stabilized, although our annual results still reflect the difficult market conditions that existed for most of the year.

Net cash generated from continuing operating activities improved by US\$ 79.3 million compared to 2010, reflecting our significantly higher OIBDA and improved working capital management, which was partially offset by higher cash interest costs of US\$ 13.6 million incurred as a result of improving our debt maturity profile. In addition to our improvement in net cash generated from continuing operating activities, we reduced our net capital expenditures by US\$ 12.8 million compared to 2010, in line with our expectations in the near term.

Operating Performance

We manage our business on a divisional basis with three operating segments: Broadcast, Media Pro Entertainment, our production and distribution business, and New Media. These operating segments, which are also our reportable segments, reflect how our operations are managed by segment managers, how our operating performance is evaluated by senior management and the structure of our internal financial reporting. We provide supplemental geographic information on the performance of our Broadcast operating segment due to the significance of our broadcast operations to CME Ltd. and management believes this provides users of the financial statements with useful information.

We evaluate the performance of our segments based on Net Revenues and OIBDA.

OIBDA, which includes program rights amortization costs, is determined as operating income / (loss) before depreciation, amortization of intangible assets and impairments of assets. Items that are not allocated to our segments for purposes of evaluating their performance and therefore are not included in their OIBDA, include stock-based compensation and certain other items.

Our key performance measure of the efficiency of our segments is OIBDA margin. We define OIBDA margin as the ratio of OIBDA to Net Revenues. We believe OIBDA is useful to investors because it provides a meaningful representation of our performance as it excludes certain items that either do not impact our cash flows or the operating results of our operations. OIBDA is also used as a component in determining management bonuses. Intersegment revenues and profits have been eliminated on consolidation.

OIBDA and free cash flow, as defined above, may not be comparable to similar measures reported by other companies. Non-GAAP financial measures should be evaluated in conjunction with, and are not a substitute for, US GAAP financial measures. For additional information regarding our business segments, see Item 8, Note 18, "Segment Data".

The following analysis contains references to like-for-like ("% Lfl") or constant currency percentage movements. These references reflect the impact of applying the current period average exchange rates to the prior period revenues and costs. Given the significant movement of the currencies in the markets in which we operate against the dollar, we believe that it is useful to provide percentage movements based on like-for-like or constant currency percentage movements as well as actual ("% Act") percentage movements (which includes the effect of foreign exchange). Unless otherwise stated, all percentage increases or decreases in the following analysis refer to year-on-year percentage changes.

A summary of our total Net Revenues and OIBDA by segment is as follows:

| NET REVENUES | | | | | | | | |
|--|-------------------|-------------------|---------------|---------------|-------------------|-------------------|-------------|--------------|
| For the Years Ending December 31, (US\$ 000's) | | | | | | | | |
| | Movement | | | | Movement | | | |
| | 2011 | 2010 | % Act | % Lfl | 2010 | 2009 | % Act | % Lfl |
| Broadcast | \$ 774,978 | \$ 690,727 | 12.2 % | 5.4 % | \$ 690,727 | \$ 669,066 | 3.2% | 6.4% |
| Media Pro Entertainment | 187,224 | 140,797 | 33.0 % | 26.3 % | 140,797 | 107,683 | 30.8% | 34.7% |
| New Media | 15,764 | 11,193 | 40.8 % | 32.5 % | 11,193 | 9,935 | 12.7% | 17.3% |
| Intersegment revenues | (113,184) | (105,583) | (7.2)% | (1.7)% | (105,583) | (104,739) | 0.8% | 4.0% |
| Total Net Revenues | \$ 864,782 | \$ 737,134 | 17.3 % | 10.2 % | \$ 737,134 | \$ 681,945 | 8.1% | 11.4% |

| OIBDA | | | | | | | | |
|--|-------------------|-------------------|---------------|---------------|-------------------|-------------------|---------------|---------------|
| For the Years Ending December 31, (US\$ 000's) | | | | | | | | |
| | Movement | | | | Movement | | | |
| | 2011 | 2010 | % Act | % Lfl | 2010 | 2009 | % Act | % Lfl |
| Broadcast | \$ 211,090 | \$ 164,415 | 28.4 % | 19.1 % | \$ 164,415 | \$ 154,971 | 6.1 % | 7.1 % |
| Media Pro Entertainment | 3,996 | (3,005) | Nm (1) | Nm (1) | (3,005) | 7,538 | (139.9)% | (140.9)% |
| New Media | (2,558) | (6,542) | 60.9 % | 62.6 % | (6,542) | (8,651) | 24.4 % | 22.2 % |
| Central | (41,851) | (44,062) | 5.0 % | 6.3 % | (44,062) | (38,151) | (15.5)% | (18.5)% |
| Intersegment elimination | (3,675) | (3,483) | (5.5)% | (8.5)% | (3,483) | (333) | Nm (1) | Nm (1) |
| Consolidated OIBDA | \$ 167,002 | \$ 107,323 | 55.6 % | 40.2 % | \$ 107,323 | \$ 115,374 | (7.0)% | (6.9)% |

(1) Number is not meaningful.

Key Events in 2011

- We completed privately negotiated exchanges totaling US\$ 261.0 million in aggregate principal amount of our 2013 Convertible Notes for US\$ 261.0 million in aggregate principal amount of our 2015 Convertible Notes. The exchanging holders of the 2013 Convertible Notes also received cash consideration of approximately US\$ 35.4 million, including accrued interest of US\$ 3.3 million. This reduced the outstanding liability of our 2013 Convertible Notes to US\$ 179.2 million.
- Additionally, we further reduced our refinancing risk by repurchasing US \$49.5 million aggregate principal amount of our 2013 Convertible Notes for cash consideration of US\$ 47.4 million, including accrued interest. The outstanding balance sheet liability of our 2013 Convertible Notes at December 31, 2011 is now US\$ 129.7 million.
- We repurchased an additional EUR 17.0 million (approximately US\$ 24.0 million at the date of repurchase) aggregate principal amount of our 2016 Fixed Rate Notes for EUR 18.6 million (approximately US\$ 26.3 million at the date of repurchase) plus accrued interest.
- We drew CZK 1.0 billion (approximately US\$ 50.2 million) under the Secured Revolving Credit Facility on September 26, 2011 and a further CZK 500.0 million (approximately US\$ 25.1 million) on October 5, 2011. The facility remains fully drawn as of December 31, 2011.
- On June 30, 2011, we completed the acquisition of Bontonfilm, a film, home entertainment, digital and television rights distribution company in the Czech Republic and the Slovak Republic, which has a leading market position in each country.

Broadcast

Our Broadcast segment comprises our broadcast channel operations in primarily Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia.

After adjusting for inflation, we experienced an estimated overall 2% growth in real GDP in our territories during 2011, with variances ranging from between 0% in Croatia and 3% in the Slovak Republic. This growth was largely driven by external demand in our territories, particularly in the first half of 2011. Real private consumption, in the aggregate, is estimated to remain flat during 2011, with variances ranging from between slightly negative in the Czech and Slovak Republics and positive 1% in Bulgaria and in Romania. On a constant currency basis, the television advertising spending in some of our markets continued to lag behind private consumption and remained flat in 2011, with variances ranging from negative 6% in Romania to positive 5% in Slovenia.

The following table sets out our estimates of television advertising spending by market (in US\$ millions) for the years ended December 31,

| Country | 2011 | | 2010 | | 2009 | |
|--------------------------|-----------|--------------|-----------|--------------|-----------|--------------|
| Bulgaria | \$ | 125 | \$ | 131 | \$ | 144 |
| Croatia | | 121 | | 123 | | 128 |
| Czech Republic | | 408 | | 391 | | 390 |
| Romania* | | 229 | | 243 | | 271 |
| Slovak Republic | | 146 | | 145 | | 158 |
| Slovenia | | 89 | | 85 | | 79 |
| Total CME Markets | \$ | 1,118 | \$ | 1,118 | \$ | 1,170 |
| <i>Growth rate</i> | | —% | | (4)% | | (24)% |

Market sizes are quoted using the average 2011 dollar exchange rate for all the years presented above.

* Romania market excludes Moldova.

We are continuing with our actions to maintain our leadership in audience and market shares across all of our Broadcast operations, which provides us with a unique competitive advantage and is essential to achieving high operating leverage. During 2011, our channels in Croatia increased their prime time audience share by four points to 34% and consequently increased their share of the television advertising market. Our channels in Bulgaria, Romania, the Slovak Republic and Slovenia had fairly stable audience shares and also increased their shares of the television advertising markets, with the exception of our operations in Romania where our market share remained flat. In the Czech Republic, our combined prime time audience share of 42% reflects the decision to adjust our audience to the consumption of advertising. Earlier this year we chose not to discount heavily in the Czech Republic; and as a result, our market share declined year-on-year from 69% to 67% for 2011. During the second half of 2011, our competitors continued to discount while our cost per point ("CPP") remained flat.

The Broadcast segment reported an increase in net revenues of 12% during 2011 compared to 2010, or 5% on a constant currency basis. The increase in net revenues during 2011 was primarily due to the acquisition of the bTV group in Bulgaria in the second quarter of 2010 and increases in our shares of the TV advertising markets, most notably in Croatia. These increases in net revenues were partially offset by the continuing difficult market conditions that we are experiencing in Romania.

Costs charged in arriving at OIBDA increased by 7% in 2011 compared to 2010. On a constant currency basis costs increased 1% in 2011, compared to 2010, primarily due to the acquisition of the bTV group in Bulgaria and new channel launches such as DOMA in Croatia and POP NON-STOP in Slovenia. Excluding our operations in Bulgaria and the impact of the investments in new channels, costs decreased by 3% on a constant currency basis in the year ended December 31, 2011. This decrease is consistent with our performance for the full year in 2010 compared to 2009. We are able to manage our programming costs largely due to our ability to control our local content production, which represents a large proportion of our programming costs. We intend to continue to invest in local programming to maintain our audience leadership and deliver the necessary output of gross rating points, in line with the demands of the markets in which we operate, without increasing our overall costs.

Our Broadcast segment generated OIBDA of US\$ 211.1 million in 2011 compared to US\$ 164.4 million in 2010, increasing by 28%. On a constant currency basis, OIBDA increased 19% in 2011 compared to 2010.

Media Pro Entertainment

Our Media Pro Entertainment ("MPE") segment is comprised of production and distribution businesses.

Media Pro Entertainment's revenues for 2011 and 2010 predominantly represent sales of finished content to our broadcasters and revenues from third parties from our production and distribution operations.

The Media Pro Entertainment segment reported an increase in net revenues for 2011 of 33%. On a constant currency basis, net revenues increased by 26% in 2011 compared to 2010. We generated approximately US\$ 75.2 million (40% of total MPE segment revenues) of our revenues from third parties during 2011, compared to US\$ 35.8 million (25% of total MPE segment revenues) during 2010. The increase in our revenues and the increase in the proportion of our third party revenues primarily reflects our recent acquisition of Bontonfilm in the second quarter of 2011.

The Media Pro Entertainment segment reported a positive OIBDA of US\$ 4.0 million in 2011, compared to a loss of US\$ 3.0 million in 2010, an improvement of US\$ 7.0 million. On a constant currency basis, OIBDA improved US\$ 7.3 million compared to 2010.

Production

During 2011, we delivered 886 hours of fiction programming to our Broadcast operations compared to 890 hours in 2010. This programming comprised telenovellas and soap opera shows such as 'The Street' in the Czech Republic and 'Lara's Choice' in Croatia; drama series such as 'Rose Garden Clinic' and 'Expozitura' in the Czech Republic, 'Rose Garden Clinic' in the Slovak Republic and 'Bet With Life' in Romania; and comedy series and sitcom projects such as 'Headnuts' in Slovenia, 'Zita in Trouble' in the Slovak Republic and 'Home Wars' in Bulgaria.

We delivered a total of 1,483 hours of reality and entertainment programming to our Broadcast operations in 2011 compared to 1,881 hours in 2010, with shows such as 'Superstar' and 'Let's Dance' in the Slovak Republic, 'The Voice' and 'Please Help Yourself' in Romania, 'Minute to Win It' in Slovenia and 'Got Talent' in Croatia, Romania and in Slovenia. The hours delivered by our production operations in 2011 reflects the demand from our Broadcast operations.

Distribution

Our distribution business licensed 858 hours of original MPE fiction content to third parties worldwide during 2011 compared to 480 hours in 2010, following our expansion into new territories such as Latin America, the United States, CIS and the Middle East, primarily from the export of our telenovellas. The distribution business has also licensed 311 titles from independent producers to CME broadcasters and third parties in 2011. Our home video distribution unit achieved a 62% market share in Romania during 2011, compared to 42% in 2010.

New Media

Our New Media segment comprises an internet business in each of our markets, cross-promoted and supported by the large audience of our Broadcast operations. We currently operate over 75 websites and distribution platforms across six markets and we have recently launched our video-on-demand service, Voyo, in all our territories. We continue to launch new targeted products to establish and grow our online presence and market share and ultimately provide our products on multiple distribution platforms.

The following table sets out our estimates of internet advertising spending by market (in US\$ millions) for the years ended December 31,

| Country | 2011 | 2010 | 2009 |
|--------------------------|---------------|---------------|---------------|
| Bulgaria | \$ 22 | \$ 17 | \$ 16 |
| Croatia | 19 | 18 | 13 |
| Czech Republic | 128 | 123 | 117 |
| Romania* | 29 | 25 | 21 |
| Slovak Republic | 25 | 21 | 21 |
| Slovenia | 15 | 12 | 11 |
| Total CME Markets | \$ 238 | \$ 216 | \$ 199 |
| <i>Growth rate</i> | <i>10%</i> | <i>9%</i> | <i>5%</i> |

Market sizes are quoted using the average 2011 dollar exchange rate for all the years presented above.

* Romania market excludes Moldova.

During 2011, we focused on the build and roll-out of Voyo, our content aggregation and distribution platform that offers consumers transactional, subscription and free content. We operate Voyo in each of our territories and we aim to improve the library of available content and to increase distribution. We believe that Voyo will greatly enhance our New Media segment and is our core platform for delivering our content and monetizing our audience further through paid online content.

In addition, we improved the core products of our New Media portfolio: news portals, niche websites and television-related websites. Our target is to achieve consistent growth of monthly and daily visitors in order to increase revenues and the number of advertising clients and as a result, to outperform the local internet advertising market growth. We recently launched a series of products for smart phones and tablets as part of our strategy to increase the time our users spend consuming content that we deliver. During 2011, we increased the number of average daily non-duplicated unique visitors by 26% year-on-year and the number of advertising clients by 15% year-on-year in the countries where we operate.

Our New Media segment reported an increase in net revenues for 2011 of 41% compared to 2010, or 33% on a constant currency basis. We reported an improvement in OIBDA for 2011 of US\$ 4.0 million compared to the same period in 2010, primarily due to the launch of Voyo in all our territories.

Future Trends

Although the outlook in our markets is uncertain, we currently expect low single-digit real GDP growth in 2012, with variation from country to country in the timing and strength of recovery. We are confident that we will continue to enjoy a high television advertising market share in the regions in which we operate and we plan to continue to control our costs and anticipate that much of the expected revenue growth will flow immediately to our bottom line in terms of OIBDA.

We anticipate a return to higher levels of GDP growth in the markets in which we operate in the medium term and that as a result, we expect growth rates in our markets in the medium term will be higher than those in Western European or the United States. As a result of increasing revenues and optimization of our cost structure over the medium term, we expect to return to the high levels of OIBDA growth that we enjoyed in the years before the economic crisis hit.

Broadcast

The TV advertising markets in our territories stabilized towards the end of 2011 when compared with the prior year and, in aggregate, remained flat for the full year. Our visibility for the full year in 2012 remains poor and our outlook on the recovery of the television advertising markets remains cautious.

As our markets mature, we anticipate increased competition for audience share and advertising spending from other free-to-air broadcasters and from cable and satellite broadcasters as the coverage of these technologies grows. The advent of digital terrestrial broadcasting and the introduction of alternative distribution platforms for content services (including additional direct-to-home (“DTH”), the internet, internet protocol TV (“IPTV”), mobile television and video-on-demand services) may lead to audience fragmentation and change the competitive dynamics in our markets in the medium term. We do not expect a significant impact on our advertising share as we currently believe that free-to-air television advertising will continue to increase its share of the total advertising market. Furthermore, our pay television and Voyo platforms are expected to enable us to capture any advertising spend being directed towards IPTV and pay distribution channels (DTH and cable) due to our multi-channel strategy and our integrated business model.

We believe that our market leadership and the strength of our existing brands leave us well positioned to face increased competition, and we intend to continue to build on our channel portfolio with an increased focus on pay and subscription TV channels and exploiting our own content on multiple distribution platforms and devices as these new technologies develop. We are confident that, in the aggregate, we can maintain or increase our audience and market leadership and continue to strengthen our brands, while continuing to optimize our costs. Once our markets recover, we believe that we will be able to take advantage of the increased television advertising spending and return to the high levels of OIBDA growth that we enjoyed in the years before the current economic crisis hit.

Media Pro Entertainment

Media Pro Entertainment’s revenues predominantly represent the hours delivered to our broadcasters and revenues from third parties from our production and distribution operations. The hours delivered by our production operations in 2012 will reflect the demand from our Broadcast operations, which we currently anticipate to be in line with 2011. Our focus remains on growing the business and we will continue to develop our sales of third party revenues in addition to the acquisition of Bontonfilm.

The performance of our production and distribution businesses reflect the growing importance of locally-generated content in our markets. New and emerging distribution platforms will present content producers with additional possibilities to diversify their revenues from the current model, where the value of content is predominantly realized through advertising revenues on traditional linear broadcasts, to new sources of revenues such as direct response, e-commerce, video-on-demand, direct downloads, subscription TV windows, home video exploitation and international sales. In the medium term our markets will complete their switch to digital broadcasting, and alternative strategies for delivering content will become even more important.

MPE is well positioned to develop, produce and distribute our content, presenting us with significant opportunities in the future that will increasingly place a heavy premium on content distributed in new and emerging distribution platforms. We have created a fully integrated production business that leverages creative talent across all of our countries, allowing us to maximize revenues and enabling us to maintain a high output of quality content. Following the integration of Bontonfilm, we now have distribution operations in the Czech Republic, the Slovak Republic, Hungary and Romania, where we are the market leader. We aim to be the market-leading producer, content aggregator and distributor in all traditional and digital windows throughout the Central and Eastern European region.

New Media

Internet broadband penetration and internet usage showed promising signs of growth towards the end of 2011 but remains low in most of our markets in comparison to Western European and U.S. markets. We are confident that our actions that led to the current audience and advertising revenue growth in 2011 will enable us to continue to outperform the internet advertising markets in our operating territories in 2012. We believe that we will benefit from the shift of advertising spending from print and other media to our New Media and Broadcast operations, and that the completion of our roll-out of Voyo in each of our operations will be a key factor in building the paid content market in our territories.

We anticipate that broadband penetration and internet usage will increase significantly over the medium term and will foster the development of significant new opportunities for generating advertising and other revenues in new media. We intend to continue to develop our new media activities further and attract higher advertising revenues by increasing and enhancing our content production on our websites, thereby generating a higher audience with a more targeted demographic profile. We will also continue with our further development of Voyo which involves moving our content online with different distribution platforms to attract all types of new media audience in order to generate multiple revenue streams including video advertising and paid premium content.

Financial Position

The improvement in our year-on-year free cash flow in 2011 reflects our significantly higher OIBDA, improved working capital management and reduced capital expenditures. We believe that these working capital improvements are sustainable going forward, but that it is unlikely that there will be a significant improvement in 2012. We expect the phasing of cash flows in 2012 to be significantly different from 2011. The advance collections plan that we implemented in the first quarter of 2011, which delivered an approximately US\$ 47 million benefit in that quarter, is unlikely to be repeated in the first quarter of 2012. As a result, we expect our free cash flow in the first half of 2012 to be significantly lower than the same period in 2011. Conversely, we anticipate free cash flow in the second half of 2012 to be significantly higher than that delivered in the second half of 2011. Our lower cash investment in capital expenditure in 2011 compared to 2010 reflects our decision to limit investment in capital assets to the lowest levels possible while maintaining the high quality of our products and services. We may choose to increase our medium-to long-term future capital expenditures as new technologies become available to ensure that we continue to provide quality products and services to our audience. We will continue to focus on delivering positive free cash flow in 2012.

We believe our financial resources are sufficient to meet our current financial obligations and to fund our operations. The recent refinancing transactions (described below) as well as the acquisition of the bTV group and the sale of our former Ukraine operations in 2010 have enhanced our financial position. However, further deterioration in the advertising markets or a strengthening of the dollar against the currencies of the markets in which our cash flow is generated could reduce our liquidity reserves.

We are unable to incur any additional debt at the holding company level or at the Restricted Subsidiaries (as defined below) level beyond what remains in the “baskets” set out in the indentures governing the Senior Notes unless the ratio of our consolidated OIBDA to interest expense (the “Coverage Ratio”, as defined in the indentures governing the Senior Notes) is above 2.0 times and would be on a pro forma basis following such incurrence. Our Coverage Ratio was 1.4 times at December 31, 2011. However, the “baskets” in our Senior Notes indentures permit the incurrence of debt at either the Restricted Subsidiary or the holding company level of up to EUR 250.0 million (approximately US\$ 323.5 million). We have utilized US\$ 301.8 million of this amount for borrowings mainly in the Czech Republic and Romania. This leaves approximately US\$ 21.7 million of additional borrowing capacity available to us at December 31, 2011. There are no significant indenture constraints on our ability to refinance existing debt.

Refinancing in 2012

We have US\$ 129.7 million in principal amount of 2013 Convertible Notes due March 15, 2013. We are evaluating options to refinance or repurchase in the near term the 2013 Convertible Notes or other of our senior indebtedness, including refinancing with longer dated debt or convertible instruments as well as other equity-based solutions, or a combination of these options. In addition, management will continue to take steps to maintain adequate amounts of cash to ensure that we have a sufficiently strong liquidity position to enable us to meet our debt service and other existing financial obligations.

II. Analysis of the Results of Operations and Financial Position

II (a) Net Revenues for the years ending December 31, 2011, 2010 and 2009

| NET REVENUES | | | | | | | | | |
|--|-------------------|-------------------|---------------|---------------|-------------------|-------------------|---------------|---------------|--|
| For the Years Ending December 31, (US\$ 000's) | | | | | | | | | |
| | Movement | | | | Movement | | | | |
| | 2011 | 2010 | % Act | % Lfl | 2010 | 2009 | % Act | % Lfl | |
| Broadcast: | | | | | | | | | |
| Bulgaria | \$ 93,732 | \$ 61,753 | 51.8 % | 42.3 % | \$ 61,753 | \$ 3,517 | Nm (1) | Nm (1) | |
| Croatia | 61,502 | 51,350 | 19.8 % | 15.5 % | 51,350 | 48,543 | 5.8 % | 10.5 % | |
| Czech Republic | 285,865 | 265,018 | 7.9 % | (0.4)% | 265,018 | 271,733 | (2.5)% | (2.2)% | |
| Romania | 159,387 | 157,416 | 1.3 % | (3.8)% | 157,416 | 175,409 | (10.3)% | (5.7)% | |
| Slovak Republic | 101,973 | 90,391 | 12.8 % | 6.8 % | 90,391 | 106,479 | (15.1)% | (10.8)% | |
| Slovenia | 72,519 | 64,799 | 11.9 % | 6.3 % | 64,799 | 63,385 | 2.2 % | 7.5 % | |
| Total Broadcast | 774,978 | 690,727 | 12.2 % | 5.4 % | 690,727 | 669,066 | 3.2 % | 6.4 % | |
| Media Pro Entertainment | 187,224 | 140,797 | 33.0 % | 26.3 % | 140,797 | 107,683 | 30.8 % | 34.7 % | |
| New Media | 15,764 | 11,193 | 40.8 % | 32.5 % | 11,193 | 9,935 | 12.7 % | 17.3 % | |
| Elimination | (113,184) | (105,583) | (7.2)% | (1.7)% | (105,583) | (104,739) | (0.8)% | 4.0 % | |
| Total Net Revenues | \$ 864,782 | \$ 737,134 | 17.3 % | 10.2 % | \$ 737,134 | \$ 681,945 | 8.1 % | 11.4 % | |

(1) Number is not meaningful.

Our net revenues increased by US\$ 127.6 million, or 17%, during 2011 compared to 2010 following the improved performance of our Broadcast operations, most notably in Croatia, the Slovak Republic and Slovenia, and the acquisition of the bTV group in Bulgaria in April 2010; the increased third party revenue growth in Media Pro Entertainment primarily due to the acquisition of Bontonfilm in June 2011; and improved results in our New Media operations following the launch of Voyo across all our territories during the year. On a constant currency basis, our net revenues increased by 10% during 2011 compared to 2010.

Our Broadcast segment revenues increased 6% on a constant currency basis in 2010 compared to 2009 primarily due to the acquisition of the bTV group, which reported broadcast revenues of US\$ 57.9 million in 2010 from the date of the acquisition.

Media Pro Entertainment revenues increased 35% on a constant currency basis in 2010. Prior to the acquisition of the Media Pro Entertainment business in December 2009, our Media Pro Entertainment segment included only those production activities previously embedded within our broadcast operations.

Our New Media segment revenues increased by 17% on a constant currency basis during 2010 compared to 2009, reflecting growth of the number of unique visitors and video downloads. Furthermore, we strengthened our sales teams and focused our efforts on client relations, made a shift to complete advertising solutions and deployed new sales products. We also implemented paid content in order to increase the numbers of revenue streams, building a subscription based video portal in Slovenia and Voyo in the Czech Republic.

II (b) Cost of Revenues for the years ending December 31, 2011, 2010 and 2009

| Cost of Revenues | | | | | | | | | |
|--|-------------------|-------------------|---------------|--------------|-------------------|-------------------|--------------|--------------|--|
| For the Years Ending December 31, (US\$ 000's) | | | | | | | | | |
| | Movement | | | | Movement | | | | |
| | 2011 | 2010 | % Act | % Lfl | 2010 | 2009 | % Act | % Lfl | |
| Operating costs | \$ 136,018 | \$ 123,339 | 10.3 % | 4.0 % | \$ 123,339 | \$ 116,575 | 5.8% | 9.8% | |
| Cost of programming | 445,802 | 390,303 | 14.2 % | 8.6 % | 390,303 | 341,201 | 14.4% | 18.9% | |
| Depreciation of property, plant and equipment | 52,954 | 54,415 | (2.7)% | (8.7)% | 54,415 | 51,591 | 5.5% | 9.8% | |
| Amortization of broadcast licenses and other intangibles | 34,881 | 25,987 | 34.2 % | 24.4 % | 25,987 | 19,919 | 30.5% | 32.9% | |
| Total Cost of Revenues | \$ 669,655 | \$ 594,044 | 12.7 % | 6.8 % | \$ 594,044 | \$ 529,286 | 12.2% | 16.6% | |

Cost of revenues: Our total cost of revenues for 2011 increased by US\$ 75.6 million, or 13% compared to 2010, primarily due to our acquisition of the bTV group in Bulgaria in April 2010.

Our total cost of revenues for 2010 increased by US\$ 64.8 million, or 12% compared to 2009, largely due to our acquisitions of the bTV group in April 2010 and the Media Pro Entertainment business in Romania in December 2009.

OPERATING COSTS

| For the Years Ending December 31, (US\$ 000's) | | | | | | | | | |
|--|-------------------|-------------------|---------------|---------------|-------------------|-------------------|----------------|----------------|-------|
| <i>Movement</i> | | | | | <i>Movement</i> | | | | |
| | 2011 | 2010 | % Act | % Lfl | | 2010 | 2009 | % Act | % Lfl |
| Broadcast: | | | | | | | | | |
| Bulgaria | \$ 16,984 | \$ 14,669 | 15.8 % | 8.4 % | \$ 14,669 | \$ 5,853 | 150.6 % | 163.5 % | |
| Croatia | 11,010 | 9,954 | 10.6 % | 6.4 % | 9,954 | 12,203 | (18.4)% | (14.8)% | |
| Czech Republic | 35,458 | 32,557 | 8.9 % | 0.6 % | 32,557 | 36,093 | (9.8)% | (9.6)% | |
| Romania | 20,816 | 23,535 | (11.6)% | (14.9)% | 23,535 | 22,309 | 5.5 % | 10.9 % | |
| Slovak Republic | 20,297 | 16,796 | 20.8 % | 14.2 % | 16,796 | 18,459 | (9.0)% | (4.3)% | |
| Slovenia | 11,906 | 10,375 | 14.8 % | 8.6 % | 10,375 | 10,511 | (1.3)% | 3.8 % | |
| Total Broadcast | 116,471 | 107,886 | 8.0 % | 1.8 % | 107,886 | 105,428 | 2.3 % | 5.7 % | |
| Media Pro Entertainment | 14,734 | 11,867 | 24.2 % | 17.8 % | 11,867 | 2,733 | Nm (1) | Nm (1) | |
| New Media | 4,813 | 3,586 | 34.2 % | 26.1 % | 3,586 | 8,414 | (57.4)% | (53.2)% | |
| Total Operating Costs | \$ 136,018 | \$ 123,339 | 10.3 % | 4.0 % | \$ 123,339 | \$ 116,575 | 5.8 % | 9.8 % | |

(1) Number is not meaningful.

Operating costs: Total operating costs (excluding programming costs, depreciation of property, plant and equipment, amortization of broadcast licenses and other intangibles as well as selling, general and administrative expenses) for 2011 increased by US\$ 12.7 million, or 10%, compared to 2010, primarily due to our acquisition of the bTV group in Bulgaria in April 2010 and an increase in transmission and operating staff-related costs in the Czech Republic and the Slovak Republic. On a constant currency basis, operating costs increased by 4% compared to 2010. We limited comparable year-on-year cost increases in constant currency terms through a combination of salary constraints and the deferral of certain expenditures.

The increase in total operating costs for 2010 is primarily due to costs associated with broadcasting our free-to-air signal in Bulgaria following our acquisition of the bTV group in April 2010, and the acquisition of Media Pro Entertainment in Romania in December 2009. These increases were only partially offset by reduced operating costs in our New Media division, which decreased by 53% on a constant currency basis following further optimization of those operations.

COST OF PROGRAMMING

| For the Years Ending December 31, (US\$ 000's) | | | | | | | | | |
|--|-------------------|-------------------|---------------|----------------|-------------------|-------------------|---------------|---------------|-------|
| <i>Movement</i> | | | | | <i>Movement</i> | | | | |
| | 2011 | 2010 | % Act | % Lfl | | 2010 | 2009 | % Act | % Lfl |
| Broadcast: | | | | | | | | | |
| Bulgaria | \$ 56,158 | \$ 42,827 | 31.1 % | 23.1 % | \$ 42,827 | \$ 35,218 | 21.6 % | 27.9 % | |
| Croatia | 39,726 | 32,643 | 21.7 % | 17.4 % | 32,643 | 30,779 | 6.1 % | 10.8 % | |
| Czech Republic | 93,907 | 92,167 | 1.9 % | (6.2)% | 92,167 | 86,313 | 6.8 % | 7.1 % | |
| Romania | 100,573 | 98,036 | 2.6 % | (1.8)% | 98,036 | 98,221 | (0.2)% | 4.9 % | |
| Slovak Republic | 62,839 | 64,878 | (3.1)% | (8.1)% | 64,878 | 61,028 | 6.3 % | 11.8 % | |
| Slovenia | 35,851 | 31,690 | 13.1 % | 7.1 % | 31,690 | 32,319 | (1.9)% | 3.1 % | |
| Total Broadcast | 389,054 | 362,241 | 7.4 % | 1.4 % | 362,241 | 343,878 | 5.3 % | 9.3 % | |
| Media Pro Entertainment | 156,242 | 120,757 | 29.4 % | 25.9 % | 120,757 | 93,964 | 28.5 % | 32.4 % | |
| New Media | 8,834 | 9,404 | (6.1)% | (11.6)% | 9,404 | 7,765 | 21.1 % | 29.9 % | |
| Elimination | (108,328) | (102,099) | (6.1)% | (0.8)% | (102,099) | (104,406) | 2.2 % | (0.8)% | |
| Total Cost of Programming | \$ 445,802 | \$ 390,303 | 14.2 % | 8.6 % | \$ 390,303 | \$ 341,201 | 14.4 % | 18.8 % | |

Cost of programming: Programming costs (including production costs and amortization of programming rights) increased by US\$ 55.5 million, or 14%, during 2011 compared to 2010. On a constant currency basis, the increase of 9% during 2011 compared to reflects the acquisition of the bTV group in April 2010 and the impact of increased competition for high quality programming on the cost of acquired programming in our markets. We prospectively applied a change in estimates in respect of programming expense during the second half of 2011. The impact of this change is a lower amortization charge of approximately US\$ 3.9 million for the year ended December 31, 2011 (see Item 8, Note 2, "Summary of Significant Accounting Policies").

Programming costs increased by US\$ 49.1 million, or 14% in 2010, or 19% on a constant currency basis compared to 2009, reflecting the acquisition of the Media Pro Entertainment business in Romania in December 2009 and the bTV group in April 2010, the cost of launching new channels, including MTV CZECH in November 2009, DOMA (Slovak Republic) in August 2009 and TV PIKA (now POP BRIO) in Slovenia in September 2009, and the impact of increased competition for high quality programming on the cost of acquired programming in our markets.

Depreciation of property, plant and equipment: Total depreciation of property, plant and equipment in 2011 decreased by US\$ 1.5 million, or 3%. On a constant currency basis, depreciation decreased 9%, reflecting a decrease in capital expenditures.

Depreciation of property, plant and equipment increased by US\$ 2.8 million, or 6% in 2010, or 10% on a constant currency basis reflecting the impact of our acquisition of the bTV group as well as investments in production equipment assets across all of our Media Pro Entertainment operations.

Amortization of broadcast licenses and other intangibles: Total amortization of broadcast licenses and other intangibles increased by US\$ 8.9 million in 2011, or 34%, compared to 2010. On a constant currency basis, the increase of 24% reflects additional amortization of intangible assets arising on the acquisition of the bTV group.

Amortization of broadcast licenses and other intangibles increased by US\$ 6.1 million, or 31% in 2010, or 33% on a constant currency basis, reflecting the amortization of intangible assets arising on the acquisition of the bTV group and Media Pro Entertainment.

Amortization of broadcast licenses will increase in 2012 due to our change in estimates of the remaining useful lives of the licenses in Bulgaria, Romania, and Slovenia (see Item 8, Note 4, "Goodwill and Intangible Assets").

II (c) Selling, General and Administrative Expenses for the years ending December 31, 2011, 2010 and 2009

| SELLING, GENERAL and ADMINISTRATIVE EXPENSES | | | | | | | | | |
|---|-------------------|-------------------|---------------|---------------|-------------------|-------------------|----------------|----------------|--|
| For the Years Ending December 31, (US\$ 000's) | | | | | | | | | |
| | <i>Movement</i> | | | | <i>Movement</i> | | | | |
| | 2011 | 2010 | % Act | % Lfl | 2010 | 2009 | % Act | % Lfl | |
| Broadcast: | | | | | | | | | |
| Bulgaria | \$ 7,694 | \$ 6,328 | 21.6 % | 12.4 % | \$ 6,328 | \$ 6,917 | (8.5)% | (3.8)% | |
| Croatia | 6,106 | 6,385 | (4.4)% | (6.6)% | 6,385 | 4,928 | 29.6 % | 35.4 % | |
| Czech Republic | 16,106 | 17,475 | (7.8)% | (15.2)% | 17,475 | 18,588 | (6.0)% | (5.7)% | |
| Romania | 12,058 | 9,849 | 22.4 % | 15.2 % | 9,849 | 14,944 | (34.1)% | (30.7)% | |
| Slovak Republic | 8,870 | 9,718 | (8.7)% | (13.9)% | 9,718 | 12,027 | (19.2)% | (15.1)% | |
| Slovenia | 5,160 | 4,307 | 19.8 % | 13.3 % | 4,307 | 4,975 | (13.4)% | (9.0)% | |
| Divisional operating costs | 2,361 | 2,123 | 11.2 % | 3.9 % | 2,123 | 2,410 | (11.9)% | (4.3)% | |
| Total Broadcast | 58,355 | 56,185 | 3.9 % | (2.7)% | 56,185 | 64,789 | (13.3)% | (10.0)% | |
| Media Pro Entertainment | 15,348 | 14,361 | 6.9 % | 0.3 % | 14,361 | 3,448 | Nm (1) | Nm (1) | |
| New Media | 4,675 | 4,745 | (1.5)% | (5.3)% | 4,745 | 2,407 | 97.1 % | 106.3 % | |
| Central | 42,411 | 44,525 | (4.7)% | (5.3)% | 44,525 | 39,143 | 13.7 % | 19.7 % | |
| Elimination | (1,202) | — | Nm (1) | Nm (1) | — | — | — % | — % | |
| Total Selling, General and Administrative Expenses | \$ 119,587 | \$ 119,816 | (0.2)% | (4.3)% | \$ 119,816 | \$ 109,787 | 9.1 % | 13.8 % | |

(1) Number is not meaningful.

Selling, general and administrative expenses decreased by US\$ 0.2 million in 2011 compared to 2010, reflecting our efforts to implement cost efficiencies. The increase of costs in the Broadcast segment, primarily reflecting a full year of operations of the bTV group in 2011, was primarily offset by a decrease in central costs.

Selling, general and administrative expenses increased by US\$ 10.0 million, or 9%, compared to 2009 primarily attributable to the operations of Media Pro Entertainment.

Central costs decreased by US\$ 2.1 million, or 5% in 2011 compared to 2010, reflecting a reduction of accounting and tax costs incurred during the prior year related to the bTV group acquisition.

Central costs increased by US\$ 5.4 million, or 14%, in 2010 compared to 2009. Central costs in 2010 included approximately US\$ 4.4 million of costs related to the acquisition of the bTV group and US\$ 1.2 million of onerous lease obligations following the bankruptcy of the tenant of our former administrative center in London.

Central costs in 2009 included approximately US\$ 4.1 million of costs related to the acquisition of Media Pro Entertainment, and are stated net of other income of US\$ 3.4 million arising on the assignment of our claim in the bankruptcy proceedings of Lehman Brothers Holdings (“Lehman Holdings”) and Lehman Brothers OTC Derivatives Inc. (“Lehman OTC”) to an unrelated third party.

Central costs in 2011 include a charge of US\$ 5.9 million (2010: US\$ 6.8 million; 2009: US\$ 6.2 million) in respect of non-cash stock-based compensation (see Item 8, Note 16, “Stock-Based Compensation”).

II (d) Impairment charge for the years ending December 31, 2011, 2010 and 2009

| | For the Years Ending December 31, (US\$ 000's) | | |
|-------------------|--|--------|-----------|
| | 2011 | 2010 | 2009 |
| Impairment charge | \$ 68,748 | \$ 397 | \$ 81,843 |

We recognized impairment charges totaling US\$ 68.7 million in 2011 which reflected a US\$ 4.3 million write-down of the trademark and a US\$ 53.4 million write-down of goodwill included within the Bulgaria Broadcast reporting unit, as well as US\$ 11.0 million related to the write-off of goodwill in the production services reporting unit of Media Pro Entertainment (see Item 8, Note 4, "Goodwill and Intangible Assets"). We revised our estimates of future cash flows in each of these reporting units during the final quarter of 2011 primarily to reflect our revised expectations of uncertainty in the Eurozone and its periphery on our Bulgaria Broadcast operations and an expectation of challenges in growing third party revenues for production services.

We recognized an impairment charge of US\$ 0.4 million in 2010 to write off the carrying value of the InfoPro trademark, included within our Romania Broadcast segment, after ceasing operations of the InfoPro radio channel and determining that the trademark was no longer recoverable. There were no other indicators of impairment for our goodwill or long-lived assets, and we were not required to record any impairment charges against goodwill following completion of our annual review of the recoverability of goodwill in the fourth quarter of 2010.

We performed an impairment review in the first quarter of 2009 as a result of a deterioration in various macroeconomic indicators, a reduction in the short and medium-term economic projections for our markets by external analysts and a significant drop in the price of shares of our Class A common stock. Upon reviewing all of our long-lived assets, indefinite-lived intangible assets and goodwill during that review, we concluded that a charge of US\$ 81.8 million was required to write down the long-lived assets in the Pro.BG asset group to US\$ nil (see Item 8, Note 4, "Goodwill and Intangible Assets").

II (e) Operating income / (loss) for the years ending December 31, 2011, 2010 and 2009

| | Operating Income | | | | | | | |
|---------------------------|--|-----------|---------|--------|-----------|-------------|--------|--------|
| | For the Years Ending December 31, (US\$ 000's) | | | | | | | |
| | Movement | | | | Movement | | | |
| | 2011 | 2010 | % Act | % Lfl | 2010 | 2009 | % Act | % Lfl |
| Operating income / (loss) | \$ 6,792 | \$ 22,877 | (70.3)% | Nm (1) | \$ 22,877 | \$ (38,971) | 158.7% | Nm (1) |

(1) Number is not meaningful.

Operating income for 2011 decreased by US\$ 16.1 million compared to 2010, While revenues increased by US\$ 127.6 million compared to 2010, cost of revenues increased by US\$ 75.6 million and selling, general and administrative expense declined slightly. The positive difference was more than offset by impairment charges of US\$ 68.7 million, resulting in the decrease in operating income.

We had operating income of US\$ 22.9 million in 2010 compared to an operating loss of US\$ 39.0 million in 2009 primarily due to a reduction in impairment charges in 2010.

Our operating margin was 0.8% in 2011, compared to 3.1% in 2010. Excluding the impact of impairment charges, our operating margins were 8.7% and 3.2% in 2011 and 2010, respectively.

II (f) Other income / (expense) items for the years ending December 31, 2011, 2010 and 2009

| | Other Income / (Expense) | | | | | |
|--|---|-------------|---------------|-------------|-------------|---------------|
| | For the Years Ending December 31, (US\$ 000's) | | | | | |
| | 2011 | 2010 | % Act | 2010 | 2009 | % Act |
| Interest income | \$ 2,753 | \$ 2,238 | 23.0 % | \$ 2,238 | \$ 2,876 | (22.2)% |
| Interest expense | (161,457) | (133,505) | (20.9)% | (133,505) | (115,771) | (15.3)% |
| Foreign currency exchange (loss) / gain, net | (31,124) | (5,030) | <i>Nm (1)</i> | (5,030) | 82,920 | <i>Nm (1)</i> |
| Change in fair value of derivatives | 7,281 | 1,164 | <i>Nm (1)</i> | 1,164 | 1,315 | (11.5)% |
| Other income | 1 | 357 | (99.7)% | 357 | 1,385 | (74.2)% |
| Provision for income taxes | (3,850) | (5,025) | 23.4 % | (5,025) | (4,737) | (6.1)% |
| Discontinued operations, net of tax | — | 213,697 | (100)% | 213,697 | (36,824) | <i>Nm (1)</i> |
| Noncontrolling interest in loss of consolidated subsidiaries | 4,993 | 3,402 | 46.8 % | 3,402 | 10,650 | (68.1)% |
| Currency translation adjustment, net | (59,430) | (17,586) | <i>Nm (1)</i> | (17,586) | (106,604) | 83.5 % |

(1) Number is not meaningful.

Interest income in 2011 increased by US\$ 0.5 million compared to 2010, primarily as a result of the movement of foreign exchange rates and higher interest rates on cash deposits.

Interest income decreased by US\$ 0.6 million in 2010 compared to 2009 primarily as a result of a reduction in interest rates and our maintaining a lower average cash balance.

Interest expense increased by US\$ 28.0 million compared to 2010, primarily as a result of US\$ 25.9 million of losses on the repurchase and refinancing of debt (see Item 8, Note 5, "Long-term Debt and Other Financing Arrangements") and additional interest expense associated with the exchanges of 2013 Convertible Notes for 2015 Convertible Notes, the 2017 Fixed Rate Notes issued in October 2010 and the Secured Revolving Credit Facility.

In 2010, interest expense increased by US\$ 17.7 million compared to 2009 primarily due to our increased borrowings and the average interest rate applicable thereon. Our 2016 Fixed Rate Notes (issued in September 2009) were outstanding for a full year in 2010 and we also incurred interest in connection with the issuance of our 2017 Fixed Rate Notes (see Item 8, Note 5, "Long-term Debt and Other Financing Arrangements").

Foreign currency exchange (loss) / gain, net: We are exposed to fluctuations in foreign exchange rates on the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary. This includes third party receivables and payables, including our Senior Notes, which are denominated in Euros, as well as our intercompany loans. Our subsidiaries generally receive funding via loans that are denominated in currencies other than the dollar, and any change in the relevant exchange rate will require us to recognize a transaction gain or loss on revaluation.

In 2011, we recognized a net loss of US\$ 31.1 million, comprised of transaction losses of US\$ 30.8 million relating to the revaluation of intercompany loans; a transaction gain of approximately US\$ 15.2 million on the Senior Notes due to the overall strengthening of the dollar against the Euro between January 1, 2011 and December 31, 2011, and transaction losses of US\$ 15.5 million relating to the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary.

In 2010, we recognized a net loss of US\$ 5.0 million, comprised of transaction losses of US\$ 40.0 million relating to the revaluation of intercompany loans; a transaction gain of approximately US\$ 54.7 million on the Senior Notes due to the strengthening of the dollar against the Euro between January 1, 2010 and December 31, 2010, and transaction losses of US\$ 19.7 million relating to the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary.

During 2009, we recognized a net gain of US\$ 82.9 million comprising transaction gains of US\$ 116.7 million on the revaluation of intercompany loans; transaction losses of approximately US\$ 39.4 million on third party indebtedness due to the strengthening of the Euro from December 31, 2008; and transaction gains of US\$ 5.6 million relating to the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary.

Change in fair value of derivatives: During 2011, we recognized a gain of US\$ 0.3 million as a result of the change in the fair value of the interest rate swap entered into on February 9, 2010, and a gain of US\$ 0.2 million as a result of the change in fair value of the call option issued in connection with the restructuring of the Bulgarian operations in 2010. The call option strike price now equals the value of the underlying, which is the equity in CME Bulgaria B.V., so the fair value of the option is US\$ nil, and there will be no further changes recognized in earnings. We also recognized a gain of US\$ 6.8 million as a result of the change in fair value of the currency swaps entered into on April 27, 2006 (see Item 8, Note 12, "Financial Instruments and Fair Value Measurements").

In 2010 we recognized a loss of US\$ 1.1 million as a result of the change in the fair value of the interest rate swap entered into on February 9, 2010 and a US\$ 2.8 million gain as a result of the change in fair value of the call option entered into in connection with the restructuring of the Pro.BG business (see Item 8, Note 3, "Acquisitions and Disposals"). We also recognized a loss of US\$ 0.5 million as a result of the change in fair value of the currency swaps entered into on April 27, 2006.

In 2009 we recognized a gain of US\$ 1.3 million as a result of the change in the fair value of the currency swaps entered into on April 27, 2006.

Provision for income taxes: The provision for income taxes during 2011 was a net provision of US\$ 3.9 million, which reflects valuation allowances in respect of the tax benefit of tax losses. It also includes tax credits in respect of tax losses in our Romanian Content operations (see Item 8, Note 14, "Income Taxes").

The provision for income taxes in 2010 reflects valuation allowances in respect of tax losses. It also includes tax credits in respect of tax losses and other temporary differences of US\$ 2.9 million in our Slovakia broadcast operations and tax credits in respect of other temporary differences of US\$ 3.6 million in our Romania broadcast operations.

The provision for income taxes in 2009 included a benefit of US\$ 7.1 million from the impairment of assets in Bulgaria. The benefit from this impairment, which was relieved at the Bulgarian tax rate of 10.0%, was offset by profits taxed at higher tax rates. The provision for income taxes in 2009 also benefited from the release of valuation allowances as we utilized brought forward losses.

Our subsidiaries are subject to income taxes at statutory rates ranging from 10.0% in Bulgaria to 20.0% in Slovenia. For further information on taxes see Item 8, Note 14, "Income Taxes".

Discontinued operations, net of tax: In April 2010, we completed the sale of our operations in Ukraine to Harley Trading Limited, a company beneficially owned by Igor Kolomoisky, a CME Ltd. shareholder. The results of the Ukraine operations have therefore been treated as discontinued operations in 2010 and 2009.

Noncontrolling interest in loss of consolidated subsidiaries: In 2011, the loss of US\$ 5.0 million in respect of the noncontrolling interest in consolidated subsidiaries related primarily to the noncontrolling interest share of impairment charges in the Bulgaria Broadcast reporting unit. In 2010, the loss of US\$ 3.4 million primarily reflected the noncontrolling interest portion of losses in MPE, which offset the noncontrolling interest portion of income generated by the bTV group. The change from 2009 to 2010 reflects additional losses of our Pro.BG business partially offset by income generated by the bTV group acquired in April 2010.

Currency translation adjustment, net: The underlying equity value of our investments (which are denominated in the functional currency of the relevant entity) are converted into dollars at each balance sheet date, with any change in value of the underlying assets and liabilities being recorded as a currency translation adjustment to the balance sheet rather than the statement of operations.

The dollar strengthened during the second half of 2011, and overall appreciated against the functional currencies of our operations during the year. In 2011, we recognized a loss of US\$ 59.4 million on the revaluation of our net investments in subsidiaries compared to a loss of US\$ 17.6 million in 2010 and US\$ 106.6 million in 2009.

The following table illustrates the amount by which the exchange rate between the dollar and the functional currencies of our operations moved between January 1 and December 31 in 2011, 2010 and 2009, respectively:

| | For the Years Ending December 31, | | |
|------------------|--|-------------|-------------|
| | 2011 | 2010 | 2009 |
| Bulgarian Lev | 3% | 8% | (3)% |
| Croatian Kuna | 5% | 9% | (2)% |
| Czech Koruna | 6% | 2% | (5)% |
| Euro | 3% | 8% | (3)% |
| New Romanian Lei | 4% | 9% | 4 % |

The dollar appreciated against the functional currencies of our operations between January 1 and December 31, 2011, but was, on average, weaker than it was during 2010. The following table illustrates the change in the average exchange rates between the dollar and the functional currencies of our operations for the years ending December 31, 2011, 2010 and 2009:

| | For the Years Ending December 31, | | |
|------------------|--|-------------|-------------|
| | 2011 | 2010 | 2009 |
| Bulgarian Lev | (5)% | 5% | 5% |
| Croatian Kuna | (3)% | 4% | 7% |
| Czech Koruna | (7)% | 1% | 11% |
| Euro | (5)% | 5% | 5% |
| New Romanian Lei | (4)% | 5% | 21% |

To the extent that our subsidiaries incur transaction losses in their local functional currency income statement on the revaluation of monetary assets and liabilities denominated in dollars, we recognize a gain of the same amount as a currency translation adjustment within equity when we retranslate our net investment in that subsidiary into dollars. Similarly, any exchange gain or loss arising on the retranslation of intercompany loans in the functional currency of the relevant subsidiary or the dollar will be offset by an equivalent loss or gain on consolidation.

II (g) Condensed consolidated balance sheet as at December 31, 2011 compared to December 31, 2010

| | Summarized Condensed Consolidated Balance Sheet (US\$ 000's) | | |
|---|---|--------------------------|-----------------|
| | December 31, 2011 | December 31, 2010 | Movement |
| Current assets | \$ 538,289 | \$ 612,085 | (12.1)% |
| Non-current assets | 2,143,480 | 2,328,465 | (7.9)% |
| Current liabilities | 255,575 | 243,076 | 5.1 % |
| Non-current liabilities | 1,408,252 | 1,449,722 | (2.9)% |
| CME Ltd. shareholders' equity | 1,001,692 | 1,226,879 | (18.4)% |
| Noncontrolling interests in consolidated subsidiaries | 16,250 | 20,873 | (22.1)% |

Current assets: Current assets at December 31, 2011 decreased by US\$ 73.8 million compared to December 31, 2010, primarily as a result of the net decrease in cash used in connection with the exchanges of 2013 Convertible Notes for 2015 Convertible Notes and the repurchase of a portion of the 2016 Fixed Rate Notes and the 2013 Convertible Notes.

Non-current assets: Non-current assets at December 31, 2011 decreased by US\$ 185.0 million compared to December 31, 2010, primarily due to impairment in the Bulgaria Broadcast reporting unit and production services reporting unit of MPE (see Item 8, Note 4, "Goodwill and Intangible Assets), as well as currency translation adjustments as a result of the overall strengthening of the US dollar during the period.

Current liabilities: Current liabilities at December 31, 2011 increased by US\$ 12.5 million compared to December 31, 2010, primarily as a result of an increase in programming liabilities reflecting the impact of extending programming payments, partially offset by repayment of drawings on the BMG pool.

Non-current liabilities: Non-current liabilities at December 31, 2011 decreased by US\$ 41.5 million compared to December 31, 2010, primarily as a result of the repurchase of 2016 Fixed Rate Notes and 2013 Convertible Notes, a decrease in the carrying value of our Senior Notes resulting from movement in the spot rate between January 1, 2011 and December 31, 2011, and a decrease in the derivative liability due to changes in fair value and presentation of the currency swap as current.

CME Ltd. shareholders' equity: CME Ltd. shareholders' equity decreased by US\$ 225.2 million compared to December 31, 2010. We recognized a decrease in other comprehensive income of US\$ 60.2 million due to the overall impact of the appreciation of the dollar on our foreign currency denominated assets, net loss of US\$ 174.6 million for 2011, and a decrease in additional paid-in capital of US\$ 8.4 million for the reacquisition of the equity component of the 2013 Convertible Notes. These decreases were partially offset by an increase of US\$ 11.9 million in additional paid-in capital for the equity component of the 2015 Convertible Notes, and an increase of US\$ 0.2 million related to the exercise of stock options. We recognized a stock-based compensation charge of US\$ 5.9 million during 2011.

Noncontrolling interests in consolidated subsidiaries: Noncontrolling interests in consolidated subsidiaries at December 31, 2011 decreased US\$ 4.6 million compared to December 31, 2010, primarily due to the net loss attributable to noncontrolling interests.

III. Liquidity and Capital Resources

III (a) Summary of Cash Flows

Cash and cash equivalents decreased by US\$ 57.7 million during the year ended December 31, 2011. The change in cash and cash equivalents for the periods presented below is summarized as follows:

| | For the Years Ending December 31, (US\$ 000's) | | |
|--|---|---------------------|----------------|
| | 2011 | 2010 | 2009 |
| Net cash generated from / (used in) continuing operating activities | \$ 29,638 | \$ (49,614) | 7,190 |
| Net cash used in continuing investing activities | (42,698) | (456,770) | (75,129) |
| Net cash (used in) / received from continuing financing activities | (38,168) | 7,338 | 475,027 |
| Net cash used in discontinued operations – operating activities | — | (5,921) | (39,855) |
| Net cash generated from discontinued operations – investing activities | — | 307,790 | (1,982) |
| Net cash generated from discontinued operations – financing activities | — | — | (22,224) |
| Impact of exchange rate fluctuations on cash | (6,436) | (4,727) | 8,504 |
| Net decrease in cash and cash equivalents | \$ (57,664) | \$ (201,904) | 351,531 |

Operating Activities

Cash generated from continuing operations increased from an outflow of US\$ 49.6 million in 2010 to an inflow of US\$ 29.6 million in 2011, reflecting the generation of positive cash flows from our Broadcast operations in Bulgaria, the Czech Republic, Romania, the Slovak Republic and Slovenia, as well as improvements in working capital, which were partially offset by the negative cash flows from our Broadcast operations in Croatia and our MPE operations. We paid interest of US\$ 111.8 million on our Senior Notes and Convertible Notes in 2011 compared to US\$ 100.9 million in 2010.

The reduction in cash generated from continuing operations in 2010 reflects an increase of US\$ 39.0 million in interest payments as well as the continued impact of the market slowdown on the level of cash generated by our operations.

During 2009, cash generated from continuing operations was US\$ 7.2 million, reflecting the cash needs of our Pro.BG business as well as the decline in profitability of our broadcast operations during the economic downturn.

Investing Activities

Our investing cash flows in 2011 primarily comprised US\$ 34.2 million relating to capital expenditures and net cash paid for Bontonfilm of US\$ 8.8 million (see Item 8, Note 3, “Acquisitions and Disposals”).

Our investing cash flows in 2010 primarily comprised US\$ 409.5 million relating to the acquisition of the bTV group and US\$ 46.0 million relating to capital expenditures.

Our investing cash flows in 2009 primarily comprised of US\$ 10.0 million paid in connection with our acquisition of Media Pro Entertainment and capital expenditures of US\$ 48.0 million.

Financing Activities

Cash used in financing activities in 2011 was US\$ 38.2 million compared to cash received of US\$ 7.3 million in 2010. The amount of net cash used in 2011 primarily reflects US\$ 32.1 million paid in connection with the exchanges of 2013 Convertible Notes for 2015 Convertible Notes and US\$ 73.6 million paid to repurchase a portion of the 2016 Fixed Rate Notes and the 2013 Convertible Notes (see Item 8, Note 5, “Long-Term Debt and Other Financing Arrangements”). These payments were partially offset by net proceeds from credit facilities, which included drawings of US\$ 84.9 million from the Secured Revolving Credit Facility.

The amount of net cash received in 2010 reflected the issuance of EUR 170.0 million (approximately US\$ 237.5 million at the date of issuance) aggregate principal amount of 2017 Fixed Rate Notes, less costs of US\$ 12.0 million, offset by the repayment of CZK 1.45 billion (approximately US\$ 78.1 million at the date of repayment) of credit facilities, the repayment of a revolving facility in Slovenia of EUR 22.5 million (approximately US\$ 30.2 million at the date of repayment), the repurchase of approximately US\$ 101.5 million of our Senior Notes and 2013 Convertible Notes and US\$ 6.5 million paid in connection with the acquisitions of noncontrolling interests (see Item 8, Note 3, “Acquisitions and Disposals”). A credit facility with Erste Group Bank A.G. that had been drawn in full in 2010 was repaid in full on October 21, 2010 using the proceeds from the issuance of the 2017 Fixed Rate Notes.

The amount of cash received in 2009 reflected the issuance of 14.5 million shares of Class A common stock and 4.5 million shares of Class B common stock to an affiliate of Time Warner Inc. for an aggregate offering price of US\$ 234.4 million, net of fees paid, and the drawdown of our revolving credit facilities to maximize liquidity and the issuance of EUR 440.0 million (net of fees) (approximately US\$ 634.0 million at the date of issuance) of our 2016 Fixed Rate Notes. This was offset by payments of approximately US\$ 371.1 million to repurchase debt and the repayment of EUR 127.5 million (approximately US\$ 187.3 million at the date of repayment) outstanding on a credit facility with the European Bank for Reconstruction and Development.

Discontinued Operations

Our former Ukraine operations were sold in April 2010.

III (b) Sources and Uses of Cash

We believe that our current cash resources are sufficient to allow us to continue operating for at least the next twelve months, subject to the matters disclosed under “Contractual Obligations, Commitments and Off-Balance Sheet Arrangements” and “Cash Outlook” below.

Our ongoing source of cash at our broadcast and new media operations is primarily the receipt of payments from advertisers and advertising agencies. This may be supplemented from time to time by local borrowing. Surplus cash generated in this manner, after funding the ongoing station operations, may be remitted to us, where appropriate. Surplus cash is remitted to us in the form of debt interest payments and capital repayments, dividends, and other distributions and loans from our subsidiaries.

Corporate law in the Central and Eastern European countries in which we operate stipulates generally that dividends may be declared by the partners or shareholders out of yearly profits subject to the maintenance of registered capital, required reserves and after the recovery of accumulated losses. The reserve requirement restriction generally provides that before dividends may be distributed, a portion of annual net profits (typically 5.0%) be allocated to a reserve, which is capped at a proportion of the registered capital of a company (ranging from 5.0% to 25.0%). The restricted net assets of our consolidated subsidiaries and equity in earnings of investments accounted for under the equity method together are less than 25.0% of consolidated net assets.

III (c) Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

Our future contractual obligations as of December 31, 2011 are as follows:

| | Payments due by period (US\$ 000's) | | | | |
|--------------------------------------|-------------------------------------|-------------------|-------------------|---------------------|-------------------|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Long-Term Debt – principal | \$ 1,365,272 | \$ 82 | \$ 359,144 | \$ 783,340 | \$ 222,706 |
| Long-Term Debt – interest (1) | 485,726 | 104,347 | 198,274 | 167,051 | 16,054 |
| Unconditional Purchase Obligations | 369,936 | 150,119 | 178,246 | 39,437 | 2,134 |
| Operating Leases | 25,439 | 5,849 | 6,664 | 3,570 | 9,356 |
| Capital Lease Obligations | 4,195 | 1,101 | 1,161 | 736 | 1,197 |
| Other Long-Term Obligations | 41,025 | 12,324 | 16,933 | 11,768 | — |
| Total Contractual Obligations | \$ 2,291,593 | \$ 273,822 | \$ 760,422 | \$ 1,005,902 | \$ 251,447 |

(1) Interest obligations on variable rate debt are calculated using the rate applicable at the balance sheet date.

Long-Term Debt

For more information on our Long-Term Debt, see Item 8, Note 5, “Long-Term Debt and Other Financing Arrangements”. Interest payable on our Long-Term Debt is calculated using interest rates and exchange rates as at December 31, 2011.

Unconditional Purchase Obligations

Unconditional purchase obligations primarily comprise future programming commitments. At December 31, 2011, we had commitments in respect of future programming of US\$ 361.8 million. This includes contracts signed with license periods starting after December 31, 2011.

Other Long-term Obligations

Other long-term obligations include US\$ 38.0 million of digital transmission commitments, US \$ 0.7 million related to an interest rate swap and US\$ 2.3 million related to currency swaps (see Item 8, Note 12, “Financial Instruments and Fair Value Measurements”).

Operating Leases

For more information on our operating lease commitments see Item 8, Note 19, “Commitments and Contingencies”.

Other

As we are unable to reasonably predict the timing of the settlement of liabilities related to unrecognized tax benefits, the table above does not include US\$ 23.1 million of such non-current liabilities included in deferred tax liabilities recorded on our Consolidated Balance Sheet as of December 31, 2011, of which only US \$ 0.2 million could result in cash settlement.

During December 2011, we were notified that Top Tone Media Holdings Limited intends to exercise its right to acquire additional equity in CME Bulgaria B.V. (see Item 8, Note 3, “Acquisitions and Dispositions”). Upon consummation of the equity transfer, our ownership of our Bulgaria Broadcast operations would be reduced to 90.0%. The option strike price is the fair value of the equity in CME Bulgaria B.V., as determined by an independent valuation.

III (d) Cash Outlook

Historically, our Broadcast operations in the Czech Republic, Slovenia and Romania have generated positive cash flows sufficient, in conjunction with new equity and debt financing, to fund our operations, launch new channels, acquire non-controlling interests in our existing channels and for other investment activities. During the difficult economic conditions that we have experienced since the end of 2008, operating cash flows in the aggregate have declined, yet remain positive. We still expect our businesses to continue to generate sufficient cash, in conjunction with our current cash and available facilities, to fund our operations for the next twelve months, as well as to meet our other external financial obligations. As at December 31, 2011, we had US\$ 246.5 million available in cash and credit facilities, which includes the 2013 Convertible Notes repurchased by CME BV (see Item 8, Note 5, "Long-Term Debt and Other Financing Arrangements").

We continue to take steps to improve our liquidity position. These steps have included targeted reductions to our operating cost base through headcount reductions and widespread cost optimization programs, the deferral of programming commitments and capital expenditure, the rescheduling of expansion plans and increasing our cash resources through additional debt facilities and refinancing existing credit facilities.

Improving our liquidity position and extending the maturity of our debt

As of December 31, 2011, the principal amount of our Senior Notes and Convertible Notes together represented 93.8% of the total principal amount of our total debt outstanding. US\$ 129.7 million in principal amount of 2013 Convertible Notes is due March 15, 2013. We are evaluating options to refinance or repurchase in the near term the 2013 Convertible Notes or other of our senior indebtedness, including refinancing with longer dated debt or convertible instruments as well as other equity-based solutions, or a combination of these options.

During 2011 we completed privately negotiated exchanges of US\$ 261.0 million aggregate principal amount of our 2013 Convertible Notes for US\$ 261.0 million aggregate principal amount of 2015 Convertible Notes, which improved our maturity profile. We also repurchased US\$ 49.5 million aggregate principal amount of our 2013 Convertible Notes and EUR 17.0 million (approximately US\$ 24.0 million at the date of repurchase) aggregate principal amount of our 2016 Fixed Rate Notes (see Item 8, Note 5, "Long-Term Debt and Other Financing Arrangements"). We intend to continue to opportunistically refinance our indebtedness should such opportunities appear attractive to us.

We have no maintenance covenants under our Senior Notes or Convertible Notes, which means that there is no event of default if we fail to meet a minimum level of EBITDA, leverage or any other EBITDA-related ratio (as defined in the indentures governing our Senior Notes). The indentures governing the Senior Notes each contain a covenant which restricts the incurrence of additional debt if our Coverage Ratio (see Item 8, Note 21, "Indenture Covenants") is less than 2.0 times, or if the raising of new debt would cause us to fall below this ratio. As of December 31, 2011, our Coverage Ratio was 1.4 times. Notwithstanding this restriction, we are able to incur debt at either the Restricted Subsidiary or holding company level of up to EUR 250.0 million (approximately US\$ 323.5 million) pursuant to "baskets" set forth in the indentures governing the Senior Notes. We have utilized US\$ 301.8 million of this amount for borrowings, mainly in the Czech Republic and Romania, including CZK 1.5 billion (approximately US\$ 75.2 million) in connection with the Secured Revolving Credit Facility, which was fully drawn as of December 31, 2011. There was approximately US\$ 21.7 million of additional borrowing capacity available to us at December 31, 2011. Under the Secured Revolving Credit Facility, CET 21 is subject to maintenance covenants (see Item 8, Note 5, "Long-term Debt and Other Financing Arrangements"). Other than the restrictions noted above, there are no significant constraints on our ability to refinance existing debt.

Credit ratings and future debt issuances

Our corporate credit is currently rated as B with negative outlook by S&P and B3 with stable outlook by Moody's. Ratings agencies have indicated that retention of these ratings is dependent on maintaining an adequate liquidity profile including at least maintaining \$125.0 million of cash in our Restricted Subsidiaries. We intend to stay within this liquidity parameter. The availability of additional liquidity is dependent upon the overall status of the debt and equity capital markets as well as on our continued financial performance, operating performance and credit ratings. We are currently able to raise limited additional debt and there are no indenture constraints on our ability to refinance existing debt.

Credit rating agencies now monitor companies much more closely and have made liquidity and the related key ratios a particular priority. One of the key indicators used by the ratings agencies in assigning credit ratings to us is our gross leverage ratio, which was 7.3 times at December 31, 2011 and is calculated as our gross debt divided by our trailing twelve-month OIBDA (calculated in accordance with our indentures excluding stock based compensation and OIBDA of our unrestricted entities, and including, on a pro forma basis, twelve-months of operations of Bontonfilm) ("pro forma OIBDA"). As of December 31, 2011, our total gross debt of US\$ 1,372.1 million was the sum of our Senior Notes, Convertible Notes, credit facilities and obligations under capital leases and the liabilities under our currency and interest rate swap agreements as disclosed in our Consolidated Financial Statements. Our pro forma OIBDA was US\$ 188.1 million and the ratio of gross debt less cash to pro forma OIBDA was 6.3 at December 31, 2011, which is a measure of our leverage after considering our cash balance. Another measure of our leverage, typically applied by ratings agencies, is the ratio of net debt to reported OIBDA, which is calculated as gross debt less cash divided by full year OIBDA. The ratio of net debt to reported OIBDA was 7.1 as at December 31, 2011.

Unrestricted and Restricted Subsidiaries

For the purposes of the indentures governing the Senior Notes, the calculation of the Coverage Ratio includes only entities that are "Restricted Subsidiaries." Subsidiaries may be designated as "Unrestricted Subsidiaries" and excluded from the calculation of Coverage Ratio. As of December 31, 2011, our Unrestricted Subsidiaries consist of certain subsidiaries that formerly comprised the Pro.BG business in Bulgaria, CME Development Financing B.V., the entity that funded these operations, and CME Austria GmbH. The integration of the operations of the Pro.BG business with the bTV group was completed in May 2011, and as a result, the Unrestricted Subsidiaries do not require additional financial support.

As of December 31, 2011, there was US\$ 1.5 million of cash remaining in the Unrestricted Subsidiaries. There is no requirement to maintain a minimum cash balance in any of our Unrestricted Subsidiaries and we may choose to transfer the remaining funds to our Restricted Subsidiaries at any time.

Credit risk of financial counterparties

We have entered into a number of significant contracts with financial counterparties as follows:

Cross Currency Swap

On April 27, 2006, we entered into cross currency swap agreements with JP Morgan Chase Bank, N.A. and Morgan Stanley Capital Services Inc. (see Item 8, Note 12, “Financial Instruments and Fair Value Measurements”) under which we periodically exchange Czech Koruna for Euro with the intention of reducing our exposure to movements in foreign exchange rates. We do not consider that there is any substantial risk to our liquidity if either of our counterparties were unable to meet their respective rights under the swap agreements because we would be able to convert the CZK we receive from our subsidiary into Euros at the prevailing exchange rate rather than the rate included in the swap.

Interest Rate Swap

On February 9, 2010, we entered into an interest rate swap agreement with UniCredit Bank Czech Republic, a.s. and CSAS expiring in 2013 to reduce the impact of changing interest rates on our floating rate debt (see Item 8, Note 12, “Financial Instruments and Fair Value Measurements”). This reduces the risk of interest rate volatility affecting our future cash flows. We do not consider that there is any substantial risk to our liquidity if our counterparties were unable to meet their respective rights under the interest swap agreement.

Capped Call Options

On September 15, 2008, Lehman Brothers Holdings Inc. (“Lehman Holdings”, and collectively with Lehman Brothers OTC Derivatives Inc., “Lehman Brothers”), filed for protection under Chapter 11 of the United States Bankruptcy Code. The bankruptcy filing of Lehman Holdings, as guarantor, was an event of default that gave us the right to early termination of capped call options we had purchased from Lehman Brothers to increase the effective conversion price of our 2013 Convertible Notes. We exercised this right and have claimed an amount of US\$ 19.9 million. We subsequently assigned our claim to an unrelated third party for cash consideration of US\$ 3.4 million. On March 14, 2011, Lehman Brothers filed an objection to our bankruptcy claim, contending that our claim is worth US \$14.7 million. On April 12, 2011, a response was filed with the bankruptcy court reasserting our claim of US\$ 19.9 million.

We had purchased similar capped call options from BNP Paribas (“BNP”) and Deutsche Bank Securities Inc. (“DB”), however we consider the likelihood of similar loss on the BNP or DB capped calls to be significantly less following the coordinated response of Europe’s central banks to the global liquidity crisis and the pivotal positions that each of these banks occupies in its respective country. In the event of any similar default, there would be no impact on our current liquidity since the purchase price of the options has already been paid and we have no further obligation under the terms of the capped calls to deliver cash or other assets to the counterparties. Any default would increase the dilutive effect to our existing shareholders resulting from the issuance of shares of Class A common stock upon any conversion of the 2013 Convertible Notes.

Cash Deposits

We deposit cash in the global money markets with a range of bank counterparties and review the counterparties we choose weekly. The maximum period of deposit is three months but we have more recently held amounts on deposit for shorter periods, from overnight to one month. The credit rating of a bank is a critical factor in determining the size of cash deposits and we will only deposit cash with banks of an investment grade of A or A2 or higher. In addition we also closely monitor the credit default swap spreads and other market information for each of the banks with which we consider depositing or have deposited funds.

III (e) Off-Balance Sheet Arrangements

None.

IV. Critical Accounting Policies and Estimates

Our accounting policies affecting our financial condition and results of operations are more fully described in Note 2 to our Consolidated Financial Statements that are included in Item 8. The preparation of these financial statements requires us to make judgments in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable. Using these estimates we make judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Program Rights

Program rights consist of programming acquired from third parties and programming (film and television) produced locally and form an important component of our station broadcasting schedules. Program rights and the related liabilities are recorded at their gross value when the license period begins and the programs are available for use. Where the initial airing of content allowed by a license is expected to provide more value than subsequent airings, program rights are amortized over their expected useful lives in a manner which reflects the pattern we expect to use and benefit from the programming. These films and series are amortized with the amortization charged in respect of each airing calculated in accordance with a schedule that reflects our estimate of the relative economic value of each run. For program rights acquired under a standard two-run license, we generally amortize 65% after the first run and 35% after the second run. During 2011 we changed our estimate in regard to the relative economic value of each run of a three-run license, and for these we now amortize 50% on the first run, 28% on the second run and 22% on the third run with effect from July 1, 2011. The impact of this change is a lower amortization charge of approximately US\$ 3.9 million for the year ended December 31, 2011 (see Item 8, Note 2 "Summary of Significant Account Policies").

The program library is evaluated at least quarterly to determine if expected revenues are sufficient to cover the unamortized portion of each program. To the extent that the revenues we expect to earn from broadcasting a program are lower than the book value, the program rights are written down to their net realizable value by way of recording an additional amortization charge. Accordingly, our estimates of future advertising and other revenues, and our future broadcasting schedules have a significant impact on the value of our program rights on the Consolidated Balance Sheet and the annual programming amortization charge recorded in the Consolidated Statement of Operations.

Produced Program Rights

Through our Media Pro Entertainment segment, we produce and distribute a variety of filmed content. The majority of this is television movies and series which are predominantly expected to be exploited by transmission on our broadcast stations. In addition to this we also produce feature films which are intended to be exploited initially through exhibition in theatres and subsequently through sales in one or more of the home video, pay TV, free TV, international syndication and internet markets. Finally, we also acquire content from third parties which we distribute through all of the windows mentioned above.

We recognize revenue from filmed content at the Media Pro Entertainment level when the revenue recognition criteria are met. In practice, it usually means revenue on the sale of content is recognized when the finished content is available for our broadcasters or delivered to third parties (unless the license period has not begun). Intercompany revenue is eliminated upon consolidation, and this revenue is not recognized at the CME group level until the content is exploited by our broadcasters, which usually means we have earned advertising or other revenue.

We recognize revenue from the distribution of acquired content when the content is available for telecast, which is usually when we furnish a Notice of Delivery to our clients, and when the license period for the arrangement under consideration - usually a pre-defined "window"- has begun.

Produced program rights as shown in the balance sheet represent the unamortized cost of completed theatrical films and television episodes, theatrical films and television series in production and film rights in preparation of development. Produced program rights, which include direct costs, production overhead and development costs, are stated at the lower of cost, less accumulated amortization, or fair value.

When we recognize revenue on a title, both at the segment and at the CME consolidated level, we also recognize a proportion of the capitalized film costs in the income statement using the individual film forecast model. The proportion of costs recognized is equal to the proportion of the revenue recognized compared to the total revenue expected to be generated throughout the title's life cycle (the "ultimate revenues").

The process of evaluating a title's ultimate revenues requires management judgment and is inherently subjective. The calculation of ultimate revenue can be a complex one, however the level of complexity and subjectivity is correlated to the number of revenue streams that management believes will be earned. Our process for evaluating ultimate revenues is tailored to the potential we believe a title has for generating multiple types of revenues. As already mentioned, the majority of our production is intended primarily for exploitation by our own broadcasters and we have few supportable expectations of generating revenue from other sources. In such cases, we consider mainly the free television window in our calculation of the ultimate revenue. For produced and acquired feature films or other projects where we do have supportable estimates of generating multiple revenue streams, we base our estimates of ultimate revenues for each film on factors such as the historical performance or similar films, the star power of the actors and actresses, the rating and genre of the film, pre-release market research (including test market screenings) and the expected number of theatres in which the film will be released. We update such estimates based on information available on the progress of the film's production and upon release, the actual results of each film. Changes in estimates of ultimate revenues from period to period affect the amount of film costs amortized in a given period and, therefore, could have an impact on our results for that period.

When the estimated ultimate revenues, less additional costs to be incurred (including exploitation costs), are less than the carrying value of the film costs, the value of a film is deemed to be impaired and thus, an immediate write-off of unrecoverable film costs is recorded in the Consolidated Statement of Operations.

Recognition of goodwill and intangible assets

We allocate the purchase price of our acquisitions to the tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values, with the excess purchase price over those fair values being recorded as goodwill.

The fair value assigned to identifiable intangible assets acquired is supported by valuations that involve the use of a large number of estimates and assumptions provided by management. If we make different estimates and assumptions, the valuations of identifiable intangible assets change, and the amount of purchase price attributable to these assets also changes, leading to corresponding change in the value of goodwill.

The assumptions and estimates that we have applied vary according to the date, location and type of assets acquired for each of our acquisitions. For example, some of the assumptions and estimates that we have used in determining the value of acquired broadcast licenses are as follows: methodology applied in valuation, discount rate (being the weighted average cost of capital and applicable risk factor), useful life of license (definite or indefinite) and probability of renewal, audience share growth and advertising market share, power ratio and growth, revenue growth for the forecast period and then in perpetuity, operating margin growth, future capital expenditure and working capital requirements, future cost saving as a result of the switch from an analog to a digital environment, inflation and workforce cost, among others.

All assumptions and estimates applied were based on best estimates at the respective acquisition dates. We changed our estimate as of January 1, 2012 for the remaining useful life of the broadcast license recorded in connection with the acquisition of the bTV group, see Item 8, Note 4 "Goodwill and Intangible Assets".

Impairment of goodwill, indefinite lived- intangible assets and long-lived assets

We assess the carrying value of goodwill and other intangible assets with indefinite lives on an annual basis, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Other than our annual review, factors we consider important which could trigger an impairment review include: under-performance of reporting units or changes in projected results, changes in the manner of utilization of the asset, a severe and sustained decline in the price of our shares and negative market conditions or economic trends. Therefore, our judgment as to the future prospects of each business has a significant impact on our results and financial condition. We believe that our assumptions are appropriate. If future cash flows do not materialize as expected or there is a future adverse change in market conditions, we may be unable to recover the carrying amount of an asset, resulting in future impairment losses.

Impairment tests of goodwill and indefinite-lived intangible assets are performed at the reporting unit level. If potential impairments of goodwill exist, the fair value of the reporting unit is subsequently measured against the fair value of its underlying assets and liabilities, excluding goodwill, to estimate an implied fair value of the reporting unit's goodwill. An impairment loss is recognized for any excess of the carrying value of the reporting unit's goodwill over the implied fair value after adjusting for any impairment of indefinite-lived intangible assets or long-lived assets.

The fair value of each reporting unit, and consequently the amount of implied goodwill is determined using an income methodology estimating projected future cash flows related to each reporting unit. These projected future cash flows are discounted back to the valuation date. Significant assumptions inherent in the methodology used include estimates of discount rates, future revenue growth rates and a number of other factors, all of which are based on our assessment of the future prospects and the risks inherent at the respective reporting units. We have identified ten reporting units which consist of our six geographic locations for our broadcast operations: Bulgaria, Croatia, Czech Republic, Romania, Slovak Republic and Slovenia; the fiction/reality and entertainment, production services and distribution reporting units within our Media Pro Entertainment reportable segment and our New Media reporting unit (which is also a reportable segment).

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the respective asset. The same estimates are also used in planning for our long- and short-range business planning and forecasting. We assess the reasonableness of the inputs and outcomes of our undiscounted cash flow analysis against available comparable market data. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value of the respective asset.

Assessing goodwill, indefinite-lived intangible assets and long-lived assets requires significant judgment and involves a great deal of detailed quantitative and qualitative business-specific analysis with several individual assumptions which fluctuate with the passage of time. The table below shows the key measurements involved and the valuation methods applied:

| Measurement | Valuation Method |
|---|--------------------------------|
| Recoverability of carrying values | Undiscounted future cash flows |
| Fair value of indefinite-lived broadcast licenses | Build-out method |
| Fair value of indefinite-lived trademarks | Relief from royalty method |
| Fair value of reporting units | Discounted cash flow model |

Our estimate of the cash flows our operations will generate in future periods forms the basis for most of the significant assumptions inherent in our impairment reviews. Our expectations of these cash flows are developed during our long- and short-range business planning processes, which are designed to address the uncertainties inherent in the forecasting process by capturing a range of possible views about key trends which govern future cash flow growth.

Historically, the overall cash flow growth rates achieved by our operations have not provided a good indication of future cash flows. This is largely because the markets in which we operate are relatively new and have experienced high levels of growth as advertising markets became rapidly established. Instead, we have observed over many years a strong positive correlation between the macro-economic performance of our markets and the size of the television advertising market and ultimately the cash flows we generate. With this in mind, we have placed a high importance on developing our expectations for the future development of the macro-economic environment in general and the advertising market and our share of it in particular. While this has involved an appreciation of historical trends we have placed a higher emphasis on forecasting these market trends, which has involved detailed review of macro-economic data, a range of both proprietary and publicly-available estimates for future market development, and a process of on-going consultation with local management.

Economic growth in the countries where we operate largely stabilized during 2011, with certain markets returning to growth. As of December 31, 2011, uncertainty in the Eurozone has led to some economic forecasts to anticipate a decrease in growth in the period ahead. In developing our forecasts of future cash flows, we take into account all available external estimates in addition to considering developments in each of our markets, which provide direct evidence of the state of the market and future market development. In concluding whether a goodwill impairment charge is necessary, we perform the impairment test under a range of possible scenarios. In order to check the reasonableness of the fair values implied by our cash flow estimates we also calculate the value of our Class A common stock implied by our cash flow forecasts and compare this to actual traded values to understand the difference between the two.

Each method noted above involves a number of significant assumptions over an extended period of time which could materially change our decision as to whether assets are impaired. The most significant of these assumptions include: the discount rate applied, the total advertising market size, achievable levels of market share, level of forecast OIBDA and capital expenditure and the rate of growth into perpetuity, each described in more detail below:

- **Cost of capital:** The cost of capital reflects the return a hypothetical market participant would require for a long-term investment in an asset and can be viewed as a proxy for the risk of that asset. We calculate the cost of capital according to the Capital Asset Pricing Model using a number of assumptions, the most significant of which is a Country Risk Premium ("CRP"). The CRP reflects the excess risk to an investor of investing in markets other than the United States and generally fluctuates with expectations of changes in a country's macro-economic environment. The costs of capital that we have applied in all reporting units at the end of 2011 were slightly higher than or comparable to those we had used in our annual impairment review at the end of 2010, which we believe represents a slight increase in the perceived level of risk of investing in emerging markets by market participants.
- **Growth rate into perpetuity:** reflects the level of economic growth in each of our markets from the last forecasted period into perpetuity and is the sum of an estimated real growth rate, which reflects our belief that macro-economic growth in our markets will eventually converge to Western European markets, and long term expectations for inflation. Our estimates of these rates are based on observable market data and have not changed.
- **Total advertising market:** The size of the television advertising market effectively places an upper limit on the advertising revenue we can expect to earn in each country. Our estimate of the total advertising market is developed from a number of external sources, in combination with a process of on-going consultation with local management. In our annual impairment review performed in the fourth quarter, we decreased our short-term view of the size of the television advertising markets based on current market views regarding growth rates in the coming periods before markets recover in the medium- to long-term.
- **Market share:** This is a function of the audience share we expect our stations to generate, and the relative price at which we can sell advertising. Our estimate of the total advertising market is developed from a number of external sources, in combination with a process of on-going consultation with local management.
- **Forecast OIBDA:** The level of cash flow generated by each operation is ultimately governed by the extent to which we manage the relationship between revenues and costs. We forecast the level of operating costs by reference to (a) the historical absolute and relative levels of costs we have incurred in generating revenue in each station, (b) the operating strategy of each business and (c) specific forecast costs to be incurred. Our annual impairment review includes assumptions to reflect further cost control we intend to execute.
- **Forecast capital expenditure:** The size and phasing of capital expenditure, both recurring expenditure to replace retired assets and investments in new projects, has a significant impact on cash flows. We forecast the level of future capital expenditure based on current strategies and specific forecast costs to be incurred. In line with our ongoing efforts to protect our operating margins, the absolute levels of capital expenditure forecast remained broadly constant from the prior year impairment reviews.

During the third quarter of 2011, there was a significant decrease in the traded price of shares of our Class A common stock, but internal and external estimates of the TV advertising markets in which we operate were for the most part unchanged. As there were no downward revisions to our internal cash flow projections, and our results for the nine months ended September 30, 2011 had improved from the corresponding period of the prior year, we determined it was unlikely that the results of an impairment review, if performed at that time, would reach a conclusion different from the last annual impairment review performed in 2010.

The table below shows the percentage movement in the costs of capital that we applied to each reporting unit with goodwill between the 2010 annual impairment review and the annual impairment review performed in 2011 along with the adverse movement, in percentage terms, required to make the fair value of the reporting unit equal their carrying values (with all other assumptions constant):

| Reporting Unit | Percentage change in cost of capital | |
|---------------------------------------|--------------------------------------|-------------------------|
| | Between 2010 and 2011 review | Necessary to break even |
| Bulgaria | 3.8% | N/A |
| Croatia | 9.7% | 106% |
| Czech Republic | 2.2% | 21% |
| Romania | 2.3% | 41% |
| Slovak Republic | (0.7)% | 40% |
| Slovenia | (2.2)% | 108% |
| Fiction and Reality and Entertainment | (0.2)% | 48% |
| Production Services | (0.2)% | N/A |
| Distribution | (0.2)% | 7.4% |

For those reporting units with goodwill as at December 31, 2011, the following compound cash flow growth rates are necessary to avoid failing Step 1 of the goodwill impairment test. For comparison, we have also included the compound average cash flow growth rates currently implied by our estimates of future cash flows:

| Reporting Unit | Break even growth rate (%) (1) | Growth rate currently implied (%) (1) |
|---------------------------------------|--------------------------------|---------------------------------------|
| Bulgaria (2) | 21.4% | 21.4% |
| Croatia | 17.1% | 24.5% |
| Czech Republic | 3.2% | 6.0% |
| Romania | 17.0% | 21.6% |
| Slovak Republic | 17.4% | 21.4% |
| Slovenia | 0.0% | 8.7% |
| Fiction and Reality and Entertainment | 16.0% | 30.0% |
| Production Services (3) | N/A | N/A |
| Distribution and Exhibition | 10.3% | 28.7% |

(1) The break-even growth rates and the implied current growth rates reflect the level of cash currently generated by our operations. Those reporting units which currently generate the majority of our cash flows have the lowest implied growth rates and the reporting units generating the minority of our cash flows have higher implied growth rates. These growth rates are calculated by applying a constant annual growth rate to current year cash flow forecasts, with all other variables constant, such that the net present value of all future cash flows to perpetuity equals the carrying value of the reporting unit's assets for the break-even rate or our estimate of the fair value of the reporting unit for the rate currently implied. Such rates do not indicate our expectation of cash flow growth in any given year, nor are they necessarily comparable with actual growth rates achieved in previous years.

(2) Rates reflective of value used for Step 2 of goodwill impairment test.

(3) MPE - production services reporting unit goodwill was fully impaired during Q4 2011.

The table below shows whether an adverse change of 10.0% in any of our most significant assumptions would result in additional impairments after reflecting the impairment charge recognized in the year ended December 31, 2011. Any adverse change in assumptions would impact the Bulgaria Broadcast reporting unit because the balance was not fully written-off as a result of the impairment recorded in 2011. Where an adverse change of less than 10.0% would result in an impairment, the level of that change is presented parenthetically:

| 10% Adverse Change in: | Indefinite-lived trademarks | Indefinite-lived Broadcast licenses | Goodwill |
|------------------------------|-----------------------------|-------------------------------------|---------------------|
| Cost of Capital | None | None | Distribution (7.4%) |
| Total Advertising Market | None | None | None |
| Market Share | None | None | None |
| Forecast OIBDA | Not applicable | None | Distribution (7.9%) |
| Forecast Capital Expenditure | Not applicable | None | None |
| Perpetuity Growth Rate | None | None | None |

Given the current economic environment, our estimates consider the uncertainty of market growth in the near term, and primarily reflect growth in the longer term.

The equity fair value of each reporting unit that was not impaired as of December 31, 2011 was substantially in excess of its equity carrying value. The balance of goodwill allocated to each reporting unit is presented in Item 8, Note 4, "Goodwill and Intangible Assets".

We consider all current information in respect of performing our impairment reviews and calculating our impairment charges. If our cash flow forecasts for our operations deteriorate, or discount rates continue to increase, we may be required to recognize additional impairment charges in later periods.

Revenue Recognition

Net revenues predominantly comprise revenues from the sale of advertising time less discounts and agency commissions, and theatrical distribution of films. Net revenues are recognized when the advertisement is aired as long as there is persuasive evidence that an arrangement with a customer exists, the price of the delivered advertising time is fixed or determinable, and collection of the arrangement fee is reasonably assured. In the event that a customer falls significantly behind its contractual payment terms, revenue is deferred until the customer has resumed normal payment terms.

Agency commissions, where applicable, are calculated based on a stated percentage applied to gross billing revenue. Advertisers remit the gross billing amount to the agency and the agency remits gross billings, less their commission, to us when the advertisement is not placed directly by the advertiser. Payments received in advance of being earned are recorded as deferred income.

We record sales from theatrical distribution of films as films are exhibited. Sales of home videos, net of a return provision, are recognized as income when the videos are delivered to and available for sale by retailers. Revenue from licensing of film and television programming is recognized when we make the material available for airing.

We maintain a bad debt provision for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, additional allowances may be required in future periods. We review the accounts receivable balances periodically and our historical bad debt, customer concentrations and customer creditworthiness when evaluating the adequacy of our provision.

Income Taxes

The provision for income taxes includes local and foreign taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences between the financial statement carrying amounts and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. We evaluate the realizability of our deferred tax assets and establish a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized.

In evaluating the realizability of our deferred tax assets, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. Any reduction in estimated forecasted results may require that we record additional valuation allowances against our deferred tax assets. Once a valuation allowance has been established, it will be maintained until there is sufficient positive evidence to conclude that it is more likely than not that such assets will be realized. An ongoing pattern of sustained profitability will generally be considered as sufficient positive evidence. If the allowance is reversed in a future period, our income tax provision will be reduced to the extent of the reversal. Accordingly, the establishment and reversal of valuation allowances has had and could continue to have a significant negative or positive impact on our future earnings.

We measure deferred tax assets and liabilities using enacted tax rates that, if changed, would result in either an increase or decrease in the provision for income taxes in the period of change.

We recognize in the consolidated financial statements those tax positions determined to be "more likely than not" of being sustained upon examination, based on the technical merits of the positions.

From time to time, we engage in transactions, such as business combinations and dispositions, in which the tax consequences may be subject to uncertainty. Significant judgment is required in assessing and estimating the tax consequences of these transactions. We prepare and file tax returns based on interpretation of tax laws and regulations. In the normal course of business, our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing authorities. We only recognize tax benefits taken on tax returns when we believe they are "more likely than not" of being sustained upon examination based on their technical merits. There is considerable judgment involved in determining whether positions taken on the tax return are "more likely than not" of being sustained.

We recognize, when applicable, both accrued interest and penalties related to unrecognized benefits in income tax expense in the accompanying consolidated statements of operations. The liability for accrued interest and penalties was US\$ 0.3 million and US\$ nil at December 31, 2011 and 2010, respectively.

Foreign exchange

Our reporting currency and functional currency is the dollar but a significant portion of our consolidated revenues and costs are in other currencies, including programming rights expenses and interest on debt. In addition, our Senior Notes are denominated in Euros. Our corporate holding companies have a functional currency of the dollar. All of our other operations have functional currencies other than the dollar.

We record assets and liabilities denominated in a currency other than our functional currency using the exchange rate prevailing at each balance sheet date, with any change in value between reporting periods being recognized as a transaction gain or loss in our Consolidated Statement of Operations. We are exposed to foreign currency on the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary. This includes third party receivables and payables, including our Senior Notes which are denominated in Euros, as well as intercompany loans, which are generally provided in currencies other than the dollar. We recorded transaction losses of US\$ 31.1 million and US\$ 5.0 million in 2011 and 2010, respectively, and transaction gains of US\$ 82.9 million 2009.

The financial statements of our operations whose functional currency is other than the dollar are translated from such functional currency to dollars at the exchange rates in effect at the balance sheet date for assets and liabilities, and at weighted average rates for the period for revenues and expenses, including gains and losses. Translational gains and losses are charged or credited to Accumulated Other Comprehensive Income / (Loss), a component of Equity.

Determination of the functional currency of an entity requires considerable management judgment, which is essential and paramount to this determination. This includes our assessment of a series of indicators, such as the currency in which a majority of sales transactions are negotiated, expense incurred or financing secured. If the nature of our business operations changes, such as by changing the currency in which sales transactions are denominated or by incurring significantly more expenditure in a different currency, we may be required to change the functional currency of some or all of our operations, potentially changing the amounts we report as transaction gains and losses in the Consolidated Statement of Operations as well as the translational gains and losses charged or credited to Accumulated Other Comprehensive Income / (Loss). In establishing functional currency, specific facts and circumstances are considered carefully, and judgment is exercised as to what types of information might be most useful to investors.

Contingencies

We are, from time to time, involved in certain legal proceedings and, as required, accrue our estimate of the probable costs for the resolution for these claims. These estimates are developed in consultation with legal counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. See Item 8, Note 19, "Commitments and Contingencies" for more detailed information on litigation exposure.

Recent Accounting Pronouncements

See Item 8, Note 2, "Summary of Significant Accounting Policies" for a discussion of accounting standards adopted since December 31, 2011 and recently issued accounting standards not yet adopted.

V. Related Party Matters

Overview

There is a limited local market for many specialist television services in the countries in which we operate; many of these services are provided to us by parties known to be connected to our local shareholders. As stated in ASC 850, *Related Party Disclosures*, transactions involving related parties cannot necessarily be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. We continue to review all of these arrangements.

We consider our related parties to be those shareholders who have direct control and/or influence and other parties that can significantly influence management; a “connected” party is one for whom we are aware of the existence of an immediate family or business connection to a shareholder. We have entered into related party transactions in all of our markets. For detailed discussion of all such transactions, see Item 8, Note 20, “Related Party Transactions”.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

We engage in activities that expose us to various market risks, including the effect of changes in foreign currency exchange rates and interest rates. We do not engage in speculative transactions, nor do we hold or issue financial instruments for trading purposes.

Foreign Currency Exchange Risk Management

Although our functional currency is the dollar, we conduct business in a number of foreign currencies, our Senior Notes are denominated in Euros, and the Secured Revolving Credit Facility is denominated in CZK. As a result, we are subject to foreign currency exchange rate risk due to the effects that foreign exchange rate movements of these currencies have on our costs and on the cash flows we receive from our subsidiaries. In limited instances, we enter into forward foreign exchange contracts to minimize foreign currency exchange rate risk.

We have not attempted to hedge the Senior Notes or the Secured Revolving Credit Facility and therefore may continue to experience significant gains and losses on the translation of the Senior Notes and the amounts outstanding under the Secured Revolving Credit Facility into dollars due to movements in exchange rates between the Euro, the Czech Koruna and the dollar.

We have entered into currency swap agreements with several counterparties to reduce our exposure to movements in certain foreign exchange rates (see Item 8, Note 12, “Financial Instruments and Fair Value Measurements”).

Interest Rate Risk Management

We are party to an interest rate swap agreement intended to reduce our exposure to interest rate movements (see Part II, Item 8, Note 12, “Financial Instruments and Fair Value Measurements”).

As of December 31, 2011, approximately 20% of the carrying value of our debt provides for interest at a spread above a base rate of EURIBOR or PRIBOR, which mitigates the impact of an increase in interbank rates on our overall debt.

Interest Rate Table as at December 31, 2011

| Expected Maturity Dates | 2012 | 2013 | 2014 | 2015 | 2016 | Thereafter |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Total debt in Euro (000's) | | | | | | |
| Fixed rate | — | — | — | — | 374,600 | 170,000 |
| Average interest rate (%) | — | — | — | — | 11.65% | 9.00% |
| Variable rate | — | — | 148,000 | — | — | — |
| Average interest rate (%) | — | — | 3.31% | — | — | — |
| Total debt in US\$ (000's) | | | | | | |
| Fixed rate | — | 129,660 | — | 261,034 | — | — |
| Average interest rate (%) | — | 3.50% | — | 5.00% | — | — |
| Total debt in CZK (000's) | | | | | | |
| Variable rate | — | — | 750,000 | 750,000 | — | — |
| Average interest rate (%) | — | — | 5.97% | 5.97% | — | — |

Variable Interest Rate Sensitivity as at December 31, 2011

| Value of Debt as at December 31, 2011 (US\$ 000's) | Interest Rate as at December 31, 2011 | Yearly Interest Charge (US\$ 000's) | Yearly interest charge if interest rates increase by(US\$ 000s): | | | | |
|---|--|--|---|-----------|-----------|-----------|-----------|
| | | | 1% | 2% | 3% | 4% | 5% |
| US\$ 191.5 million (EUR 148.0 million) | 3.31% | \$ 6,344 | \$ 8,259 | \$ 10,174 | \$ 12,089 | \$ 14,004 | \$ 15,919 |
| US\$ 75.2 million (CZK 1.5 billion) | 5.97% | 4,491 | 5,243 | 5,995 | 6,748 | 7,500 | 8,252 |

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(Financial Statements and Supplementary data begin on the following page and end on the page immediately preceding Item 9.)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Central European Media Enterprises Ltd.

We have audited the accompanying consolidated balance sheets of Central European Media Enterprises Ltd. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Central European Media Enterprises Ltd. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

DELOITTE LLP

London, United Kingdom

February 22, 2012

Part II. Financial Information**Item 8. Financial Statements and Supplementary Data****CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED BALANCE SHEETS
(US\$ 000's, except share and per share data)**

| | <u>December 31, 2011</u> | <u>December 31, 2010</u> |
|--|--------------------------|--------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 186,386 | \$ 244,050 |
| Accounts receivable, net (Note 7) | 192,157 | 209,142 |
| Program rights, net (Note 6) | 101,741 | 80,206 |
| Other current assets (Note 8) | 58,005 | 78,687 |
| Total current assets | 538,289 | 612,085 |
| Non-current assets | | |
| Property, plant and equipment, net (Note 9) | 217,367 | 250,902 |
| Program rights, net (Note 6) | 266,217 | 228,855 |
| Goodwill (Note 4) | 1,095,193 | 1,221,302 |
| Broadcast licenses and other intangible assets, net (Note 4) | 538,195 | 595,641 |
| Other non-current assets (Note 8) | 26,508 | 31,765 |
| Total non-current assets | 2,143,480 | 2,328,465 |
| Total assets | \$ 2,681,769 | \$ 2,940,550 |

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

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED BALANCE SHEETS (continued)
 (US\$ 000's, except share and per share data)

| | December 31, 2011 | December 31, 2010 |
|---|--------------------------|--------------------------|
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 10) | \$ 240,048 | \$ 224,058 |
| Current portion of long-term debt and other financing arrangements (Note 5) | 1,058 | 13,562 |
| Other current liabilities (Note 11) | 14,469 | 5,456 |
| Total current liabilities | 255,575 | 243,076 |
| Non-current liabilities | | |
| Long-term debt and other financing arrangements (Note 5) | 1,323,311 | 1,346,222 |
| Other non-current liabilities (Note 11) | 84,941 | 103,500 |
| Total non-current liabilities | 1,408,252 | 1,449,722 |
| Commitments and contingencies (Note 19) | | |
| EQUITY | | |
| CME Ltd. shareholders' equity: | | |
| Nil shares of Preferred Stock of \$0.08 each (December 31, 2010 – nil) | — | — |
| 56,892,114 shares of Class A Common Stock of \$0.08 each (December 31, 2010 – 56,878,489) | 4,551 | 4,550 |
| 7,500,936 shares of Class B Common Stock of \$0.08 each (December 31, 2010 – 7,490,936) | 600 | 599 |
| Additional paid-in capital | 1,404,648 | 1,377,803 |
| Accumulated deficit | (425,702) | (233,818) |
| Accumulated other comprehensive income | 17,595 | 77,745 |
| Total CME Ltd. shareholders' equity | 1,001,692 | 1,226,879 |
| Noncontrolling interests | 16,250 | 20,873 |
| Total equity | 1,017,942 | 1,247,752 |
| Total liabilities and equity | \$ 2,681,769 | \$ 2,940,550 |

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

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(US\$ 000's, except share and per share data)

| | For the Years Ending December 31, | | |
|---|-----------------------------------|-------------------|---------------------|
| | 2011 | 2010 | 2009 |
| Net revenues | \$ 864,782 | \$ 737,134 | \$ 681,945 |
| Operating expenses: | | | |
| Operating costs | 136,018 | 123,339 | 116,575 |
| Cost of programming | 445,802 | 390,303 | 341,201 |
| Depreciation of property, plant and equipment | 52,954 | 54,415 | 51,591 |
| Amortization of broadcast licenses and other intangibles (Note 4) | 34,881 | 25,987 | 19,919 |
| Cost of revenues | 669,655 | 594,044 | 529,286 |
| Selling, general and administrative expenses | 119,587 | 119,816 | 109,787 |
| Impairment charge (Note 4) | 68,748 | 397 | 81,843 |
| Operating income / (loss) | 6,792 | 22,877 | (38,971) |
| Interest income | 2,753 | 2,238 | 2,876 |
| Interest expense (Note 15) | (161,457) | (133,505) | (115,771) |
| Foreign currency exchange (loss) / gain, net | (31,124) | (5,030) | 82,920 |
| Change in fair value of derivatives (Note 12) | 7,281 | 1,164 | 1,315 |
| Other income | 1 | 357 | 1,385 |
| Loss from continuing operations before tax | (175,754) | (111,899) | (66,246) |
| Provision for income taxes (Note 14) | (3,850) | (5,025) | (4,737) |
| Loss from continuing operations | (179,604) | (116,924) | (70,983) |
| Discontinued operations, net of tax (Note 2) | — | (3,922) | (36,824) |
| Gain on disposal of discontinued operations (Note 2) | — | 217,619 | — |
| Income / (loss) from discontinued operations | — | 213,697 | (36,824) |
| Net (loss) / income | (179,604) | 96,773 | (107,807) |
| Net loss attributable to noncontrolling interests | 4,993 | 3,402 | 10,650 |
| Net (loss) / income attributable to CME Ltd. | \$ (174,611) | \$ 100,175 | \$ (97,157) |
| Net (loss) / income | (179,604) | 96,773 | (107,807) |
| Currency translation adjustment | (59,430) | (17,586) | (106,604) |
| Comprehensive (loss) / income | \$ (239,034) | \$ 79,187 | \$ (214,411) |
| Comprehensive loss attributable to noncontrolling interests | 4,273 | 2,821 | 11,076 |
| Comprehensive (loss) / income attributable to CME Ltd. | \$ (234,761) | \$ 82,008 | \$ (203,335) |

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

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (continued)
(US\$ 000's, except share and per share data)

| | For the Years Ending December 31, | | |
|--|--|-------------|-------------|
| | 2011 | 2010 | 2009 |
| PER SHARE DATA (Note 17): | | | |
| <i>Net (loss) / income per share:</i> | | | |
| Continuing operations - Basic | \$ (2.71) | \$ (1.77) | \$ (1.11) |
| Continuing operations - Diluted | (2.71) | (1.77) | (1.11) |
| Discontinued operations – Basic | 0.00 | 3.34 | (0.68) |
| Discontinued operations - Diluted | 0.00 | 3.34 | (0.68) |
| Net (loss) / income attributable to CME Ltd. – Basic | (2.71) | 1.57 | (1.79) |
| Net (loss) / income attributable to CME Ltd. – Diluted | \$ (2.71) | \$ 1.57 | \$ (1.79) |
| | | | |
| <i>Weighted average common shares used in computing per share amounts (000's):</i> | | | |
| Basic | 64,385 | 64,029 | 54,344 |
| Diluted | 64,385 | 64,029 | 54,344 |

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

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF EQUITY
(US\$ 000's, except share data)

| CME Ltd. | | | | | | | | | | |
|--|-------------------------|-----------------|-------------------------|---------------|----------------------------------|------------------------|---|----------------------------|---------------------|--|
| | Class A Common Stock | | Class B Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income | Noncontrolling Interest | Total Equity | |
| | Number of shares | Par value | Number of shares | Par value | | | | | | |
| BALANCE December 31, 2008 | 36,024,273 | \$ 2,882 | 6,312,839 | \$ 505 | \$ 1,126,617 | \$ (236,836) | \$ 202,090 | \$ 3,187 | \$ 1,098,445 | |
| Stock-based compensation | — | — | — | — | 6,180 | — | — | — | 6,180 | |
| Acquisition of noncontrolling interests | — | — | — | — | (24,090) | — | — | 3,965 | (20,125) | |
| Shares issued, net of fees | 14,500,000 | 1,160 | 4,500,000 | 360 | 232,848 | — | — | — | 234,368 | |
| Shares issued in connection with the acquisition of Media Pro Entertainment (Note 3) | 2,200,000 | 176 | — | — | 55,264 | — | — | — | 55,440 | |
| Warrants issued in connection with the acquisition of Media Pro Entertainment (Note 3) | — | — | — | — | 13,768 | — | — | — | 13,768 | |
| Conversion of class B shares (Note 13) | 3,321,903 | 266 | (3,321,903) | (266) | — | — | — | — | — | |
| Dividends | — | — | — | — | — | — | — | (1,825) | (1,825) | |
| Net income / (loss) | — | — | — | — | — | (97,157) | — | (10,650) | (107,807) | |
| Currency translation adjustment | — | — | — | — | — | — | (106,178) | (426) | (106,604) | |
| BALANCE December 31, 2009 | 56,046,176 | \$ 4,484 | 7,490,936 | \$ 599 | \$ 1,410,587 | \$ (333,993) | \$ 95,912 | \$ (5,749) | \$ 1,171,840 | |
| Stock-based compensation | — | — | — | — | 7,415 | — | — | — | 7,415 | |
| Acquisition of noncontrolling interests - Pro.BG business (Note 3) | — | — | — | — | (34,696) | — | — | 31,446 | (3,250) | |
| Acquisition of noncontrolling interests - Pro TV, MPI and MV (Note 3) | 800,000 | 64 | — | — | (5,568) | — | — | (684) | (6,188) | |
| Adjustments - Media Pro Entertainment | — | — | — | — | — | — | — | (1,146) | (1,146) | |
| Stock options exercised | 32,313 | 2 | — | — | 589 | — | — | — | 591 | |
| Other | — | — | — | — | (524) | — | — | — | (524) | |
| Dividends | — | — | — | — | — | — | — | (173) | (173) | |
| Net income / (loss) | — | — | — | — | — | 100,175 | — | (3,402) | 96,773 | |
| Currency translation adjustment | — | — | — | — | — | — | (18,167) | 581 | (17,586) | |
| BALANCE December 31, 2010 | 56,878,489 | \$ 4,550 | 7,490,936 | \$ 599 | \$ 1,377,803 | \$ (233,818) | \$ 77,745 | \$ 20,873 | \$ 1,247,752 | |

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

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF EQUITY (continued)
 (US\$ 000's, except share data)

| CME Ltd. | | | | | | | | | |
|---|-------------------------|-----------------|-------------------------|---------------|----------------------------------|------------------------|---|----------------------------|---------------------|
| | Class A Common Stock | | Class B Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income | Noncontrolling Interest | Total Equity |
| | Number of shares | Par value | Number of shares | Par value | | | | | |
| BALANCE December 31, 2010 | 56,878,489 | \$ 4,550 | 7,490,936 | \$ 599 | \$ 1,377,803 | \$ (233,818) | \$ 77,745 | \$ 20,873 | \$ 1,247,752 |
| Stock-based compensation | — | — | — | — | 5,898 | — | — | — | 5,898 |
| Repurchase of 2013 Convertible Notes | — | — | — | — | (8,383) | — | — | — | (8,383) |
| Issuance of 2015 Convertible Notes, net of transaction costs | — | — | — | — | 11,852 | — | — | — | 11,852 |
| Reclassification of capped call options | — | — | — | — | 17,273 | (17,273) | — | — | — |
| Options exercised | 13,625 | 1 | 10,000 | 1 | 240 | — | — | — | 242 |
| Dividends | — | — | — | — | — | — | — | (350) | (350) |
| Other | — | — | — | — | (35) | — | — | — | (35) |
| Net loss | — | — | — | — | — | (174,611) | — | (4,993) | (179,604) |
| Currency translation adjustment | — | — | — | — | — | — | (60,150) | 720 | (59,430) |
| BALANCE December 31, 2011 | 56,892,114 | \$ 4,551 | 7,500,936 | \$ 600 | \$ 1,404,648 | \$ (425,702) | \$ 17,595 | \$ 16,250 | \$ 1,017,942 |

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

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US\$ 000's)

| | For the Years Ending December 31, | | |
|---|-----------------------------------|-------------------|---------------------|
| | 2011 | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net (loss) / income | \$ (179,604) | \$ 96,773 | \$ (107,807) |
| Adjustments to reconcile net (loss) / income to net cash generated from / (used in) operating activities: | | | |
| (Income) / loss from discontinued operations (Note 2) | — | (213,697) | 36,824 |
| Depreciation and amortization | 115,067 | 111,054 | 101,586 |
| Amortization of program rights | 276,079 | 246,584 | 175,080 |
| Loss on extinguishment of debt | 25,904 | 5,299 | 9,415 |
| Impairment charge (Note 4) | 68,748 | 397 | 81,843 |
| Loss / (gain) on disposal of fixed assets | 567 | (59) | 635 |
| Stock-based compensation (Note 16) | 5,898 | 6,837 | 6,218 |
| Change in fair value of derivatives (Note 12) | (7,281) | (1,164) | (1,315) |
| Foreign currency exchange loss / (gain), net | 31,124 | 5,030 | (82,920) |
| Net change in (net of effects of acquisitions and disposals of businesses): | | | |
| Accounts receivable, net | 17,025 | (19,544) | 44,963 |
| Accounts payable and accrued liabilities | (19,258) | (1,472) | (74,532) |
| Program rights | (304,934) | (289,453) | (168,310) |
| Other assets | 4,190 | 18,687 | 3,704 |
| Accrued interest | (3,054) | 476 | 16,155 |
| Income taxes payable | 2,779 | (1,255) | (9,797) |
| Deferred revenue | 6,582 | (3,934) | (8,377) |
| Deferred taxes | (6,149) | (8,531) | (14,587) |
| VAT and other taxes payable | (4,045) | (1,642) | (1,588) |
| Net cash generated from / (used in) continuing operating activities | 29,638 | (49,614) | 7,190 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property, plant and equipment | (34,192) | (45,987) | (47,957) |
| Disposal of property, plant and equipment | 1,091 | 115 | 888 |
| Investments in subsidiaries, net of cash acquired | (9,597) | (410,898) | (17,765) |
| Loans and advances to related parties | — | — | (10,295) |
| Net cash used in continuing investing activities | (42,698) | (456,770) | (75,129) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Repurchase of Senior Notes | (73,560) | (101,473) | (371,073) |
| Payment on exchange of Convertible Notes | (32,126) | — | — |
| Debt issuance costs | (2,101) | (15,310) | (16,776) |
| Issuance of Senior Notes, net of fees | — | 237,463 | 650,824 |
| Proceeds from credit facilities | 104,151 | 203,498 | 266,472 |
| Payment of credit facilities and capital leases | (34,458) | (312,199) | (287,551) |
| Issuance of common stock, net of fees | — | — | 234,368 |
| Transfers from restricted cash | — | 696 | — |
| Acquisition of noncontrolling interests | — | (6,467) | — |
| Proceeds from exercise of stock options | 242 | 591 | — |
| Excess tax benefits from stock-based compensation arrangements | — | 667 | 269 |
| Dividends paid to holders of noncontrolling interests | (316) | (128) | (1,506) |
| Net cash (used in) / received from continuing financing activities | (38,168) | 7,338 | 475,027 |
| NET CASH USED IN DISCONTINUED OPERATIONS – OPERATING ACTIVITIES | — | (5,921) | (39,855) |
| NET CASH FROM / (USED IN) DISCONTINUED OPERATIONS – INVESTING ACTIVITIES | — | 307,790 | (1,982) |
| NET CASH USED IN DISCONTINUED OPERATIONS – FINANCING ACTIVITIES | — | — | (22,224) |
| Impact of exchange rate fluctuations on cash | (6,436) | (4,727) | 8,504 |
| Net (decrease) / increase in cash and cash equivalents | (57,664) | (201,904) | 351,531 |
| CASH AND CASH EQUIVALENTS, beginning of period | 244,050 | 445,954 | 94,423 |
| CASH AND CASH EQUIVALENTS, end of period | \$ 186,386 | \$ 244,050 | \$ 445,954 |

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

| | | | | | | |
|---|----|---------|----|---------|----|--------|
| Cash paid for interest | \$ | 111,802 | \$ | 100,901 | \$ | 61,940 |
| Cash paid for income taxes (net of refunds) | \$ | 6,315 | \$ | 14,714 | \$ | 28,440 |

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:

| | | | | | | |
|---|----|-----|----|--------|----|--------|
| Issuance of 800,000 shares of Class A common stock in connection with acquisition of noncontrolling interest (Note 3) | \$ | — | \$ | 18,520 | \$ | — |
| Issuance of call option in connection with restructuring of Pro.BG business (Note 3) | \$ | — | \$ | 2,970 | \$ | — |
| Issuance of equity in connection with the acquisition of Media Pro Entertainment (Note 3) | \$ | — | \$ | — | \$ | 55,440 |
| Issuance of warrants in connection with the acquisition of Media Pro Entertainment (Note 3) | \$ | — | \$ | — | \$ | 13,768 |
| Contribution of interest in connection with the acquisition of Media Pro Entertainment (Note 3) | \$ | — | \$ | — | \$ | 19,236 |
| Acquisition of property, plant and equipment under capital lease | \$ | 907 | \$ | 203 | \$ | 144 |

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

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US\$ 000's, except per share data)**

1. ORGANIZATION AND BUSINESS

Central European Media Enterprises Ltd. ("CME Ltd."), a Bermuda company limited by shares, is a media and entertainment company operating leading broadcast, production and distribution, and new media businesses in Central and Eastern Europe. References to the "Company", "we", "us" or "our" refer to CME Ltd. and its consolidated subsidiaries. Our assets are held through a series of Dutch and Curaçao holding companies. At December 31, 2011, we operated mainly in Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia.

We manage our business on a divisional basis, with three operating segments, Broadcast, Media Pro Entertainment, our production and distribution business, and New Media, which are also our reportable segments.

Broadcast

Our Broadcast segment consists of 30 television channels primarily in six countries. We generate advertising revenues in our Broadcast segment primarily through entering into agreements with advertisers, advertising agencies and sponsors to place advertising on the television channels that we operate. Our main general entertainment television channels in each country are distributed on a free-to-air basis terrestrially in analog, digital or both, depending on the digitalization status in each country, and are also distributed via cable and satellite. Our other channels are generally distributed via cable and satellite. Unless otherwise indicated, we own 100% of our broadcast operating and license companies in each country.

Bulgaria

We operate one general entertainment channel, BTV, four other channels, BTV CINEMA, BTV COMEDY, RING.BG and BTV ACTION, and several radio channels. On January 28, 2012, we launched BTV LADY, a female-oriented cable channel. During 2011, we completed the integration of the operations of PRO BG MEDIA OOD and Ring TV EAD into BTV Media Group EAD ("BTV Media"), of which we own 94.0%. During December 2011, we were notified that Top Tone Media Holdings Limited ("Top Tone Holdings") intends to exercise its right to acquire additional equity in CME Bulgaria B.V. ("CME Bulgaria"), which owns our Bulgaria Broadcast operations (see Note 3, "Acquisitions and Dispositions"). Upon consummation of the equity transfer, our ownership of BTV Media would be reduced to 90.0%.

Croatia

We operate one general entertainment channel, NOVA TV (Croatia), one female-oriented channel, DOMA (Croatia), and an international channel, NOVA WORLD.

Czech Republic

We operate one general entertainment channel, TV NOVA (Czech Republic), and three other channels, NOVA CINEMA, NOVA SPORT and MTV CZECH.

Romania

We operate two general entertainment channels, PRO TV and ACASA, three other channels, PRO CINEMA, SPORT.RO and MTV ROMANIA, and an international channel, PRO TV INTERNATIONAL, as well as a general entertainment channel broadcasting in Moldova, PRO TV CHISINAU, which was acquired in January 2011 (see Note 3 "Acquisitions and Dispositions").

Slovak Republic

We operate one general entertainment channel, TV MARKIZA, and one female-orientated channel, DOMA (Slovak Republic).

Slovenia

We operate two general entertainment channels, POP TV and KANAL A, and POP NON STOP, a subscription package of six channels which includes POP KINO, POP KINO2, POP BRIO, POP FANI, POP OTO and POP SPOT.

Media Pro Entertainment

Media Pro Entertainment ("MPE"), our production and distribution business, leverages creative talent across all our countries and focuses on the development, production and distribution of content for our television channels and to third parties, both within our region and globally.

MPE is organized into two businesses:

Production: This business provides assets and expertise to produce a range of fiction, reality and entertainment programming, and films, using both purchased formats and developing original formats. The content produced may be easily adapted for use across several markets and in many revenue-generating windows.

Distribution: In addition to having responsibility for selling finished content and formats developed by our production operations to third parties, this business acquires rights to international film and television content across our region and distributes them both to third party clients and to our Broadcast operations. Our distribution operations are also able to generate third-party revenue by distributing content through the theatrical and home video operations. MPE owns and operates sixteen cinema screens in Romania. In addition, a home video distribution business sells DVD and Blu Ray discs to wholesale and retail clients in the Czech Republic, the Slovak Republic, Romania and Hungary. A significant portion of our distribution revenues are to third parties, which are expected to generate a significant portion of MPE's consolidated profits in the short-term. On June 30, 2011, we acquired Bontonfilm a.s. ("Bontonfilm"), a distribution company that distributes theatrical, home entertainment, digital and television film rights in the Czech Republic and the Slovak Republic and has a leading market position in each country (see Note 3, "Acquisitions and Dispositions").

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US\$ 000's, except per share data)**

The MPE segment currently generates the majority of its revenues from sales to our Broadcast segment. For that reason, the financial results of the segment are largely dependent on the performance of the television advertising market, although the long-term nature of the production process is such that it takes time for significant market changes to be reflected in this segment's results.

New Media

We own and operate more than 75 websites across our markets and we have recently launched our video-on-demand service, Voyo, with two principal objectives: to build strong online channels to distribute popular content and to operate an efficient marketing tool for our Broadcast segment. The New Media segment focuses on offering viewers the choice of watching our premium television content anytime, anywhere and operates a series of news portals, ranging from general information to sports or niche sites. Revenues generated by the New Media segment are primarily derived from the sale of advertising.

During 2011, we commenced the launch across all our territories of Voyo, an internet-based content aggregation and distribution platform that offers consumers both free and paid content in multiple distribution windows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The significant accounting policies are summarized as follows:

Basis of Presentation

The consolidated financial statements include the accounts of CME Ltd. and our subsidiaries, after the elimination of intercompany accounts and transactions. Entities in which we hold less than a majority voting interest but over which we have the ability to exercise significant influence are accounted for using the equity method. Other investments are accounted for using the cost method.

The preparation of financial statements in conformity with U.S. GAAP 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 the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Certain amounts included in the accompanying Consolidated Financial Statements for 2010 and 2009 have been adjusted or reclassified to conform to the 2011 financial statements presentation. In the Consolidated Statements of Cash Flows, we increased disclosure to present amounts for the adjustments to reconcile net income to cash flows from operating activities relating to the amortization of program rights, the loss on extinguishment of debt, the change in deferred revenue, and the change in accrued interest, as well as the payment of debt issuance costs under cash flows from financing activities, and have presented the comparative amounts for all periods presented. In Note 6, "Program Rights", we presented the categories of television and feature film produced program rights relating to released, completed but not released, in production and under development for the comparative period. We also reclassified comparative period payables to related parties in Note 10, "Accounts Payable and Accrued Liabilities" and Note 11, "Other Liabilities".

We have adjusted the gross goodwill balances for three reporting units within the MPE operating segment as at December 31, 2010. The purchase price allocation and foreign currency adjustments recorded during 2010 presented US\$ 4.5 million in the production services reporting unit and US\$ 0.8 million in the distribution reporting unit, which are now presented in the fiction and reality and entertainment reporting unit. This adjustment is considered immaterial to the Company's Consolidated Financial Statements and had no effect on our consolidated results of operations or financial position.

Revenue Recognition

Revenue is recognized when there is persuasive evidence of an arrangement, delivery of products has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. A bad debt provision is maintained for estimated losses resulting from our customers' inability to make payments.

Revenues are recognized net of discounts and customer sales incentives. Our principal revenue streams and their respective accounting treatments are discussed below:

Advertising revenue

Revenues primarily result from the sale of advertising time. Television advertising revenue is recognized as the commercials are aired. In many countries, we commit to provide advertisers with certain rating levels in connection with their advertising. Revenue is recorded net of estimated shortfalls, which are usually settled by providing the advertiser additional advertising time. Discounts and agency commissions are recognized at the point when the advertising is broadcast and are reflected as a reduction to gross revenue. Display advertising on our websites is recognized as impressions are delivered. Impressions are delivered when an advertisement appears in pages viewed by users.

Program distribution revenue

Program distribution revenue is recognized when the relevant agreement has been entered into, the product is available to telecast or for delivery, the license period has begun, collectability of the cash is reasonably assured and all of our contractual obligations have been satisfied. Revenues from home video sales are recognized at the later of the delivery date or the date that video units are made widely available for sale or rental by retailers based on gross sales less a provision for estimated returns. Theatrical revenues are recognized as the films are exhibited.

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US\$ 000's, except per share data)

Subscription revenues

Subscriber fees from cable operators and direct-to-home broadcasters are recognized as revenue over the period for which the channels are provided and to which the fees relate. Subscriber revenue is recognized as contracted, based upon the level of subscribers.

Barter transactions

We enter into barter transactions which represent advertising time or other services exchanged for non-cash goods and/or other services, such as promotional items, advertising, supplies and equipment. Revenue from barter transactions is recognized as income when the services have been provided. Expenses are recognized when goods or services are received or used. We record barter transactions at the fair value of goods or services received or advertising surrendered, whichever is more readily determinable. Barter revenue amounted to US\$ 2.3 million, US\$ 2.7 million and US\$ 2.9 million for the years ending December 31, 2011, 2010 and 2009, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less. Cash that is subject to restrictions is classified as restricted cash.

Property, Plant and Equipment

Property, plant and equipment is carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives assigned to each major asset category as below:

| Asset category | Estimated useful life |
|-----------------------------------|------------------------------|
| Land | Indefinite |
| Buildings | 25 years |
| Machinery, fixtures and equipment | 4 - 8 years |
| Other equipment | 3 - 8 years |
| Software licenses | 3 - 5 years |

Construction-in-progress is not depreciated until put into use. Capital leases are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Leasehold improvements are depreciated over the shorter of the related lease term or the life of the asset. Assets to be disposed of are reported at the lower of carrying value or fair value, less expected costs of disposal.

Long-Lived Assets Including Intangible Assets with Finite Lives

Long-lived assets include property, plant, equipment and intangible assets with finite lives.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The carrying values of long-lived assets are considered impaired when the anticipated undiscounted cash flows from such assets are less than their carrying values. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value.

Program Rights

Purchased program rights

Purchased program rights and the related liabilities are recorded at their gross value when the license period begins and the programs are available for broadcast.

Purchased program rights are classified as current or non-current assets based on anticipated usage, while the related program rights liability is classified as current or non-current according to the payment terms of the license agreement.

Program rights are evaluated to determine if expected revenues are sufficient to cover the unamortized portion of the program. To the extent that expected revenues are insufficient, the program rights are written down to their net realizable value.

The costs incurred to acquire program rights are capitalized and amortized over their expected useful lives in a manner which reflects the pattern we expect to use and benefit from the programming. If the initial airing of content allowed by a license is expected to provide more value than subsequent airings, we apply an accelerated method of amortization. These accelerated methods of amortization depend on the estimated number of runs the content is expected to receive, and are determined based on a study of historical results for similar programming. For programming that is not advertising supported, each program's costs are amortized on a straight-line basis over the license period. For content that is expected to be aired only once, the entire cost is recognized as expense on the first run.

During the third quarter of 2011, we concluded a comprehensive examination of the appropriateness of our program rights policy. This review included a study of the relative value generated by all runs of a license in past periods. We concluded that the existing allocation for films and series with an estimated two runs of 65% on showing the first run and 35% on showing the second run was still appropriate. However, past performance showed that content with an estimated three

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US\$ 000's, except per share data)

runs generated more relative value on the third run than our previous estimate. Consequently, from July 1, 2011 these titles were amortized 50% on showing the first run, 28% on showing the second run and 22% on showing the third run. The impact of this change is a lower amortization charge of approximately US\$ 3.9 million for the year ended December 31, 2011. Had we continued with our estimate to amortize content with an estimated three runs by 60% on the first run, 30% on the second run and 10% on the third run from January 1, 2011 to December 31, 2011 our net loss attributable to CME Ltd., basic net loss per common share and diluted net loss per common share would have been US\$ (178.5) million, US\$ (2.77) and US\$ (2.77), respectively, for the year ended December 31, 2011.

Produced program rights

Program rights that are produced by us consist of deferred film and television costs including direct costs, production overhead and development costs. The costs are stated at the lower of cost, less accumulated amortization, or fair value. The amount of capitalized production costs recognized as cost of revenues for a given production as it is exhibited in various markets is determined using the film forecast method. The proportion of costs recognized is equal to the proportion of the revenue recognized compared to the total revenue expected to be generated throughout the product's life cycle (the "ultimate revenues"). Our process for evaluating ultimate revenues is tailored to the potential we believe a title has for generating multiple revenues. The majority of our production is intended primarily for exploitation by our own broadcasters. In such cases, we consider mainly the free television window in our calculation of the ultimate revenues. For produced and acquired feature films or other projects where we have a supportable expectation of generating multiple revenue streams, we base our estimates of ultimate revenues for each film on factors such as the historical performance of similar films, the star power of the actors and actresses, the rating and genre of the film, pre-release market research (including test market screenings) and the expected number of theaters in which the film will be released. These estimates are updated based on information available on the progress of the film's production and upon release, the actual results of each film.

Produced program rights are amortized on an individual production basis using the ratio of the current period's gross revenues to estimated remaining total ultimate revenues from such programs. Such program rights are stated at the lower of cost less accumulated amortization or fair value. Produced program rights are evaluated to determine if expected revenues, less additional costs to be incurred (including exploitation costs) are sufficient to cover the unamortized portion of the program. To the extent that expected revenues are insufficient, the program rights are written down to their fair value.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the fair value of consideration paid over the fair value of net tangible and other identifiable intangible assets acquired in a business combination.

We evaluate the carrying value of goodwill for impairment in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment exists when the carrying value of a reporting unit (including its goodwill), exceeds its fair value after adjusting for any impairments of long-lived assets or indefinite-lived intangible assets.

Goodwill impairment is measured as the excess of the carrying value of goodwill over its implied fair value, which is calculated by deducting the fair value of all assets, including recognized and unrecognized intangible assets from the fair value of the reporting unit. We have three operating segments, which are also our reportable segments as described in Note 18, "Segment Data". We have determined that we have ten reporting units whose fair value is determined based on estimates of future cash flows discounted at appropriate rates and on publicly available information, where appropriate. In the assessment of discounted future cash flows the following data is used: management plans for a period of at least five years, a terminal value at the end of this period assuming an inflationary perpetual growth rate, and a discount rate selected with reference to the relevant cost of capital.

Indefinite-lived intangible assets consist of certain acquired broadcast licenses and trademarks. Broadcast licenses are assigned indefinite lives after consideration of the following conditions:

- We intend to renew the licenses into the foreseeable future and we have precedents of renewals or reasonable expectation of renewals;
- We do not expect any substantial cost to be incurred as part of a future license renewal and no costs have been incurred in the renewals to date; and
- We have not experienced any historical evidence of a compelling challenge to our holding these licenses.

Indefinite-lived intangible assets are not amortized. We evaluate indefinite-lived intangible assets for impairment in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment loss is recognized if the carrying value of an indefinite-lived intangible asset exceeds its fair value.

During the annual review for impairment, we evaluated the criteria listed above and determined that the indefinite life assertion for acquired broadcast licenses was no longer appropriate. As a result, we evaluated the licenses for impairment and will prospectively amortize the balance over the remaining useful lives as described in Note 4, "Goodwill and Intangible Assets". Also, we changed our estimate of the remaining useful lives of certain amortized broadcast licenses, and will prospectively amortize the carrying values as of January 1, 2012 over the remaining period. The impact of these changes is included in the disclosure of amortization expense for each of the five succeeding fiscal years, included in Note 4, "Goodwill and Intangible Assets".

On January 1, 2011, the Company adopted guidance issued in December 2010, which modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test after assessing whether or not it is more likely than not that the reporting units' goodwill is impaired. In determining whether it is more likely than not that goodwill is impaired, any adverse qualitative factors indicating that impairment may exist are to be considered. The amendments in this guidance did not impact our financial position or results of operations.

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Income Taxes

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more likely than not to be realized. In evaluating the realizability of our deferred tax assets, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations.

We recognize in the Consolidated Financial Statements those tax positions determined to be “more likely than not” of being sustained upon examination, based on the technical merits of the positions and we recognize, when applicable, both accrued interest and penalties related to uncertain tax positions in income tax expense in the accompanying Consolidated Statements of Operations.

Foreign Currency

Translation of financial statements

Our reporting currency and functional currency is the dollar. The financial statements of our operations whose functional currency is other than the dollar are translated from such functional currency to dollars at the exchange rates in effect at the balance sheet date for assets and liabilities, and at weighted average rates for the period for revenues and expenses, including gains and losses. Translational gains and losses are charged or credited to Accumulated Other Comprehensive Income / (Loss), a component of Equity.

Transactions in foreign currencies

Gains and losses from foreign currency transactions are included in foreign currency exchange (loss) / gain, net in the Consolidated Statement of Operations in the period during which they arise.

Leases

Leases are classified as either capital or operating. Those leases that transfer substantially all benefits and risks of ownership of the property to us are accounted for as capital leases. All other leases are accounted for as operating leases.

Capital leases are accounted for as assets and are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Commitments to repay the principal amounts arising under capital lease obligations are included in current liabilities to the extent that the amount is repayable within one year; otherwise the principal is included in non-current liabilities. The capitalized lease obligation reflects the present value of future lease payments. The financing element of the lease payments is charged to interest expense over the term of the lease.

Operating lease costs are expensed on a straight-line basis over the term of the lease.

Financial Instruments

Fair value of financial instruments

The carrying value of financial instruments, including cash, accounts receivable, and accounts payable and accrued liabilities, approximate their fair value due to the short-term nature of these items. The fair value of our Senior Debt (as defined hereinafter) is included in Note 5, “Long-term Debt and Other Financing Arrangements”.

Derivative financial instruments

We use derivative financial instruments for the purpose of mitigating currency risks, which exist as part of ongoing business operations. As a policy, we do not engage in speculative or leveraged transactions, nor do we hold or issue derivative financial instruments for trading purposes.

Forward exchange contracts and currency swaps are used to mitigate exposures to currency fluctuations on certain short-term transactions generally denominated in currencies other than our functional currency. These contracts are marked to market at the balance sheet date, and the resultant unrealized gains and losses are recorded in the Consolidated Statement of Operations, together with realized gains and losses arising on settlement of these contracts.

Stock-Based Compensation

Stock-based compensation is recognized at fair value. We calculate the fair value of stock option awards using the Black-Scholes option pricing model and recognize the compensation cost over the vesting period of the award.

Contingencies

The estimated loss from a loss contingency such as a legal proceeding or claim is recorded in the Consolidated Statement of Operations if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a loss contingency is made if there is at least a reasonable possibility that a loss has been incurred.

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Discontinued Operations

We present our results of operations, financial position and cash flows of operations that have either been sold or that meet the criteria for "held-for-sale accounting" as discontinued operations if the cash flows associated with the group of assets will be significantly eliminated from the ongoing operations of the Company and we will have no significant continuing involvement in the group of assets after the disposal transaction. At the time an operation qualifies for held-for-sale accounting, the operation is evaluated to determine whether or not the carrying value exceeds its fair value less cost to sell. Any loss as a result of carrying value in excess of fair value less cost to sell is recorded in the period the operation meets held-for-sale accounting. Management judgment is required to (1) assess the criteria required to meet held-for-sale accounting, and (2) estimate fair value. Changes to the operation could cause it to no longer qualify for held-for-sale accounting and changes to fair value could result in an increase or decrease to previously recognized losses.

On April 7, 2010, we completed the sale of our former operations in Ukraine to Harley Trading Limited, a company beneficially owned by Igor Kolomoisky, a CME Ltd. shareholder and a former member of our Board of Directors, for total consideration of US\$ 308.0 million. The results of our former Ukraine operations have therefore been accounted for as discontinued operations for all periods presented.

Summarized operating results for the years ending December 31, 2010 and 2009 for the Ukraine disposal group are as follows:

| | For the Years Ending December 31, | |
|--|--|-------------|
| | 2010 | 2009 |
| Revenues | \$ 16,888 | \$ 32,083 |
| Cost of revenues | (19,473) | (70,257) |
| Selling, general and administrative expenses | (2,223) | (6,301) |
| Operating loss | (4,808) | (44,475) |
| Foreign exchange gain | 891 | (458) |
| Other income | 25 | 171 |
| Loss before tax | (3,892) | (44,762) |
| Gain on sale | 217,619 | — |
| Provision for income tax | (30) | 7,938 |
| Income from discontinued operations | \$ 213,697 | \$ (36,824) |

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense incurred for the years ending December 31, 2011, 2010 and 2009 totaled US\$ 7.6 million, US\$ 8.6 million and US\$ 12.5 million, respectively.

Earnings Per Share

Basic net income per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common and dilutive potential common shares outstanding during the period calculated using the treasury stock method.

Business Combinations

When we acquire a business, we allocate the purchase price to the various components of the acquisition based upon the fair value of each component. Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination. A gain may be recognized to the extent the purchase price is less than the fair value of net tangible and intangible assets acquired. Transaction costs related to the acquisition of a business are expensed as incurred.

On January 1, 2011, we adopted guidance issued in December 2010, which clarifies the acquisition date that should be used for reporting the pro forma financial information disclosures when comparative financial statements are presented. The amendments specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The guidance also requires a description of the nature and amount of material, nonrecurring pro forma adjustments that are directly attributable to the business combination(s). This guidance will impact our disclosures for future significant acquisitions, but there has been no impact on our financial position or results of operations.

Recent Accounting Pronouncements

In May 2011, guidance was issued which represents clarifications of common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP. It also includes instances where a particular principle or requirement for measuring fair value has changed. The guidance is effective prospectively for interim and annual periods beginning after December 15, 2011. The adoption of this guidance is not expected to have a material impact on our financial position, results of operations or cash flows.

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In June 2011, guidance was issued which gives entities the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Our Consolidated Financial Statements already present the components of net income and other comprehensive income in two separate but consecutive statements. In December 2011, additional guidance was released deferring the requirement to present reclassifications out of accumulated other comprehensive income.

In September 2011, guidance was issued to simplify how entities test goodwill for impairment by providing an option to first assess qualitative factors to determine whether the existence of events or circumstances indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not necessary. The guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance will impact how we perform our goodwill testing, but not the amount of impairment recognized in the Consolidated Financial Statements if goodwill is found to be impaired.

In December 2011, guidance was issued requiring entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and subject to an agreement similar to a master netting arrangement. The guidance is effective for fiscal years, and interim periods within those years, beginning after January 1, 2013. We do not engage in speculative trading and the adoption of this guidance will not impact our Consolidated Balance Sheet.

3. ACQUISITIONS AND DISPOSITIONS

Acquisition of Bontonfilm

On June 30, 2011, we completed the acquisition of 100.0% of the shares of Bontonfilm, a Czech company, from an affiliate of Bancroft Private Equity, LLP and other minority shareholders. The results of Bontonfilm's operations have been included in the Consolidated Financial Statements since that date. Bontonfilm is a theatrical, home entertainment, broadcast television and digital film rights distribution company in the Czech Republic and the Slovak Republic.

The purchase price was set on a debt-free basis and consisted of initial cash consideration of US\$ 11.0 million paid at closing, with approximately US\$ 3.0 million of cash in the business as of June 30, 2011. Additional cash consideration of approximately US\$ 0.8 million was deposited into escrow and released to the sellers during December 2011.

We performed a fair value exercise to allocate the purchase price to the acquired assets and liabilities and separately identifiable intangible assets as at June 30, 2011, which was finalized as of December 31, 2011. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

| | Fair Value on Date of Acquisition (in US\$ 000's) | |
|---|--|---------------|
| Cash and cash equivalents | \$ | 3,011 |
| Property, plant and equipment | | 384 |
| Program rights | | 201 |
| Inventory | | 2,978 |
| Other intangible assets subject to amortization (1) | | 1,999 |
| Deferred tax assets, net | | 862 |
| Other assets, net (2) | | 838 |
| Goodwill (3) | | 1,477 |
| Total purchase price | \$ | 11,750 |

(1) The other intangible assets subject to amortization consist of distribution relationships with studios and are being amortized on a straight-line basis over an estimated life of 8.5 years.

(2) Amount includes US\$ 4.0 million of acquired receivables, which represents management's best estimate of the approximately US\$ 7.1 million contractual cash flows expected to be collected as of the acquisition date.

(3) No goodwill is deductible for tax purposes.

A change to the acquisition date value of the identifiable net assets during the measurement period affects the amount of the purchase price allocated to goodwill. Changes to the purchase price allocation are adjusted retrospectively to the consolidated financial results. The values above include measurement period adjustments recorded in the third quarter of 2011 with an increase in goodwill amounting to US\$ 0.8 million, net of a US\$ 0.8 million decrease in the additional cash consideration recorded as of June 30, 2011. The measurement period adjustments were recorded based on information obtained subsequent to the acquisition related to the closing balance sheet and additional consideration calculation available at the acquisition date.

All of the goodwill was allocated to the distribution reporting unit in the MPE operating segment, and arises primarily as a result of expected synergies within the reporting unit.

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Acquisition of Pro Digital

On January 31, 2011, we completed the acquisition of 100.0% of Pro Digital S.R.L. ("Pro Digital"), a company that was controlled and majority owned by Adrian Sarbu, our President and Chief Executive Officer and a member of our Board of Directors, on a debt-free basis for cash consideration of EUR 0.7 million (approximately US\$ 0.9 million at the date of acquisition). Pro Digital is a free-to-air broadcaster in Moldova whose broadcasts on its PRO TV CHISINAU channel are comprised primarily of rebroadcasts of our PRO TV channel in Romania. In connection with this transaction, we recorded EUR 0.5 million (approximately US\$ 0.7 million at the date of acquisition) of goodwill, which was allocated to the Romania reporting unit in the Broadcast operating segment.

Acquisition of the bTV group

On April 19, 2010, we completed the acquisition of the bTV group in Bulgaria from News Netherlands B.V. through our subsidiary, CME Bulgaria. The acquisition was comprised of (i) 100.0% of BTV Media (formerly Balkan News Corporation EAD), which, at the time of the acquisition, owned a 74.0% interest in Radio Company C.J. OOD ("RCJ") and (ii) 100.0% of TV Europe B.V., which owned 100.0% of Triada Communications EOOD ("Triada") (prior to its merger into BTV Media in February 2011). At the time of the acquisition, BTV Media operated and broadcast the BTV, BTV CINEMA and BTV COMEDY television channels and RCJ operated several radio stations in Bulgaria. As discussed below, we currently own 94.0% of BTV Media. BTV is the leading television channel in Bulgaria and through this acquisition, we have continued to implement our operating model whose success is based on audience leadership and high operating leverage across multichannel television, internet and content.

Using the proceeds from the sale of our former operations in Ukraine (as described below), we acquired the bTV group on a debt-free basis for cash consideration of US\$ 409.9 million. We incurred approximately US\$ 4.4 million of costs related to this acquisition, which are included within selling, general and administrative expenses in the Consolidated Statement of Operations for the year ended December 31, 2010.

We performed a fair value exercise to allocate the purchase price to the acquired assets and liabilities and separately identifiable intangible assets as at April 19, 2010, which was finalized as of December 31, 2010. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

| | <u>Fair value on acquisition</u> |
|-------------------------------|----------------------------------|
| Cash and cash equivalents | \$ 485 |
| Restricted cash | 3,560 |
| Broadcast licenses (1) | 178,158 |
| Trademark (2) | 74,066 |
| Customer relationships (3) | 37,322 |
| Programming rights | 6,383 |
| Property, plant and equipment | 8,579 |
| Other assets, net (4) | 14,851 |
| Deferred tax liabilities | (29,100) |
| Goodwill (5) | 115,641 |
| Total purchase price | \$ 409,945 |

(1) License agreements are being amortized on a straight-line basis over an estimated life of 24 years as at December 31, 2011. We changed our estimate of the remaining useful life as of January 1, 2012, see Note 4 "Goodwill and Intangible Assets".

(2) The trademark is deemed to have an indefinite life.

(3) Customer relationships are being amortized on a straight-line basis over an estimated life of 15 years.

(4) Amount includes US\$ 21.0 million of acquired receivables which represent the best estimate of the US\$ 21.0 million contractual cash flows expected to be collected as of the acquisition date.

(5) No goodwill is expected to be deductible for tax purposes.

We recorded an impairment of the trademark and goodwill during 2011, see Note 4 "Goodwill and Intangible Assets".

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The following table presents unaudited pro forma results of operations of CME Ltd. as if the acquisition of the bTV group had occurred as of January 1, 2009. This pro forma financial information is not indicative of the results of operations that the Company would have attained had the acquisition of the bTV group occurred as of January 1, 2009, nor is the pro forma financial information indicative of the results of operations that may occur in the future:

| | For the Years Ending December 31, | |
|---|--|-------------|
| | 2010 | 2009 |
| Revenues | \$ 759,287 | \$ 773,966 |
| Net income / (loss) | 98,945 | (92,190) |
| Net income / (loss) attributable to CME Ltd. | 102,347 | (81,540) |
| Net income / (loss) attributable to CME Ltd. - basic and diluted earnings per share | 1.60 | (1.50) |
| Weighted average common shares - basic and diluted earnings per share | 64,029 | 54,344 |

In 2010, the bTV group reported revenues of US\$ 58.3 million in the period since acquisition on April 19, 2010. The financial information for the bTV group is reflected within the broadcast segment and the related goodwill associated with the bTV group acquisition has been assigned to the Bulgaria Broadcast reporting unit.

Restructuring of the Pro.BG business

On April 19, 2010, we entered into an amended sale and purchase agreement (the "SPA") with Top Tone Holdings and Mr. Krassimir Guergov to restructure the operations of the BTV ACTION (formerly PRO.BG) and RING.BG (formerly RING TV) channels (together, the "Pro.BG business"). On April 22, 2010, pursuant to the SPA, Top Tone Holdings transferred to us its 20.0% interest in each of Top Tone Media S.A. and Zopal S.A and purchased a 6.0% interest in CME Bulgaria from us for US\$ 17.7 million, and pursuant to a deed of termination, we terminated our existing agreements in respect of the Pro.BG business with Top Tone Holdings and Mr. Guergov for consideration of US\$ 18.0 million. This resulted in a net cash payment of approximately US\$ 0.3 million to Top Tone Holdings. Following the restructuring of the Pro.BG business, we owned 94.0% of the bTV group and 100.0% of the Pro.BG business, which we since have combined with the bTV group operations.

On April 22, 2010, we also entered into an investment agreement with Top Tone Holdings which included a share option agreement that gives it the right to acquire up to an additional 4.0% of CME Bulgaria (i) for a one-year period from April 22, 2010 for US\$ 2.95 million for each 1.0% interest acquired (up to an aggregate amount of US\$ 11.8 million) and (ii) from April 22, 2011 until April 22, 2013, at a price to be determined by an independent valuation. We measured the fair value of this call option of Top Tone Holdings using a binomial option pricing model and a liability for its fair value of US\$ 3.0 million was recorded at the date of the transaction. Subsequent changes in fair value are recognized in the Consolidated Statement of Operations in accordance with ASC Topic 815, *Derivatives and Hedging* for the first year of the call option. After the first year, the strike price of the call option is the fair value of the underlying and, as a result, the value of the option is zero and no further changes are reflected in the income statement (see Note 12, "Financial Instruments and Fair Value Measurements"). Also pursuant to the share option agreement, Top Tone Holdings has the right to put its entire interest to us and we have the right to call from Top Tone Holdings its entire interest from April 22, 2013, in each case at a price to be determined by an independent valuation. This option is recognized at fair value of US\$ nil. During December 2011, we were notified that Top Tone Holdings intends to exercise its right to acquire additional equity in CME Bulgaria.

We concluded that these transactions should be accounted for together as the acquisition of a noncontrolling interest in a subsidiary where control is maintained under ASC Topic 810. Accordingly, we recognized the excess of the fair value of the consideration over the adjustment to noncontrolling interest as an adjustment to additional paid-in capital.

The amounts allocated to consideration for the acquisition of the 20.0% noncontrolling interest in the Pro.BG business in exchange for the 6.0% noncontrolling interest in CME Bulgaria (with a fair value of US\$ 17.7 million at the date of the transaction) consisted of a net cash payment of US\$ 0.3 million and US\$ 3.0 million for the fair value of the option granted to Top Tone Holdings. The balance of the noncontrolling interest recorded at the date of acquisition was an accumulated loss of approximately US\$ 13.7 million which resulted in a US\$ 34.7 million reduction to additional paid-in capital.

Acquisition of noncontrolling interest

On May 24, 2010, we acquired the remaining approximately 5.0% ownership interest in each of Pro TV S.A. ("Pro TV"), Media Pro International ("MPI") and Media Vision S.R.L. ("MVI") from Adrian Sarbu, thereby increasing our ownership interests in each company to 100.0%. Consideration for the noncontrolling interest acquired was US\$ 24.7 million, consisting of a cash payment of approximately US\$ 6.2 million and the issuance of 800,000 shares of our Class A common stock (with a fair value of US\$ 18.5 million at the date of acquisition). We concluded that this transaction should be accounted as the acquisition of a noncontrolling interest in a subsidiary where control is maintained under ASC Topic 810. Accordingly we recognized the excess of the fair value of the consideration over the adjustment to noncontrolling interest as an adjustment to additional paid-in capital. The balance of noncontrolling interest recorded at the date of acquisition was accumulated income of US\$ 0.7 million, thereby resulting in a US\$ 24.0 million reduction to additional paid-in capital.

In connection with this transaction, the put option agreements of July 2004, which gave Mr. Sarbu the right to sell us his remaining shareholding in Pro TV and MPI, were terminated.

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Disposal of operations in Ukraine

On April 7, 2010, we completed the sale of our former operations in Ukraine to Harley Trading Limited, a company beneficially owned by Igor Kolomoisky, for total gross proceeds of US\$ 308.0 million (see Note 2, "Summary of significant accounting policies").

Acquisition of Media Pro Entertainment

In order to progress our strategy to become a vertically integrated media company, on December 9, 2009, we acquired the companies comprising the Media Pro Entertainment business from Alerria Management Company S.A. ("Alerria") (formerly known as Media Pro Management S.A.) and Metrodome B.V. ("Metrodome") (formerly known as Media Pro B.V.), two companies beneficially owned by Adrian Sarbu.

The acquisition was primarily comprised of Media Pro Pictures S.A., Studiourile Media Pro S.A., Pro Video S.R.L., Media Pro Distribution S.R.L. and Media Pro Pictures s.r.o. These companies produce and distribute television and film content and own studio and production facilities and cinemas in Central and Eastern Europe.

Following the acquisition, we integrated our existing fiction, reality and entertainment television production units with the acquired entities and created a dedicated content segment called Media Pro Entertainment consisting of fiction, reality and entertainment production services and distribution operations across all of our territories. This acquisition provided us with a proven source of content which will allow us to create new content and further diversify our revenue streams. This acquisition has and is expected to deliver significant synergies over the medium-term, including in cost, quality and availability of local production for our operating segments.

Total consideration was comprised of US\$ 10.0 million in cash, 2.2 million shares of our Class A common stock with a fair value of US\$ 55.4 million at the date of acquisition and warrants to purchase up to 850,000 shares of our Class A common stock at a price of US\$ 21.75 per share, valued at US\$ 13.8 million at the date of acquisition. In connection with the acquisition, CME Investments B.V. transferred a 10.0% interest in Metrodome and 8.7% interest in Alerria that it previously owned to Mr. Sarbu for no additional consideration, together valued at US\$ 19.2 million at the date of acquisition.

We measured the fair value of the warrants on acquisition using the Black Scholes method using the following assumptions, which are consistent with those used to estimate the value of stock options as disclosed in Note 16, "Stock-Based Compensation".

| | | |
|--------------------|----|---------|
| Market Price | \$ | 25.20 |
| Exercise Price | \$ | 21.75 |
| Expected Term | | 6 years |
| Volatility | | 67.8% |
| Dividend Rate | | 0.0% |
| Risk Free Rate | | 1.67% |
| Warrant value | \$ | 16.198 |
| Number of warrants | | 850,000 |
| Total Value | | 13,768 |

At the date of the acquisition, we determined that the warrants met the definition of an equity instrument within the scope of ASC Topic 480, *Distinguishing Liabilities from Equity*, and consequently recognized them on issuance at fair value within Additional Paid-In Capital. Subsequent changes in fair value have not been, and will not be, recognized as long as the instruments continue to be classified within Equity.

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We performed a fair value exercise to allocate the purchase price to the acquired assets and liabilities and separately identifiable intangible assets as at December 9, 2009, which was finalized as of December 31, 2010 after resolving certain tax positions. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

| | Fair Value on Date of Acquisition (in US\$'000's) |
|---|--|
| Cash and cash equivalents | \$ 6,638 |
| Property, plant and equipment | 77,495 |
| Program rights | 17,802 |
| Trademarks | 7,254 |
| Other intangible assets subject to amortization (1) | 4,992 |
| Deferred tax assets | 7,424 |
| Deferred tax liabilities | (18,808) |
| Other net liabilities (2) | (54,614) |
| Noncontrolling interest | (2,916) |
| Goodwill (3) | 53,178 |
| Total purchase price | <u>\$ 98,445</u> |

(1) The other intangible assets subject to amortization consist of favorable lease agreements which are being amortized over the life of the lease using the effective interest method.

(2) Amount includes US\$ 16.4 million of acquired receivables, which represents the best estimate of the US\$ 18.8 million contractual cash flows expected to be collected at the acquisition date.

(3) No goodwill is deductible for tax purposes.

Acquisition of Televideo

On September 2, 2009, we acquired the remaining 80.0% ownership interest in TELEVIDEO d.o.o. in Slovenia for cash consideration of EUR 1.2 million (approximately US\$ 1.7 million at the date of acquisition). TELEVIDEO d.o.o. operates the POP BRIO channel (formerly TV PIKA) in Slovenia, a female-orientated general cable channel. In connection with this transaction we allocated EUR 0.2 million (approximately US\$ 0.3 million) to trademarks and EUR 1.7 million (approximately US\$ 2.4 million) to goodwill.

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4. GOODWILL AND INTANGIBLE ASSETS

Goodwill:

Goodwill by reporting unit as at December 31, 2011 and December 31, 2010 is summarized as follows:

| | Gross Balance, December 31, 2009 | Accumulated Impairment Losses | Balance, December 31, 2009 | Additions/ Adjustments | Impairment Charge | Foreign Currency | Balance, December 31, 2010 | Accumulated Impairment Losses | Gross Balance, December 31, 2010 |
|---|---|-------------------------------------|----------------------------------|---------------------------|----------------------|---------------------|----------------------------------|-------------------------------------|---|
| Broadcast segment: | | | | | | | | | |
| Bulgaria | 64,044 | (64,044) | — | 115,641 | — | (1,308) | 114,333 | (64,044) | 178,377 |
| Croatia | 11,211 | (10,454) | 757 | — | — | (60) | 697 | (10,454) | 11,151 |
| Czech Republic | 936,268 | — | 936,268 | — | — | (19,123) | 917,145 | — | 917,145 |
| Romania | 69,825 | — | 69,825 | — | — | (5,848) | 63,977 | — | 63,977 |
| Slovak Republic | 62,990 | — | 62,990 | — | — | (4,565) | 58,425 | — | 58,425 |
| Slovenia | 20,398 | — | 20,398 | — | — | (1,478) | 18,920 | — | 18,920 |
| Media Pro Entertainment segment: | | | | | | | | | |
| Fiction and reality and entertainment | 18,537 | — | 18,537 | 2,580 | — | (1,806) | 19,311 | — | 19,311 |
| Production services | 9,950 | — | 9,950 | 1,240 | — | (879) | 10,311 | — | 10,311 |
| Distribution | 17,548 | — | 17,548 | 2,336 | — | (1,701) | 18,183 | — | 18,183 |
| Total | 1,210,771 | (74,498) | 1,136,273 | 121,797 | — | (36,768) | 1,221,302 | (74,498) | 1,295,800 |

| | Gross Balance, December 31, 2010 | Accumulated Impairment Losses | Balance, December 31, 2010 | Additions/ Adjustments | Impairment Charge | Foreign Currency | Balance, December 31, 2011 | Accumulated Impairment Losses | Gross Balance, December 31, 2011 |
|---|---|-------------------------------------|----------------------------------|---------------------------|----------------------|---------------------|----------------------------------|-------------------------------------|---|
| Broadcast segment: | | | | | | | | | |
| Bulgaria | \$ 178,377 | \$ (64,044) | \$ 114,333 | \$ — | \$ (53,416) | \$ (1,983) | \$ 58,934 | \$ (117,460) | \$ 176,394 |
| Croatia | 11,151 | (10,454) | 697 | — | — | (35) | 662 | (10,454) | 11,116 |
| Czech Republic | 917,145 | — | 917,145 | — | — | (54,688) | 862,457 | — | 862,457 |
| Romania | 63,977 | — | 63,977 | 707 | — | (2,606) | 62,078 | — | 62,078 |
| Slovak Republic | 58,425 | — | 58,425 | — | — | (1,850) | 56,575 | — | 56,575 |
| Slovenia | 18,920 | — | 18,920 | — | — | (599) | 18,321 | — | 18,321 |
| Media Pro Entertainment segment: | | | | | | | | | |
| Fiction and reality and entertainment | 19,311 | — | 19,311 | (1,029) | — | (780) | 17,502 | — | 17,502 |
| Production services | 10,311 | — | 10,311 | 1,029 | (11,028) | (312) | — | (11,028) | 11,028 |
| Distribution | 18,183 | — | 18,183 | 1,477 | — | (996) | 18,664 | — | 18,664 |
| Total | \$ 1,295,800 | \$ (74,498) | \$ 1,221,302 | \$ 2,184 | \$ (64,444) | \$ (63,849) | \$ 1,095,193 | \$ (138,942) | \$ 1,234,135 |

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Broadcast licenses and other intangible assets:

The net book value of our broadcast licenses and other intangible assets as at December 31, 2011 and December 31, 2010 is summarized as follows:

| | Indefinite- Lived Broadcast Licenses | Amortized Broadcast Licenses | Trademarks | Customer Relationships | Other | Total |
|-----------------------------------|---|------------------------------------|-------------------|---------------------------|-----------------|-------------------|
| Balance, December 31, 2009 | \$ 58,506 | \$ 152,488 | \$ 74,580 | \$ 61,377 | \$ 6,292 | \$ 353,243 |
| Additions | — | 178,158 | 74,066 | 37,322 | — | 289,546 |
| Impairment | — | — | (397) | — | — | (397) |
| Amortization | — | (15,133) | (1,516) | (8,249) | (1,089) | (25,987) |
| Foreign currency movements | (4,670) | (5,968) | (5,061) | (4,654) | (411) | (20,764) |
| Balance, December 31, 2010 | \$ 53,836 | \$ 309,545 | \$ 141,672 | \$ 85,796 | \$ 4,792 | \$ 595,641 |
| Additions | — | — | — | — | 2,034 | 2,034 |
| Impairment | — | — | (4,304) | — | — | (4,304) |
| Amortization | — | (18,759) | (5,692) | (9,200) | (1,230) | (34,881) |
| Foreign currency movements | (2,036) | (10,576) | (5,031) | (2,250) | (402) | (20,295) |
| Balance, December 31, 2011 | \$ 51,800 | \$ 280,210 | \$ 126,645 | \$ 74,346 | \$ 5,194 | \$ 538,195 |

Until December 31, 2011, our broadcast licenses in Croatia, Romania and Slovenia were determined to have indefinite lives and were subject to annual impairment reviews. The licenses in Bulgaria were determined to have an estimated economic useful life of, and were amortized on a straight-line basis over, twenty-four years. Licenses in the Czech Republic were determined to have an economic useful life of, and were amortized on a straight-line basis over, twenty years. The license in the Slovak Republic was determined to have an economic useful life of, and was amortized on a straight-line basis over, thirteen years. We revised our estimate of the remaining useful life of certain of our Broadcast licenses as of January 1, 2012, and will prospectively amortize the remaining balances on a straight-line basis over the following periods, which are generally the remaining contractual life of the license: twelve years in Bulgaria, thirteen years in Czech Republic, three years in Romania, eight years in the Slovak Republic, and ten years in Slovenia. The license in Croatia was previously written down to a nominal value. The indefinite-lived licenses were not impaired as at December 31, 2011.

Customer relationships are deemed to have an economic useful life of, and are amortized on a straight-line basis over, five to fifteen years. Trademarks have an indefinite life. The amortized trademarks had a carrying amount of US\$ 0.0 million and US\$ 5.8 million as at December 31, 2011 and December 31, 2010, respectively.

The gross value and accumulated amortization of broadcast licenses and other intangible assets was as follows at December 31, 2011 and December 31, 2010:

| | December 31, 2011 | December 31, 2010 |
|--|-------------------|-------------------|
| Gross value | \$ 514,640 | \$ 538,884 |
| Accumulated amortization | (154,891) | (132,955) |
| Net book value of amortized intangible assets | 359,749 | 405,929 |
| Indefinite-lived broadcast licenses and trademarks | 178,446 | 189,712 |
| Total broadcast licenses and other intangible assets, net | \$ 538,195 | \$ 595,641 |

The estimated amortization expense for our intangible assets with finite lives as of December 31, 2011, which includes the change in estimates noted above, is as follows:

| | |
|------|-----------|
| 2012 | \$ 46,563 |
| 2013 | 46,194 |
| 2014 | 45,573 |
| 2015 | 31,733 |
| 2016 | 31,736 |

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Impairment of Goodwill, indefinite-lived intangible assets and long-lived assets:

Process of reviewing goodwill, indefinite-lived intangible assets and long-lived assets for impairment.

We review both goodwill and indefinite-lived intangible assets for impairment in the fourth quarter of each year. Goodwill is evaluated at the reporting unit level and each indefinite-lived intangible asset is evaluated individually. Long-lived assets are evaluated at the asset group level when there is an indication that they may be impaired.

Whenever events occur which suggest any asset in a reporting unit may be impaired, an evaluation of the goodwill and indefinite-lived intangible assets, together with the associated long-lived assets of each asset group, is performed. Outside our annual review, there are a number of factors which could trigger an impairment review, including:

- under-performance of operating segments or changes in projected results;
- changes in the manner of utilization of an asset;
- severe and sustained declines in the trading price of shares of our Class A common stock that are not attributable to factors other than the underlying value of our assets;
- negative market conditions or economic trends; and
- specific events, such as new legislation, new market entrants, changes in technology or adverse legal judgments that we believe could have a negative impact on our business.

In testing the goodwill of each reporting unit, the fair value of the reporting unit is compared to the carrying value of its net assets, including goodwill. If the fair value of the reporting unit is less than its carrying value, the fair value of the reporting unit is then measured against the fair value of its underlying assets and liabilities, excluding goodwill, to estimate an implied fair value of the reporting unit's goodwill. The fair value of each reporting unit is determined using discounted estimated future cash flow models. Our expectations of these cash flows are developed during our long- and short-range business planning processes and incorporate several variables, including, but not limited to, discounted cash flows of a typical market participant, future market revenue and long-term growth projections, estimated market share for the typical participant and estimated profit margins based on market size and operation type. The cash flow model also assumes outlays for capital expenditures, future terminal values, an effective tax rate assumption and a discount rate based on number of factors including market interest rates, a weighted average cost of capital analysis of the media industry and includes adjustments for market risk.

An impairment loss is recognized for any excess of the carrying value of the reporting unit's goodwill over the implied fair value of that goodwill after adjusting for any impairment of indefinite-lived intangible assets or long-lived assets.

Indefinite-lived intangible assets are evaluated for impairment by comparing the fair value of the asset to its carrying value. Any excess of the carrying value over the fair value is recognized as an impairment charge.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to our estimate of the undiscounted future cash flows we expect that asset group will generate. If the carrying amount of an asset exceeds our estimate of its undiscounted future cash flows, an impairment charge is recognized equal to the amount by which the carrying amount exceeds the fair value of the respective asset.

Assessing goodwill, indefinite-lived intangible assets and long-lived assets for impairment is a complex iterative process that requires significant judgment and involves a great deal of detailed quantitative and qualitative business-specific analysis and many individual assumptions which fluctuate with the passage of time. Our estimate of the cash flows our operations will generate in future periods forms the basis for most of the significant assumptions inherent in our impairment reviews. Our expectations of these cash flows are developed during our long- and short-range business planning processes, which are designed to address the uncertainties inherent in the forecasting process by capturing a range of possible views about key trends which govern future cash flow growth. Historically, the overall cash flow growth rates achieved by our operations have not provided a good indication of future cash flows. This is largely because the markets in which we operate are relatively new and have experienced high levels of growth as advertising markets became rapidly established. Instead, we have observed over many years a strong positive correlation between the macro economic performance of our markets and the size of the television advertising market and ultimately the cash flows we generate. With this in mind, we have placed a high importance on developing our expectations for the future development of the macro economic environment in general and the advertising market and our share of it in particular. While this has involved an appreciation of historical trends, we have placed a higher emphasis on forecasting these market trends, which has involved detailed review of macro-economic data, a range of both proprietary and publicly-available estimates for future market development, and a process of on-going consultation with local management.

Some of the key assumptions underpinning these forecasts include the size of the absolute reduction in the television advertising market during the economic downturn, the point at which growth will resume and the speed with which historical levels of demand will be achieved. In developing our forecasts of future cash flows we take into account available external estimates in addition to considering developments in each of our markets, which provide direct evidence of the state of the market and future market development. In concluding whether a goodwill impairment charge is necessary, we perform the impairment test under a range of possible scenarios. In order to check the reasonableness of the fair values implied by our cash flow estimates we also calculate the value of shares of our Class A common stock implied by our cash flow forecasts and compare this to actual traded values to understand the difference between the two.

The table below shows the key measurements involved and the valuation methods applied:

| Measurement | Valuation Method |
|---|--------------------------------|
| Recoverability of carrying value | Undiscounted future cash flows |
| Fair value of indefinite-lived broadcast licenses | Build-out method |
| Fair value of indefinite-lived trademarks | Relief from royalty method |
| Fair value of reporting units | Discounted cash flow model |

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Each method noted above involves a number of significant assumptions over an extended period of time which could materially change our decision as to whether assets are impaired. The most significant of these assumptions include: the discount rate applied, the total advertising market size, achievable levels of market share, level of forecast OIBDA and capital expenditure and the rate of growth into perpetuity, each described in more detail below:

- **Cost of capital:** The cost of capital reflects the return a hypothetical market participant would require for a long-term investment in an asset and can be viewed as a proxy for the risk of that asset. We calculate the cost of capital according to the Capital Asset Pricing Model using a number of assumptions, the most significant of which is a Country Risk Premium ("CRP"). The CRP reflects the excess risk to an investor of investing in markets other than the United States and generally fluctuates with expectations of changes in a country's macro-economic environment. The costs of capital that we have applied in all reporting units at the end of 2011 were slightly higher than or comparable to those we had used in our annual impairment review at the end of 2010, which we believe represents a slight increase in the perceived level of risk of investing in emerging markets by market participants.
- **Growth rate into perpetuity:** reflects the level of economic growth in each of our markets from the last forecasted period into perpetuity and is the sum of an estimated real growth rate, which reflects our belief that macro-economic growth in our markets will eventually converge to Western European markets, and long term expectations for inflation. Our estimates of these rates are based on observable market data and have not changed.
- **Total advertising market:** The size of the television advertising market effectively places an upper limit on the advertising revenue we can expect to earn in each business. Our estimate of the total advertising market is developed from a number of external sources, in combination with a process of on-going consultation with local management. In our annual impairment review performed in the fourth quarter, we decreased our short-term view of the size of the television advertising markets based on current market views regarding growth rates in the coming periods before markets recover in the medium- to long-term.
- **Market share:** This is a function of the audience share we expect our businesses to generate, and the relative price at which we can sell advertising. Our estimate of the total advertising market is developed from a number of external sources, in combination with a process of on-going consultation with local management.
- **Forecast OIBDA:** The level of cash flow generated by each operation is ultimately governed by the extent to which we manage the relationship between revenues and costs. We forecast the level of operating costs by reference to (a) the historical absolute and relative levels of costs we have incurred in generating revenue in each business, (b) the operating strategy of each business and (c) specific forecast costs to be incurred. Our annual impairment review includes assumptions to reflect further cost control we intend to execute.
- **Forecast capital expenditure:** The size and phasing of capital expenditure, both recurring expenditure to replace retired assets and investments in new projects, has a significant impact on cash flows. We forecast the level of future capital expenditure based on current strategies and specific forecast costs to be incurred. In line with our ongoing efforts to protect our operating margins, the absolute levels of capital expenditure forecast remained broadly constant from the prior year impairment reviews.

Impairment reviews and charges recognized in 2011

During the third quarter of 2011, there was a significant decrease in the trading price of shares of our Class A common stock, but internal and external estimates of the TV advertising markets in which we operate were for the most part unchanged. As there were no downward revisions to our internal cash flow projections, and our results for the nine months ended September 30, 2011 had improved from the corresponding period of the prior year, we determined it was unlikely that the results of an impairment review, if performed at that time, would reach a conclusion different to the last annual impairment review performed in 2010.

When performing our annual impairment reviews as of December 31, 2011 as discussed above, our forecast of the macro economic environment became more conservative due to uncertainty surrounding the Eurozone and its periphery, in line with the view of the market. Upon conclusion of this review, we determined that a charge was required to impair goodwill in the production services reporting unit and goodwill and intangible assets in the Bulgaria Broadcast reporting unit. In all other cases, the extent to which the respective assets tested passed the impairment test decreased since they were previously tested for impairment in the fourth quarter of 2010, however, the equity fair value was still substantially in excess of the equity carrying value.

We recognized impairment charges in the following reporting units in respect of goodwill and indefinite-lived intangible assets in the year ended December 31, 2011:

| | Trademark | Goodwill | Total |
|---------------------------|-----------------|------------------|------------------|
| MPE - Production Services | \$ — | \$ 11,028 | \$ 11,028 |
| Broadcast - Bulgaria | 4,304 | 53,416 | 57,720 |
| Total | \$ 4,304 | \$ 64,444 | \$ 68,748 |

MPE - Production Services

We revised our estimates of future cash flows in our production services reporting unit during the final quarter of 2011 primarily to reflect an expectation of challenges in growing third party revenues for this reporting unit. As a result of these changes, we concluded that the carrying value exceeded the fair value of the reporting unit and measured for impairment. We concluded the implied fair value of goodwill was zero and recorded impairment to write-off the balance as of December 31, 2011.

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Broadcast - Bulgaria

We revised our estimates of future cash flows in our Bulgaria Broadcast operations during the final quarter of 2011 to reflect our revised expectations of uncertainty in the Eurozone periphery. Bulgaria has been continually impacted by the global economic crisis, which has been reflected in the returns expected by investors resulting from the increased actual and perceived risk of investing in Bulgaria continuing to be higher than their historical norms. We concluded that the trademark recorded in connection with the acquisition of the bTV group was impaired and recorded a charge of US\$ 4.3 million to write it down to its estimated fair value. After adjusting the reporting unit's carrying value for the indefinite-lived intangible asset impairment, we determined that the implied fair value for goodwill exceeded its carrying value by US \$ 53.4 million and recorded this amount as an impairment of goodwill. We determined that the carrying value of the asset group in Bulgaria was recoverable by reference to the expected cash flows to be generated, and therefore no impairment was recorded for long-lived assets or intangible assets subject to amortization.

Impairment reviews and charges recognized in 2010

We performed our annual impairment test in the fourth quarter of 2010 and determined that none of our reporting units were at risk of impairment. As of December 31, 2010, the equity fair value of all our reporting units exceeded their carrying value by more than 10.0%.

In the fourth quarter of 2010, we decided to cease operating InfoPro, a radio channel in Romania and part of our Romania Broadcast segment, and recorded an impairment charge of US\$ 0.4 million to write off the carrying value of the InfoPro trademark after determining that it was not recoverable.

Impairment charges recognized in 2009

During the first and second quarter of 2009, due to the severity of the global economic downturn, continued reduction in the short and medium economic projections for our markets by external analysts, increasing reluctance of advertisers to make spending commitments, the decline in the financial performance of our stations and the decrease in the trading price of shares of our Class A common stock and our market capitalization, we tested our goodwill and broadcast licenses for impairment.

We recognized the following impairment charges in respect of goodwill, indefinite-lived intangible and long-lived assets in the year ended December 31, 2009:

| | Amortized Trademarks | Amortized Broadcast Licenses | Other Intangible Assets | Other Assets | Total |
|-----------------|-------------------------|---------------------------------|----------------------------|--------------|-----------|
| Pro.BG business | \$ 76 | \$ 75,788 | \$ 4,882 | \$ 1,097 | \$ 81,843 |

We did not have any indicators of impairment in the third quarter of 2009 and therefore we did not make any further revisions to our forecasted cash flows, cash flow multiples, and discount rates for that period. We performed our annual impairment test in the fourth quarter of 2009 and we concluded that no further impairment charges were required.

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5. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Summary

| | December 31, 2011 | December 31, 2010 |
|--|---------------------|---------------------|
| Senior debt | \$ 1,243,207 | \$ 1,341,544 |
| Total credit facilities and capital leases | 81,162 | 18,240 |
| Total long-term debt and other financing arrangements | 1,324,369 | 1,359,784 |
| Less current maturities | (1,058) | (13,562) |
| Total non-current long-term debt and other financing arrangements | \$ 1,323,311 | \$ 1,346,222 |

Senior Debt

Our senior debt comprised the following as of December 31, 2011 and December 31, 2010:

| | Carrying Value | | Fair Value | |
|--|---------------------|---------------------|---------------------|---------------------|
| | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| USD 129.7 million 2013 Convertible Notes | \$ 121,230 | \$ 389,218 | \$ 117,926 | \$ 391,888 |
| EUR 148.0 million 2014 Floating Rate Notes | 191,497 | 197,758 | 141,708 | 170,319 |
| USD 261.0 million 2015 Convertible Notes | 223,341 | — | 163,276 | — |
| EUR 374.6 million 2016 Fixed Rate Notes | 487,176 | 527,414 | 373,215 | 533,067 |
| EUR 170.0 million 2017 Fixed Rate Notes | 219,963 | 227,154 | 206,765 | 235,672 |
| | \$ 1,243,207 | \$ 1,341,544 | \$ 1,002,890 | \$ 1,330,946 |

Improvement of Maturity Profile in 2011

Refinancing of 2013 Convertible Notes

On February 18, 2011, June 29, 2011 and September 9, 2011, we completed privately negotiated exchanges totaling US\$ 261.0 million in aggregate principal amount of our 3.5% Senior Convertible Notes due 2013 (the "2013 Convertible Notes") for US\$ 261.0 million in aggregate principal amount of our 5.0% Senior Convertible Notes due 2015 (the "2015 Convertible Notes" and collectively with the 2013 Convertible Notes, the "Convertible Notes"). The exchanging holders of the 2013 Convertible Notes also received cash consideration of approximately US\$ 35.4 million, including accrued interest of US\$ 3.3 million. Since we determined the terms of the 2015 Convertible Notes to be substantially different from those of the 2013 Convertible Notes, we performed an allocation of the fair value of the consideration transferred between the value of the liability that was extinguished and the reacquisition of the equity component.

The amount allocated to the extinguishment of the liability component was equal to the fair value of that component immediately prior to extinguishment, which was determined based on the future cash flows associated with the exchanged portion of the 2013 Convertible Notes discounted using the rate of return an investor would have required on our non-convertible debt with other terms substantially similar to the 2013 Convertible Notes. The most critical input used to determine the fair value of the liability component of the 2013 Convertible Notes was the discount rate used in calculating the present value of the future cash flows associated with the 2013 Convertible Notes. We used a combination of observed prices paid for similar debt and incorporated a US\$ risk free rate for debt with a similar remaining life to the 2013 Convertible Notes to determine an overall discount rate. The remaining consideration was recognized as a reacquisition of the equity component.

The difference between the consideration allocated to the liability component and the net carrying amount of the liability and unamortized debt issuance costs was recorded as a loss on extinguishment of debt within interest expense in the Consolidated Statement of Operations. We also recorded an adjustment to additional paid-in capital in respect of the reacquisition of the equity component. The amounts we recorded for each transaction are presented in the table below.

| Transaction date | February 18, 2011 | June 29, 2011 | September 9, 2011 |
|---|-------------------|---------------|-------------------|
| Loss on extinguishment | \$ 19,167 | \$ 3,424 | \$ 16 |
| Unamortized debt costs included in loss on extinguishment | 1,851 | 388 | 16 |
| Adjustment to additional paid-in capital | 6,742 | 364 | 26 |

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Repurchase of 2013 Convertible Notes

In September 2011, we repurchased an additional US\$ 49.5 million principal amount of our 2013 Convertible Notes for cash payments totaling US\$ 47.4 million, including accrued interest. These 2013 Convertible Notes were repurchased by our wholly-owned subsidiary CME Media Enterprises B.V. ("CME BV") and have not been canceled. The transactions were accounted for as an extinguishment in the Consolidated Financial Statements. The cash payments were allocated between an amount in respect of the value of the liability that was extinguished and an amount in respect of the reacquisition of the equity component.

The amount allocated to the extinguishment of the liability component was equal to the fair value of that component immediately prior to extinguishment, which was determined based on the future cash flows associated with the repurchased portion of the 2013 Convertible Notes discounted using the rate of return an investor would have required on our non-convertible debt with other terms substantially similar to the 2013 Convertible Notes. The most critical input used to determine the fair value of the liability component of the 2013 Convertible Notes was the discount rate used in calculating the present value of the future cash flows associated with the 2013 Convertible Notes. We used a combination of observed prices paid for similar debt and incorporated a US\$ risk free rate for debt with similar remaining life to the 2013 Convertible Notes to determine an overall discount rate. The remaining consideration was recognized as a reacquisition of the equity component.

The difference between the consideration allocated to the liability component and the net carrying amount of the liability and unamortized debt issuance costs was recorded as a loss on extinguishment of debt within interest expense in the Consolidated Statement of Operations. The transactions resulted in a loss on extinguishment of US\$ 0.9 million, which included US\$ 0.3 million of unamortized debt issuance costs. We also recorded an adjustment to additional paid-in capital in respect of the reacquisition of the equity component amounting to US\$ 1.3 million.

Repurchase of 2016 Senior Notes

In March 2011, we repurchased EUR 17.0 million (approximately US\$ 24.0 million at the date of repurchase) aggregate principal amount of our 11.625% senior notes due 2016 (the "2016 Fixed Rate Notes") for EUR 18.6 million (approximately US\$ 26.3 million at the date of repurchase) plus accrued interest. In connection with this repurchase, we recorded a loss on extinguishment of debt of US\$ 2.4 million, which included the write off of US\$ 0.3 million of unamortized debt issuance costs and which is included within interest expense in the Consolidated Statement of Operations.

Convertible Notes

2013 Convertible Notes

On March 10, 2008, we issued US\$ 475.0 million of 2013 Convertible Notes, which mature on March 15, 2013. In addition to the exchange transactions that took place on February 18, 2011, June 29, 2011 and September 9, 2011, and the repurchase of US\$ 49.5 million aggregate principal amount of our 2013 Convertible Notes for US\$ 47.4 million including accrued interest in September 2011, we also repurchased US\$ 34.8 million aggregate principal amount for US\$ 30.7 million plus accrued interest in October 2010.

Interest on the 2013 Convertible Notes is payable semi-annually in arrears on each March 15 and September 15. The fair value of the 2013 Convertible Notes as at December 31, 2011 and December 31, 2010 was calculated by multiplying the outstanding debt by the traded market price because we considered the embedded conversion option to have no value since the market price of our shares was so far below the conversion price.

The 2013 Convertible Notes are secured senior obligations and rank pari passu with all existing and future senior indebtedness and are effectively subordinated to all existing and future indebtedness of our subsidiaries. The amounts outstanding are guaranteed by our wholly owned subsidiaries CME Media Enterprises N.V. ("CME NV") and CME BV and are secured by a pledge of shares of those subsidiaries as well as an assignment of certain contractual rights.

Prior to December 15, 2012, the 2013 Convertible Notes are convertible following certain events and from that date, at any time, based on an initial conversion rate of 9.5238 shares of our Class A common stock per US\$ 1,000 principal amount of 2013 Convertible Notes (which is equivalent to an initial conversion price of approximately US\$ 105.00 per share). The conversion rate is subject to adjustment if we make certain distributions to the holders of our Class A common stock, undergo certain corporate transactions or a fundamental change, and in other circumstances specified in the 2013 Convertible Notes. From time to time up to and including December 15, 2012, we will have the right to elect to deliver (i) shares of our Class A common stock or (ii) cash and, if applicable, shares of our Class A common stock upon conversion of the 2013 Convertible Notes. At present, we have elected to deliver cash and, if applicable, shares of our Class A common stock. As at December 31, 2011, the 2013 Convertible Notes could not be converted. In addition, the holders of the 2013 Convertible Notes have the right to put the 2013 Convertible Notes to us for cash equal to the aggregate principal amount of the 2013 Convertible Notes plus accrued but unpaid interest thereon following the occurrence of certain specified fundamental changes (including a change of control, certain mergers, insolvency and a delisting).

As at December 31, 2010, we had capped call options over 2,940,477 shares of our Class A common stock, 1,583,333 shares from BNP Paribas ("BNP"), and 1,357,144 shares from Deutsche Bank Securities Inc. ("DB"). The amount of shares corresponded to the number of shares of our Class A common stock that we would be entitled to receive on a conversion of the 2013 Convertible Notes at the initial conversion price if we elected to settle the capped call options solely in shares of Class A common stock. The options entitle us to receive, at our election, cash or shares of Class A common stock with a value equal approximately to the difference between the trading price of our shares at the time the option is exercised and US\$ 105.00, up to a maximum trading price of US\$ 151.20. These options expire on March 15, 2013. At present, we have elected to receive shares of our Class A common stock on exercise of the capped call options.

At the date of purchase, we determined that all of these capped call options met the definition of an equity instrument and consequently recognized them on issuance at fair value within additional paid-in capital. This classification is still correct and we have continued to recognize them within Equity. Subsequent changes in fair value have not been, and will not be, recognized as long as the instruments continue to be classified in equity.

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We recorded adjustments to equity totaling US\$ 17.3 million in respect of the portion of the capped call options that were no longer exercisable following the privately negotiated exchange transactions on February 18, 2011, June 29, 2011 and September 9, 2011, respectively, described above. Subsequent to the exchange transactions, current shareholders would not suffer dilution to their shareholding until the price of shares of our Class A common stock reaches US\$ 151.20 per share. This calculation is based on a number of assumptions, including that we would exercise all capped call options simultaneously, we would continue with our election to receive shares of our Class A common stock on the exercise of the capped call options, and no event that would result in an adjustment to the conversion rate of value of the options would have occurred. No adjustment to equity was recorded for the repurchase transactions in September 2011 because the 2013 Convertible Notes repurchased in these transactions have not been canceled.

At December 31, 2011, the 1,706,343 remaining capped call options could not be exercised because no conversion of 2013 Convertible Notes had occurred. The aggregate fair value of the remaining capped call options with DB and BNP at December 31, 2011 was US\$ nil.

We separately account for the liability and equity components of the 2013 Convertible Notes. The embedded conversion option is not accounted for as a derivative.

| | Principal Amount of Liability Component | Unamortized Discount | Net Carrying Value | Equity Component |
|--|--|---------------------------------|-------------------------------|-----------------------------|
| BALANCE December 31, 2010 | \$ 440,200 | \$ (50,982) | \$ 389,218 | \$ 110,752 |
| Extinguishment of debt | (310,540) | 31,523 | (279,017) | (8,383) |
| Amortization of debt issuance discount | — | 11,029 | 11,029 | — |
| BALANCE December 31, 2011 | \$ 129,660 | \$ (8,430) | \$ 121,230 | \$ 102,369 |

The remaining issuance discount is being amortized over the life of the 2013 Convertible Notes, which mature on March 15, 2013 using the effective interest method. The effective interest rate on the liability component for all periods presented was 10.3%.

Certain other derivative instruments have been identified as being embedded in the 2013 Convertible Notes, but as they are considered to be clearly and closely related to the 2013 Convertible Notes they are not accounted for separately.

2015 Convertible Notes

On February 18, 2011, June 29, 2011 and September 9, 2011, we completed privately negotiated exchanges totaling US\$ 261.0 million in aggregate principal amount of our 2013 Convertible Notes for US\$ 261.0 million in aggregate principal amount of 2015 Convertible Notes. The 2015 Convertible Notes mature on November 15, 2015.

Interest is payable semi-annually in arrears on each May 15 and November 15. The fair value of the liability component of the 2015 Convertible Notes as at December 31, 2011 was calculated as the present value of the future cash flows associated with the liability component discounted using the rate of return an investor would have required on our non-convertible debt with other terms substantially similar to the 2015 Convertible Notes.

The 2015 Convertible Notes are secured senior obligations and rank pari passu with all existing and future senior indebtedness and are effectively subordinated to all existing and future indebtedness of our subsidiaries. The amounts outstanding are guaranteed by CME NV and CME BV and are secured by a pledge of shares of those companies.

Prior to August 15, 2015, the 2015 Convertible Notes are convertible following certain events and from that date, at any time, based on an initial conversion rate of 20 shares of our Class A common stock per US\$ 1,000 principal amount of 2015 Convertible Notes (which is equivalent to an initial conversion price of US\$ 50.00 per share). The conversion rate is subject to adjustment if we make certain distributions to the holders of shares of our Class A common stock, undergo certain corporate transactions or a fundamental change, and in other circumstances specified in the 2015 Convertible Notes. From time to time up to and including August 15, 2015, we will have the right to elect to deliver (i) shares of our Class A common stock, (ii) cash, or (iii) cash and, if applicable, shares of our Class A common stock upon conversion of the 2015 Convertible Notes. At present, we have elected to deliver cash and, if applicable, shares of our Class A common stock. As at December 31, 2011, the 2015 Convertible Notes may not be converted. In addition, the holders of the 2015 Convertible Notes have the right to put the 2015 Convertible Notes to us for cash equal to the aggregate principal amount of the 2015 Convertible Notes plus accrued but unpaid interest thereon following the occurrence of certain specified fundamental changes (including a change of control, certain mergers, insolvency and a delisting).

We separately account for the liability and equity components of the 2015 Convertible Notes. The embedded conversion option is not accounted for as a derivative.

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| | Principal Amount of Liability Component | Unamortized Discount | Net Carrying Value | Equity Component |
|--|---|-------------------------|-----------------------|---------------------|
| BALANCE December 31, 2010 | \$ — | \$ — | \$ — | \$ — |
| Issuance of 2015 Convertible Notes | 261,034 | (44,043) | 216,991 | 11,907 |
| Amortization of debt issuance discount | — | 6,350 | 6,350 | — |
| BALANCE December 31, 2011 | \$ 261,034 | \$ (37,693) | \$ 223,341 | \$ 11,907 |

The issuance discount is being amortized over the life of the 2015 Convertible Notes using the effective interest method. The effective interest rate on the liability component was 10.0%.

Certain other derivative instruments have been identified as being embedded in the 2015 Convertible Notes, but as they are considered to be clearly and closely related to the 2015 Convertible Notes they are not accounted for separately.

Floating Rate Notes

On May 16, 2007, we issued EUR 150.0 million of Floating Rate Senior Notes due 2014 (the “2014 Floating Rate Notes”) which bear interest at the six-month Euro Inter Bank Offered Rate (“EURIBOR”) plus 1.625% (the applicable rate at December 31, 2011 was 3.31%). The 2014 Floating Rate Notes mature on May 15, 2014. In October 2010, we repurchased EUR 2.0 million (approximately US\$ 2.8 million at the date of repurchase) aggregate principal amount of our 2014 Floating Rate Notes for EUR 1.6 million (approximately US\$ 2.3 million at date of repurchase) plus accrued interest.

Interest on the 2014 Floating Rate Notes is payable semi-annually in arrears on each May 15 and November 15. The fair value of the 2014 Floating Rate Notes as at December 31, 2011 and December 31, 2010 was equal to the outstanding debt multiplied by the traded market price.

The 2014 Floating Rate Notes are secured senior obligations and rank pari passu with all existing and future senior indebtedness and are effectively subordinated to all existing and future indebtedness of our subsidiaries. The amounts outstanding are guaranteed by CME NV and CME BV and are secured by a pledge of shares of those subsidiaries as well as an assignment of certain contractual rights. The terms of our 2014 Floating Rate Notes restrict the manner in which our business is conducted, including the incurrence of additional indebtedness, the making of investments, the payment of dividends or the making of other distributions, entering into certain affiliate transactions and the sale of assets (see Note 21, “Indenture Covenants”).

In the event that (A) there is a change in control by which (i) any party other than certain of our present shareholders becomes the beneficial owner of more than 35.0% of our total voting power; (ii) we agree to sell substantially all of our operating assets; or (iii) there is a change in the composition of a majority of our Board of Directors; and (B) on the 60th day following any such change of control the rating of the 2014 Floating Rate Notes is either withdrawn or downgraded from the rating in effect prior to the announcement of such change of control, we can be required to repurchase the 2014 Floating Rate Notes at a purchase price in cash equal to 101.0% of the principal amount of the 2014 Floating Rate Notes plus accrued and unpaid interest to the date of purchase.

The 2014 Floating Rate Notes are redeemable at our option for the remainder of their life, in whole or in part, at 100.0% of their face value.

Certain derivative instruments, including redemption call options and change of control and asset disposition put options, have been identified as being embedded in the 2014 Floating Rate Notes but as they are considered clearly and closely related to the 2014 Floating Rate Notes, they are not accounted for separately.

Fixed Rate Notes

2016 Fixed Rate Notes

On September 17, 2009, we issued EUR 200.0 million of 2016 Fixed Rate Notes at an issue price of 98.261%, and on September 29, 2009, we issued an additional EUR 240.0 million tranche of 2016 Fixed Rate Notes at an issue price of 102.75%. The 2016 Fixed Rate Notes mature on September 15, 2016. In October and November 2010, we repurchased a total of EUR 48.4 million (approximately US\$ 67.1 million at the date of repurchase) aggregate principal amount of our 2016 Fixed Rate Notes for EUR 49.3 million (approximately US\$ 68.5 million at the date of repurchase) plus accrued interest. In March 2011, we repurchased an additional EUR 17.0 million (approximately US\$ 24.0 million at the date of repurchase) aggregate principal amount of our 2016 Fixed Rate Notes for EUR 18.6 million (approximately US\$ 26.3 million at the date of repurchase) plus accrued interest.

Interest on the 2016 Fixed Rate Notes is payable semi-annually in arrears on each March 15 and September 15. The fair value of the 2016 Fixed Rate Notes as at December 31, 2011 and December 31, 2010 was calculated by multiplying the outstanding debt by the traded market price.

The 2016 Fixed Rate Notes are secured senior obligations and rank pari passu with all existing and future senior indebtedness and are effectively subordinated to all existing and future indebtedness of our subsidiaries. The amounts outstanding are guaranteed by CME NV and CME BV and are secured by a pledge of shares of those subsidiaries as well as an assignment of certain contractual rights. The terms of our 2016 Fixed Rate Notes restrict the manner in which our business is conducted, including the incurrence of additional interest obligations, the making of investments, the payment of dividends or the making of other distributions, entering into certain affiliate transactions and the sale of assets (see also Note 21, “Indenture Covenants”).

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In the event that (A) there is a change in control by which (i) any party other than certain of our present shareholders becomes the beneficial owner of more than 35.0% of our total voting power; (ii) we agree to sell substantially all of our operating assets; or (iii) there is a change in the composition of a majority of our Board of Directors; and (B) on the 60th day following any such change of control the rating of the 2016 Fixed Rate Notes is either withdrawn or downgraded from the rating in effect prior to the announcement of such change of control, we can be required to repurchase the 2016 Fixed Rate Notes at a purchase price in cash equal to 101.0% of the principal amount of the 2016 Fixed Rate Notes plus accrued and unpaid interest to the date of purchase.

The 2016 Fixed Rate Notes are redeemable at our option, in whole or in part, at the redemption prices set forth below:

| From | Fixed Rate Notes Redemption Price |
|--|--|
| September 15, 2013 to September 14, 2014 | 105.813% |
| September 15, 2014 to September 14, 2015 | 102.906% |
| September 15, 2015 and thereafter | 100.000% |

Certain derivative instruments, including redemption call options and change of control and asset disposition put options, have been identified as being embedded in the 2016 Fixed Rate Notes but as they are considered clearly and closely related to the 2016 Fixed Rate Notes, they are not accounted for separately. We have included the net issuance premium within the carrying value of the 2016 Fixed Rate Notes and are amortizing it through interest expense using the effective interest method.

2017 Fixed Rate Notes

On October 21, 2010, our wholly-owned subsidiary, CET 21 spol. s r.o. ("CET 21"), issued EUR 170.0 million (approximately US\$ 220.0 million) of 9.0% Senior Secured Notes due 2017 (the "2017 Fixed Rate Notes", and collectively with the 2014 Floating Rate Notes and 2016 Fixed Rate Notes, the "Senior Notes"). The 2017 Fixed Rate Notes mature on November 1, 2017.

Interest is payable semi-annually in arrears on each May 1 and November 1. The fair value of the 2017 Fixed Rate Notes as at December 31, 2011 and December 31, 2010 was calculated by multiplying the outstanding debt by the traded market price.

The 2017 Fixed Rate Notes are secured senior obligations of CET 21 and rank equally with CET 21's obligations under the Secured Revolving Credit Facility (defined below). The 2017 Fixed Rate Notes rank pari passu with all existing and future senior indebtedness of CET 21 and are effectively subordinated to all existing and future indebtedness of our other subsidiaries. The amounts outstanding are guaranteed by CME Ltd. and by our wholly-owned subsidiaries CME NV, CME BV, CME Investments B.V., CME Slovak Holdings B.V. ("CME SH") and MARKÍZA-SLOVAKIA, spol. s r.o. ("Markiza") and are secured by a pledge of the shares of CME NV, CME BV, CET 21, CME SH, and Media Pro Pictures s.r.o., as well as an assignment of certain contractual rights. The terms of the 2017 Fixed Rate Notes restrict the manner in which the Company's and CET 21's business is conducted, including the incurrence of additional indebtedness, the making of investments, the payment of dividends or the making of other distributions, entering into certain affiliate transactions and the sale of assets (see also Note 21, "Indenture Covenants").

In the event that (A) there is a change in control by which (i) any party other than certain of our present shareholders becomes the beneficial owner of more than 35% of our total voting power; (ii) we agree to sell substantially all of our operating assets; or (iii) there is a change in the composition of a majority of our Board of Directors; and (B) on the 60th day following any such change of control the rating of the 2017 Fixed Rate Notes is either withdrawn or downgraded from the rating in effect prior to the announcement of such change of control, we can be required to repurchase the 2017 Fixed Rate Notes at a purchase price in cash equal to 101.0% of the principal amount of the 2017 Fixed Rate Notes plus accrued and unpaid interest to the date of purchase.

The 2017 Fixed Rate Notes are redeemable at our option, in whole or in part, at the redemption prices set forth below:

| From | Fixed Rate Notes Redemption Price |
|--------------------------------------|--|
| November 1, 2014 to October 31, 2015 | 104.50% |
| November 1, 2015 to October 31, 2016 | 102.25% |
| November 1, 2016 and thereafter | 100.00% |

Prior to November 1, 2013, up to 35.0% of the original principal amount of the 2017 Fixed Rate Notes can be redeemed at a price of 109.0% of the principal amount, plus accrued and unpaid interest if certain conditions are met.

Certain derivative instruments, including redemption call options and change of control and asset disposition put options, have been identified as being embedded in the 2017 Fixed Rate Notes but as they are considered clearly and closely related to the 2017 Fixed Rate Notes, they are not accounted for separately.

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Credit Facilities and Capital Lease Obligations

Credit facilities and capital lease obligations comprised the following at December 31, 2011 and December 31, 2010:

| | | December 31, 2011 | December 31, 2010 |
|---|-----------|--------------------------|--------------------------|
| Credit facilities | (a) – (d) | \$ 77,464 | \$ 14,004 |
| Capital leases | | 3,698 | 4,236 |
| Total credit facilities and capital leases | | 81,162 | 18,240 |
| Less current maturities | | (1,058) | (13,562) |
| Total non-current credit facilities and capital leases | | \$ 80,104 | \$ 4,678 |

(a) We have a cash pooling arrangement with Bank Mendes Gans (“BMG”), a subsidiary of ING Bank N.V. (“ING”), which enables us to receive credit across the group in respect of cash balances which our subsidiaries in The Netherlands, Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia deposit with BMG. Cash deposited by our subsidiaries with BMG is pledged as security against the drawings of other subsidiaries up to the amount deposited.

As at December 31, 2011, we had deposits of US\$ 37.0 million in and drawings of US\$ 0.0 million on the BMG cash pool. Interest is earned on deposits at the relevant money market rate and interest is payable on all drawings at the relevant money market rate plus 2.0%. Drawings on the BMG cash pool did not exceed deposits at any time during the year 2011. As at December 31, 2010, we had deposits of US\$ 20.3 million in and drawings of US\$ 12.3 million on the BMG cash pool.

(b) On October 21, 2010, CET 21 entered into a five-year CZK 1.5 billion (approximately US\$ 75.2 million) secured revolving credit facility (the “Secured Revolving Credit Facility”) with BNP Paribas S.A., J.P. Morgan plc, Citigroup Global Markets Limited, ING and Ceska Sporitelna, a.s. (“CSAS”), as mandated lead arrangers and original lenders, BNP Paribas S.A., as agent, BNP Paribas Trust Corporation UK Limited, as security agent, and CME Ltd., CME NV, CME BV, CME Investments B.V., CME SH and Markiza as the original guarantors. Interest under the facility is calculated at a rate per annum of 4.5% above Prague Interbank Offered Rate (“PRIBOR”) for the relevant interest period (the applicable rate at December 31, 2011 was 5.97%). The Secured Revolving Credit Facility will decrease to CZK 750.0 million (approximately US\$ 37.6 million) on the fourth anniversary of the signing date. Drawings under the facility by CET 21 are expected to be used for working capital requirements and for general corporate purposes. The Secured Revolving Credit Facility contains customary representations, warranties, covenants and events of default. The covenants include limitations on CET 21's ability to incur additional indebtedness, create liens, make disposals and to carry out certain other types of transactions. We drew CZK 1.0 billion (approximately US\$ 50.2 million) under the Secured Revolving Credit Facility on September 26, 2011. We drew a further CZK 500.0 million (approximately US\$ 25.1 million) on October 5, 2011, and the facility remains fully drawn. No amount had been drawn at December 31, 2010. As of December 31, 2011, CET 21 had an interest rate swap to hedge the interest rate exposure on the future outstanding principal under the Secured Revolving Credit Facility (see Note 12, “Financial Instruments and Fair Value Measurements”).

(c) As at December 31, 2011, and December 31, 2010, there were no drawings outstanding under a CZK 300.0 million (approximately US\$ 15.0 million) working capital credit facility with Factoring Ceska Sporitelna (“FCS”). This facility is secured by a pledge of receivables under a factoring agreement with FCS and is available indefinitely, subject to a three-month notice period. The facility bears interest at one-month PRIBOR plus 2.5% for the period that actively assigned accounts receivable are outstanding.

(d) At December 31, 2011, Media Pro Entertainment had an aggregate principal amount of RON 7.4 million (approximately US\$ 2.2 million) (December 31, 2010, RON 9.3 million, approximately US\$ 2.8 million) of loans outstanding with the Central National al Cinematografei (“CNC”), a Romanian governmental organization which provides financing for qualifying filmmaking projects. Upon acceptance of a particular project, the CNC awards an agreed level of funding to each project in the form of an interest-free loan. Loans from the CNC are typically advanced for a period of ten years and are repaid through the proceeds from the distribution of the film content. At December 31, 2011, we had 12 loans outstanding with the CNC with maturity dates ranging from 2011 to 2020. The carrying amounts at December 31, 2011 and December 31, 2010 are net of a fair value adjustment of US\$ 1.0 million and US\$ 1.2 million, respectively, arising on acquisition.

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Total Group

At December 31, 2011, the maturity of our Senior Debt and credit facilities was as follows:

| | | |
|--|-----------|------------------|
| 2012 | \$ | 82 |
| 2013 | | 129,717 |
| 2014 | | 229,427 |
| 2015 | | 298,647 |
| 2016 | | 484,693 |
| 2017 and thereafter | | 222,706 |
| Total Senior Debt and credit facilities | | 1,365,272 |
| Net discount | | (44,601) |
| Carrying value of Senior Debt and credit facilities | \$ | 1,320,671 |

As at December 31, 2011, we had US\$ 129.7 million in principal amount of 2013 Convertible Notes due for payment on March 15, 2013 and believe that our financial resources are sufficient to meet this and other obligations. We are evaluating options to refinance or repurchase in the near term the 2013 Convertible Notes or other items of our senior indebtedness, including refinancing with longer dated debt or convertible instruments as well as other equity-based solutions, or a combination of these options. In addition, we will continue to take steps to maintain adequate amounts of cash to ensure that we have a sufficiently strong liquidity position to enable us to meet our debt service and other existing financial obligations.

Capital Lease Commitments

We lease certain of our office and broadcast facilities as well as machinery and equipment under various leasing arrangements. The future minimum lease payments, by year and in the aggregate, under capital leases with initial or remaining non-cancellable lease terms in excess of one year, consisted of the following at December 31, 2011:

| | | |
|--|-----------|--------------|
| 2012 | \$ | 1,101 |
| 2013 | | 761 |
| 2014 | | 400 |
| 2015 | | 368 |
| 2016 | | 368 |
| 2017 and thereafter | | 1,197 |
| Total undiscounted payments | | 4,195 |
| Less: amount representing interest | | (497) |
| Present value of net minimum lease payments | \$ | 3,698 |

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6. PROGRAM RIGHTS

Program rights comprised the following at December 31, 2011 and December 31, 2010:

| | December 31, 2011 | December 31, 2010 |
|--|--------------------------|--------------------------|
| Program rights: | | |
| Acquired program rights, net of amortization | \$ 266,884 | \$ 200,666 |
| Less: current portion of acquired program rights | (101,741) | (80,206) |
| Total non-current acquired program rights | 165,143 | 120,460 |
| Produced program rights – Feature Films: | | |
| Released, net of amortization | 3,197 | 1,373 |
| Completed and not released | 776 | — |
| In production | 708 | 3,341 |
| Development and pre-production | 279 | 237 |
| Produced program rights – Television Programs: | | |
| Released, net of amortization | 70,383 | 71,729 |
| Completed and not released | 9,136 | 13,491 |
| In production | 12,457 | 16,216 |
| Development and pre-production | 4,138 | 2,008 |
| Total produced program rights | 101,074 | 108,395 |
| Total non-current acquired program rights and produced program rights | \$ 266,217 | \$ 228,855 |

7. ACCOUNTS RECEIVABLE

Accounts receivable comprised the following at December 31, 2011 and December 31, 2010:

| | December 31, 2011 | December 31, 2010 |
|--|--------------------------|--------------------------|
| Unrelated customers | \$ 204,747 | \$ 221,463 |
| Less: allowance for bad debts and credit notes | (13,555) | (13,202) |
| Related parties | 1,020 | 884 |
| Less: allowance for bad debts and credit notes | (55) | (3) |
| Total accounts receivable | \$ 192,157 | \$ 209,142 |

Bad debt expense for the year ended December 31, 2011 was US\$ 3.3 million. We had net bad debt recoveries of US\$ 0.2 million and net bad debt expense of US\$ 2.8 million for the years ended December 31, 2010 and 2009, respectively.

At December 31, 2011, CZK 719.9 million (approximately US\$ 36.1 million) (December 31, 2010: CZK 676.0 million, approximately US\$ 33.9 million), of receivables were pledged as collateral under the Secured Revolving Credit Facility, the 2017 Fixed Rate Notes and the factoring agreement. Of this amount, CZK 545.8 million (approximately US\$ 27.4 million) (December 31, 2010: CZK 513.2 million, approximately US\$ 25.7 million), of receivables in the Czech Republic were pledged as collateral under the factoring agreement (see Note 5, “Long-Term Debt and Other Financing Arrangements”).

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8. OTHER ASSETS

Other current and non-current assets comprised the following at December 31, 2011 and December 31, 2010:

| | December 31, 2011 | December 31, 2010 |
|---------------------------------------|--------------------------|--------------------------|
| Current: | | |
| Prepaid acquired programming | \$ 23,479 | \$ 37,692 |
| Other prepaid expenses | 9,422 | 11,083 |
| Income taxes recoverable | 2,632 | 7,956 |
| Deferred tax | 3,893 | 3,835 |
| Capitalized debt costs | 5,023 | 5,940 |
| VAT recoverable | 6,857 | 7,333 |
| Inventory | 5,226 | 2,351 |
| Restricted cash | 381 | 540 |
| Other | 1,092 | 1,957 |
| Total other current assets | \$ 58,005 | \$ 78,687 |
| Non-current: | | |
| Capitalized debt costs | \$ 19,350 | \$ 26,937 |
| Deferred tax | 4,232 | 1,378 |
| Other | 2,926 | 3,450 |
| Total other non-current assets | \$ 26,508 | \$ 31,765 |

Capitalized debt costs primarily comprise the costs incurred in connection with the issuance of our Senior Notes and Convertible Notes (see Note 5, "Long-Term Debt and Other Financing Arrangements"), and are being amortized over the term of the Senior Notes and Convertible Notes using either the straight-line method, which approximates the effective interest method, or the effective interest method.

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9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following at December 31, 2011 and December 31, 2010:

| | December 31, 2011 | December 31, 2010 |
|---|--------------------------|--------------------------|
| Land and buildings | \$ 160,183 | \$ 166,082 |
| Machinery, fixtures and equipment | 197,047 | 202,447 |
| Other equipment | 31,970 | 32,258 |
| Software licenses | 39,993 | 40,072 |
| Construction in progress | 17,894 | 17,044 |
| Total cost | 447,087 | 457,903 |
| Less: Accumulated depreciation | (229,720) | (207,001) |
| Total net book value | \$ 217,367 | \$ 250,902 |
| Assets held under capital leases (included in the above) | | |
| Land and buildings | \$ 4,508 | \$ 4,904 |
| Machinery, fixtures and equipment | 3,146 | 2,587 |
| Total cost | 7,654 | 7,491 |
| Less: Accumulated depreciation | (2,720) | (2,113) |
| Net book value | \$ 4,934 | \$ 5,378 |

Depreciation expense for the years ending December 31, 2011, 2010 and 2009 was US\$ 56.6 million, US\$ 58.1 million and US\$ 52.6 million, respectively.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised the following at December 31, 2011 and December 31, 2010:

| | December 31, 2011 | December 31, 2010 |
|---|--------------------------|--------------------------|
| Accounts payable | \$ 47,676 | \$ 48,898 |
| Related party accounts payable | 1,955 | 3,335 |
| Programming liabilities | 32,532 | 25,761 |
| Related party programming liabilities | 68,573 | 41,635 |
| Duties and other taxes payable | 13,462 | 17,889 |
| Accrued staff costs | 24,532 | 23,802 |
| Accrued interest payable | 24,108 | 27,162 |
| Income taxes payable | 1,379 | 3,728 |
| Accrued production costs | 4,303 | 3,035 |
| Accrued legal contingencies and professional fees | 3,409 | 3,994 |
| Authors' rights | 6,367 | 9,534 |
| Other accrued liabilities | 11,752 | 15,285 |
| Total accounts payable and accrued liabilities | \$ 240,048 | \$ 224,058 |

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11. OTHER LIABILITIES

Other current and non-current liabilities comprised the following as at December 31, 2011 and December 31, 2010:

| | December 31, 2011 | December 31, 2010 |
|--|--------------------------|--------------------------|
| Current: | | |
| Deferred revenue | \$ 10,977 | \$ 4,580 |
| Deferred tax | 1,094 | 672 |
| Derivative liabilities | 2,375 | 180 |
| Other | 23 | 24 |
| Total other current liabilities | \$ 14,469 | \$ 5,456 |

| | December 31, 2011 | December 31, 2010 |
|--|--------------------------|--------------------------|
| Non-current: | | |
| Deferred tax | \$ 74,672 | \$ 82,624 |
| Related party programing liabilities | 9,363 | 9,944 |
| Derivative liabilities | 694 | 10,259 |
| Other | 212 | 673 |
| Total other non-current liabilities | \$ 84,941 | \$ 103,500 |

12. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

ASC 820, "Fair Value Measurements and Disclosure", establishes a hierarchy that prioritizes the inputs to those valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are:

Basis of Fair Value Measurement

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted instruments.
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

We evaluate the position of each financial instrument measured at fair value in the hierarchy individually based on the valuation methodology we apply. The carrying value of financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, approximate their fair value due to the short-term nature of these items. The fair value of our Senior Debt (as defined therein) is included in Note 5, "Long-Term Debt and Other Financing Arrangements".

At December 31, 2011, we had the following currency and interest rate swap agreements carried at fair value using significant level 2 inputs and the call option issued in connection with the restructuring of our Bulgarian operations in 2010 (see "Other" section below), which is carried at fair value using significant level 3 inputs:

Currency Risk

On April 27, 2006, we entered into currency swap agreements with two counterparties whereby we swapped a fixed annual coupon interest rate (of 9.0%) on notional principal of CZK 10.7 billion (approximately US\$ 536.6 million), payable on each July 15, October 15, January 15, and April 15 up to the termination date of April 15, 2012, for a fixed annual coupon interest rate (of 9.0%) on notional principal of EUR 375.9 million (approximately US\$ 486.4 million) receivable on each July 15, October 15, January 15, and April 15 up to the termination date of April 15, 2012.

These currency swap agreements reduce our exposure to movements in foreign exchange rates on part of the CZK-denominated cash flows generated by our Czech Republic operations, which corresponds to a significant proportion of the Euro-denominated interest payments on our Senior Notes (see Note 5, "Long-Term Debt and Other Financing Arrangements"). These financial instruments are used to minimize currency risk and are considered an economic hedge of foreign exchange rates. These instruments have not been designated as hedging instruments, and so changes in their fair value are recorded in the Consolidated Statement of Operations and in the Consolidated Balance Sheet in other current liabilities.

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We value these currency swap agreements using an industry-standard currency swap pricing model which calculates the fair value on the basis of the net present value of the estimated future cash flows receivable or payable. These instruments are allocated to level 2 of the fair value hierarchy because the critical inputs to this model, including the relevant yield curves and the known contractual terms of the instrument, are readily observable.

The fair value of these instruments as at December 31, 2011 was a net US\$ 2.4 million liability which represented a net decrease of US\$ 6.8 million from the US\$ 9.2 million liability as at December 31, 2010. This change was recognized as a derivative gain in the Consolidated Statement of Operations amounting to US\$ 6.8 million. A derivative loss of US\$ 0.5 million and a derivative gain of US\$ 1.3 million was recognized in the Consolidated Statement of Operations for the years ended December 31, 2010 and 2009, respectively.

Interest Rate Risk

On February 9, 2010, we entered into an interest rate swap agreement with UniCredit Bank Czech Republic, a.s. ("UniCredit") and CSAS, expiring in 2013, to reduce the impact of changing interest rates on our floating rate debt that is denominated in CZK. The interest rate swap is a financial instrument that is used to minimize interest rate risk and is considered an economic hedge. The interest rate swap has not been designated as a hedging instrument so changes in the fair value of the derivative are recorded in the Consolidated Statement of Operations and in the Consolidated Balance Sheet in other non-current liabilities.

We value the interest rate swap agreement using a valuation model which calculates the fair value on the basis of the net present value of the estimated future cash flows. The most significant input used in the valuation model is the expected PRIBOR-based yield curve. This instrument is allocated to level 2 of the fair value hierarchy because the critical inputs to this model, including current interest rates, relevant yield curves and the known contractual terms of the instrument, are readily observable.

The fair value of the interest rate swap as at December 31, 2011, was a US\$ 0.7 million liability, which represented a net decrease of US\$ 0.4 million from the US\$ 1.1 million liability as at December 31, 2010, which was recognized as a derivative gain in the Consolidated Statement of Operations amounting to US\$ 0.3 million and a foreign exchange gain of US\$ 0.1 million. A loss of US\$ 1.1 million was recognized in the Consolidated Statement of Operations for the year ended December 31, 2010.

Other

We issued a call option to Top Tone Holdings in 2010 in connection with the restructuring of our Bulgarian operations. We used a binomial option pricing model to value the call option liability at US\$ 3.0 million as at April 19, 2010, the date we acquired the bTV group. The option was allocated to level 3 of the fair value hierarchy due to the significance of the unobservable inputs used in the valuation model.

Changes in the fair value of the call option were recorded as a derivative gain or loss in the Consolidated Statement of Operations and in the Consolidated Balance Sheet in other current liabilities.

The option strike price is the fair value of the underlying, which is the equity in CME Bulgaria B.V., so there will be no further changes in the carrying value of the option liability. The fair value of the call option as at December 31, 2011 was US\$ nil and the movement from December 31, 2010 was as follows:

Level 3

| | |
|--|---------------|
| Balance, December 31, 2010 | \$ 180 |
| Gain recorded in earnings | (180) |
| Ending balance, December 31, 2011 | \$ — |

During December 2011, we were notified that Top Tone Holdings intends to exercise its right to acquire additional equity in CME Bulgaria.

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13. EQUITY

Preferred Stock

5,000,000 shares of Preferred Stock, with a US\$ 0.08 par value, were authorized as at December 31, 2011 and December 31, 2010. None were issued and outstanding as at December 31, 2011 and December 31, 2010.

Class A and B Common Stock

100,000,000 shares of Class A common stock and 15,000,000 shares of Class B common stock were authorized as at December 31, 2011 and December 31, 2010. The rights of the holders of Class A common stock and Class B common stock are identical except for voting rights. The shares of Class A common stock are entitled to one vote per share and the shares of Class B common stock are entitled to ten votes per share. Shares of Class B common stock are convertible into shares of Class A common stock for no additional consideration on a one-for-one basis. Holders of each class of shares are entitled to receive dividends and upon liquidation or dissolution are entitled to receive all assets available for distribution to shareholders. The holders of each class have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares.

On May 24, 2010, we issued 800,000 shares of our Class A common stock in connection with our acquisition of the remaining ownership interests of approximately 5.0% in each of Pro TV, MPI and MV from Adrian Sarbu (see Note 3, "Acquisitions and Disposals").

In connection with the acquisition of Media Pro Entertainment in December 2009, we issued warrants to purchase up to 600,000 and 250,000 shares of Class A common stock to Alerria and Metrodome, respectively, each of which is controlled by Adrian Sarbu.

On September 28, 2009, the general partner of CME Holdco L.P., the holder of approximately 6.3 million shares of Class B common stock and 60,000 shares of Class A common stock, issued a notice of dissolution to the partners informing them that it intended to dissolve the partnership and distribute its assets pursuant to the terms of the partnership agreement. Due to the ownership restrictions with respect to shares of Class B common stock as set forth in our bye-laws, a certain amount of shares of Class B common stock were converted to shares of Class A common stock prior to the distribution of the partnership assets. Following the conversion, Adele (Guernsey) L.P., a fund affiliated with Apax Partners, received 3,168,566 shares of Class A common stock, a minority partner received 213,337 shares of Class A common stock and entities affiliated with Ronald Lauder received 2,990,936 shares of Class B common stock.

On May 18, 2009, we issued 14.5 million shares of Class A common stock at a price of US\$ 12.00 per share and 4.5 million shares of Class B common stock at a price of US\$ 15.00 per share to Time Warner Media Holdings B.V., an affiliate of Time Warner Inc. ("Time Warner") for an aggregate offering price of US\$ 241.5 million.

There were approximately 7.5 million shares of Class B common stock and 56.9 million shares of Class A common stock outstanding at December 31, 2011.

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14. INCOME TAXES

As our investments are predominantly owned by Dutch holding companies, the components of the provision for income taxes and of the income from continuing operations before provision for income taxes have been analyzed between their Netherlands and non-Netherlands components. Similarly the Dutch corporate income tax rates have been used in the reconciliation of income taxes.

Loss from continuing operations before income taxes:

The Netherlands and non-Netherlands components of loss from continuing operations before income taxes are:

| | For the Years Ending December 31, | | |
|--------------|--|---------------------|--------------------|
| | 2011 | 2010 | 2009 |
| Domestic | \$ (6,470) | \$ (77,267) | \$ 130,185 |
| Foreign | (169,284) | (34,632) | (196,431) |
| Total | \$ (175,754) | \$ (111,899) | \$ (66,246) |

Included in domestic income during 2011, 2010 and 2009 is intercompany dividend income of US\$ 63.7 million, US\$11.2 million and US\$89.7 million, respectively, with an equivalent expense included within foreign income. These dividends are neither taxable in the Netherlands nor deductible in the foreign entity.

Total tax charge for the years ended December 31, 2011, 2010 and 2009 was allocated as follows:

| | For the Years Ending December 31, | | |
|--|--|-----------------|-------------------|
| | 2011 | 2010 | 2009 |
| Income tax expense from continuing operations | \$ 3,850 | \$ 5,025 | \$ 4,737 |
| Income tax expense / (credit) from discontinued operations | — | 30 | (7,938) |
| Total tax expense | \$ 3,850 | \$ 5,055 | \$ (3,201) |

Income Tax Provision:

The Netherlands and non-Netherlands components of the provision for income taxes from continuing operations consist of:

| | For the Years Ending December 31, | | |
|-----------------------------------|--|-----------------|-----------------|
| | 2011 | 2010 | 2009 |
| Current income tax expense: | | | |
| Domestic | \$ 321 | \$ 549 | \$ 371 |
| Foreign | 10,377 | 12,310 | 18,276 |
| | 10,698 | 12,859 | 18,647 |
| Deferred tax benefit: | | | |
| Domestic | (5) | — | (2) |
| Foreign | (6,843) | (7,834) | (13,908) |
| | (6,848) | (7,834) | (13,910) |
| Provision for income taxes | \$ 3,850 | \$ 5,025 | \$ 4,737 |

In 2011, the net tax provision reflects valuation allowances in respect of the tax benefit of tax losses.

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Reconciliation of Effective Income Tax Rate:

The following is a reconciliation of income taxes, calculated at statutory Netherlands rates, to the income tax provision included in the accompanying Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009:

| | For the Years Ending December 31, | | |
|---|--|-----------------|-----------------|
| | 2011 | 2010 | 2009 |
| Income taxes at Netherlands rates (2011 - 25%, 2010 and 2009 - 25.5%) | \$ (43,927) | \$ (28,521) | \$ (16,877) |
| Jurisdictional differences in tax rates | 22,092 | 416 | 25,064 |
| Tax effect of goodwill impairment | 7,105 | — | — |
| Unrecognized tax benefits | 4,490 | 2,444 | 12,343 |
| Losses expired | 2,344 | 672 | 296 |
| Tax charge from internal restructuring | 9,229 | — | — |
| Change in valuation allowance | 2,637 | 30,427 | (16,349) |
| Other | (120) | (413) | 260 |
| Provision for income taxes | \$ 3,850 | \$ 5,025 | \$ 4,737 |

In 2011, the Company realized a US\$ 8.2 million tax benefit on utilization of tax loss carry-forwards in Bulgaria against a tax charge created by internal restructuring which, together with the utilization of current period tax losses, resulted in no net impact on total tax expense.

The jurisdictional rate difference in 2011 mainly arises as a result of the difference between the Bulgarian and the Netherland's tax rates.

Components of Deferred Tax Assets and Liabilities

The following table shows the significant components included in deferred income taxes as at December 31, 2011 and 2010:

| | December 31, 2011 | December 31, 2010 |
|---|--------------------------|--------------------------|
| Assets: | | |
| Tax benefit of loss carry-forwards and other tax credits | \$ 96,691 | \$ 90,532 |
| Programming rights | 8,161 | 10,322 |
| Property, plant and equipment | 2,557 | 3,132 |
| Accrued expenses | 5,485 | 4,975 |
| Other | 11,038 | 9,864 |
| Gross deferred tax assets | 123,932 | 118,825 |
| Valuation allowance | (92,738) | (90,553) |
| Net deferred tax assets | 31,194 | 28,272 |
| Liabilities: | | |
| Broadcast licenses, trademarks and customer relationships | \$ (71,459) | \$ (78,751) |
| Property, plant and equipment | (8,571) | (11,304) |
| Programming rights | (10,370) | (8,742) |
| Temporary difference due to timing | (8,435) | (7,558) |
| Total deferred tax liabilities | (98,835) | (106,355) |
| Net deferred income tax liability | \$ (67,641) | \$ (78,083) |

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Deferred tax is recognized on the Consolidated Balance Sheet as follows:

| | December 31, 2011 | December 31, 2010 |
|--|--------------------|--------------------|
| Net current deferred tax assets | \$ 3,893 | \$ 3,835 |
| Net non-current deferred tax assets | 4,232 | 1,378 |
| | 8,125 | 5,213 |
| Net current deferred tax liabilities | (1,094) | (672) |
| Net non-current deferred tax liabilities | (74,672) | (82,624) |
| | (75,766) | (83,296) |
| Net deferred income tax liability | \$ (67,641) | \$ (78,083) |

We provided a valuation allowance against potential deferred tax assets of US\$ 92.7 million and US\$ 90.6 million as at December 31, 2011 and 2010, respectively, since it has been determined by management, based on the weight of all available evidence, that it is more likely than not that the benefits associated with these assets will not be realized.

During 2011, we had the following movements on valuation allowances:

| | |
|-------------------------------------|------------------|
| Balance at December 31, 2010 | \$ 90,553 |
| Created during the period | 15,042 |
| Utilized | (12,405) |
| Foreign exchange | (452) |
| Balance at December 31, 2011 | \$ 92,738 |

As of December 31, 2011 we have operating loss carry-forwards that will expire in the following periods:

| Year: | 2012 | 2013 | 2014 | 2015 | 2016 - 27 | Indefinite |
|----------------|------------------|------------------|------------------|------------------|-------------------|------------------|
| Austria | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 9,931 |
| Bulgaria | 19 | 19 | 3,297 | 31,100 | 1,420 | — |
| Croatia | 23,027 | 13,036 | 11,177 | 7,507 | 3,389 | — |
| Czech Republic | 737 | 673 | — | 2,489 | 1,228 | — |
| Hungary | — | — | — | — | — | 308 |
| Moldova | — | 32 | 1 | — | — | — |
| Netherlands | — | 5,411 | 10,743 | 3,940 | 238,133 | — |
| Romania | — | 410 | 7,117 | 8,037 | 39,840 | — |
| Slovakia | — | — | — | — | 12,110 | — |
| Slovenia | — | — | — | — | — | 11,267 |
| United Kingdom | — | — | — | — | — | 3,134 |
| United States | — | — | — | — | 5,288 | — |
| Total | \$ 23,783 | \$ 19,581 | \$ 32,335 | \$ 53,073 | \$ 301,408 | \$ 24,640 |

The losses are subject to examination by the tax authorities and to restriction on their utilization. In particular, the losses can only be utilized against profits arising in the legal entity in which they arose.

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We have provided valuation allowances against most of the above loss carry-forwards. However, valuation allowances have not been provided against the loss carry-forwards in Slovakia and part of the loss carry-forwards in Romania on the basis of future reversals of existing taxable temporary differences. The tax benefits associated with the losses in the United Kingdom and the United States are only recognized in the financial statements as they are utilized.

We have not provided income taxes or withholding taxes on US\$ 494.0 million (2010: US\$ 504.6 million) of cumulative undistributed earnings of our subsidiaries and affiliates as these earnings are either permanently reinvested in the companies concerned or can be recovered tax-free. It is not practicable to estimate the amount of taxes that might be payable on the distribution of these earnings.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

| | |
|---|------------------|
| Balance at December 31,2008 | \$ 4,270 |
| Increases for tax positions taken during a prior period | 95 |
| Increases for tax positions taken during the current period | 12,843 |
| Decreases resulting form the expiry of the statute of limitations | (595) |
| Other | 23 |
| Balance at December 31,2009 | 16,636 |
| Increases for tax positions taken during a prior period | (428) |
| Increases for tax positions taken during the current period | 2,872 |
| Settlements with tax authorities | (252) |
| Other | (170) |
| Balance at December 31,2010 | 18,658 |
| Increases for tax positions taken during a prior period | 88 |
| Increases for tax positions taken during the current period | 4,402 |
| Other | (18) |
| Balance at December 31,2011 | \$ 23,130 |

The total amount of unrecognized benefits that, if recognized, would affect the effective tax rate amounts to US\$ 0.1 million. It is reasonably possible that the total amount of unrecognized tax benefits will not decrease within 12 months of the reporting date as a result of tax audits closing and statutes of limitations expiring.

Our subsidiaries file income tax returns in The Netherlands and various other tax jurisdictions including the United States. As at December 31, 2011, analyzed by major tax jurisdictions, our subsidiaries are generally no longer subject to income tax examinations for years before:

| Country | Year |
|-----------------|------|
| Bulgaria | 2008 |
| Croatia | 2007 |
| Czech Republic | 2008 |
| Netherlands | 2007 |
| Romania | 2006 |
| Slovak Republic | 2006 |
| Slovenia | 2006 |
| United Kingdom | 2010 |
| United States | 2009 |

We recognize, when applicable, both accrued interest and penalties related to unrecognized benefits in income tax expense in the accompanying Consolidated Statements of Operations.

The liability for accrued interest and penalties was US\$ 0.3 million and US\$ nil at December 31, 2011 and 2010, respectively.

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15. INTEREST EXPENSE

Interest expense comprised the following for the years ended December 31, 2011, 2010 and 2009:

| | For the Year Ended December 31, | | |
|---|--|-------------------|-------------------|
| | 2011 | 2010 | 2009 |
| Interest on Senior Notes | \$ 89,747 | \$ 75,783 | \$ 52,478 |
| Interest on Convertible Notes | 18,034 | 16,378 | 16,625 |
| Interest on capital leases and other financing arrangements | 4,167 | 9,040 | 8,169 |
| | 111,948 | 101,201 | 77,272 |
| Amortization of capitalized debt issuance costs | 6,226 | 5,706 | 9,565 |
| Amortization of issuance discount on Convertible Notes | 17,379 | 21,299 | 19,519 |
| Loss on extinguishment of debt (1) | 25,904 | 5,299 | 9,415 |
| | 49,509 | 32,304 | 38,499 |
| Total interest expense | \$ 161,457 | \$ 133,505 | \$ 115,771 |

(1) See Note 5 "Long-Term Debt and Other Financing Arrangements" for detail of the loss on extinguishment of debt.

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16. STOCK-BASED COMPENSATION

6,000,000 shares have been authorized for issuance in respect of equity awards under our Amended and Restated Stock Incentive Plan (“the Plan”). Under the Plan, awards are made to employees at the discretion of the Compensation Committee and to directors pursuant to an annual automatic grant under the Plan or at the discretion of the Board of Directors.

Grants of options allow the holders to purchase shares of Class A common stock or Class B common stock at an exercise price, which is generally the market price prevailing at the date of the grant, with vesting between one and four years after the awards are granted.

The charge for stock-based compensation in our Consolidated Statements of Operations was as follows:

| | For the Years Ending December 31, | | |
|----------------------------------|--|-------------|-------------|
| | 2011 | 2010 | 2009 |
| Stock-based compensation charged | \$ 5,898 | \$ 6,837 | \$ 6,218 |
| Income tax benefit recognized | — | — | (317) |

A summary of option activity for the twelve months ended December 31, 2011 is presented below:

| | Shares | Weighted Average Exercise Price per Share | Weighted Average Remaining Contractual Term (years) | Aggregate Intrinsic Value |
|---|------------------|---|--|------------------------------|
| Outstanding at January 1, 2011 | 2,539,062 | \$ 35.44 | 4.95 | \$ 2,189 |
| Granted | 555,000 | 22.33 | | |
| Exercised | (23,625) | 10.23 | | |
| Forfeited | (168,750) | 40.17 | | |
| Outstanding at December 31, 2011 | 2,901,687 | \$ 32.86 | 4.49 | \$ 71 |
| Vested or expected to vest | 2,778,007 | 33.30 | 4.38 | 71 |
| Exercisable at December 31, 2011 | 1,829,813 | \$ 38.27 | 3.33 | \$ 71 |

When options are vested, holders may exercise them at any time up to the maximum contractual life of the instrument which is specified in the option agreement. At December 31, 2011, the maximum life of options that had been issued under the Plan was 10 years. Upon providing the appropriate written notification, holders pay the exercise price and receive shares. Shares delivered under the Plan are newly issued shares. We received US\$ 0.2 million and US\$ 0.6 million in cash from the awards that were exercised in 2011 and 2010 which had an intrinsic value of US\$ 0.3 million and US\$ 0.2 million, respectively. No options were exercised in 2009. The income tax benefits realized thereon was US\$ nil in 2011 and 2010.

The fair value of stock options is estimated on the grant date using the Black-Scholes option-pricing model and recognized ratably over the requisite service period.

The exercise of stock options has generated a net operating loss brought forward in our Delaware subsidiary of US\$ 5.2 million at January 1, 2011 and US\$ 7.4 million at January 1, 2010. In the years ended December 31, 2011 and 2010, tax benefits of US\$ nil and US\$ 0.7 million, respectively, were recognized in respect of the utilization of part of this loss, and were recorded as additional paid-in capital, net of US\$ nil and US\$ 0.1 million of transfers related to the write-off of deferred tax assets arising upon forfeitures for the periods ending December 31, 2011 and 2010, respectively. The losses are subject to examination by the tax authorities and to restriction on their utilization.

The aggregate intrinsic value (the difference between the stock price on the last day of trading of the fourth quarter of 2011 and the exercise prices multiplied by the number of in-the-money options) represents the total intrinsic value that would have been received by the option holders had they exercised all in-the-money options as of December 31, 2011. This amount changes based on the fair value of our common stock. As of December 31, 2011, there was US\$ 8.9 million of total unrecognized compensation expense related to options. The expense is expected to be recognized over a weighted average period of 1.1 years.

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2011 Option Grants

Pursuant to our Amended and Restated Stock Incentive Plan, options were awarded to members of staff, members of executive management and members of our Board of Directors during the year ended December 31, 2011.

The fair value of these option grants was estimated on the date of the grant using the Black-Scholes option-pricing model, with the following assumptions used:

| Date of Option Grant | Number of Options Granted | Risk-free Interest Rate (%) | Expected Term (years) | Expected Volatility (%) | Fair Value (US\$/share) | Exercise Price (US\$/share) |
|----------------------|---------------------------|-----------------------------|-----------------------|-------------------------|-------------------------|-----------------------------|
| January 3, 2011 | 15,000 | 2.11 | 5.3 | 55.6 | 10.71 | 21.20 |
| May 16, 2011 | 100,000 | 0.93 | 3.0 | 67.6 | 10.06 | 22.38 |
| May 16, 2011 | 435,000 | 1.83 | 5.3 | 55.7 | 11.23 | 22.38 |
| June 14, 2011 | 5,000 | 0.79 | 3.0 | 67.5 | 9.01 | 20.11 |

The fair value of stock options that are expected to vest is estimated on the grant date using the Black-Scholes option-pricing model and recognized ratably over the requisite servicing period. The calculation of compensation cost requires the use of several significant assumptions which are calculated as follows:

- *Expected forfeitures.* ASC 718 requires that compensation cost only be calculated on those instruments that are expected to vest in the future. The number of options that actually vest will usually differ from the total number issued because employees forfeit options when they do not meet the service conditions stipulated in the agreement. Since all forfeitures result from failure to meet service conditions, we have calculated the forfeiture rate by reference to the historical employee turnover rate.
- *Expected volatility.* Expected volatility has been calculated based on an analysis of the historical stock price volatility of the company and its peers for the preceding period corresponding to the options' expected life. We consider this basis to represent the best indicator of expected volatility over the life of the option.
- *Expected term.* The expected term of options granted has been calculated following the "shortcut" method as outlined in ASC 718 because our options meet the definition of "plain vanilla" therein. Since insufficient data about holder exercise behavior is available to make estimates of expected term, we have continued to apply the shortcut method in accordance with ASC 718.

The weighted average assumptions used in the Black-Scholes model for grants made in the years ending December 31, 2011, 2010 and 2009 were as follows:

| | For the Years Ending December 31, | | |
|-----------------------------|-----------------------------------|----------|---------|
| | 2011 | 2010 | 2009 |
| Risk-free interest rate | 1.67% | 2.02% | 1.40% |
| Expected term (years) | 4.82 | 4.9 | 3.9 |
| Expected volatility | 57.90% | 57.26% | 57.20% |
| Dividend yield | 0% | 0% | 0% |
| Weighted-average fair value | \$ 10.98 | \$ 12.64 | \$ 8.31 |

The following table summarizes information about stock option activity during 2011, 2010, and 2009:

| | 2011 | | 2010 | | 2009 | |
|----------------------------------|-----------|--|-----------|--|-----------|--|
| | Shares | Weighted Average Exercise Price (US\$/share) | Shares | Weighted Average Exercise Price (US\$/share) | Shares | Weighted Average Exercise Price (US\$/share) |
| Outstanding at beginning of year | 2,539,062 | 35.44 | 2,000,750 | \$ 39.59 | 1,439,042 | \$ 50.81 |
| Awards granted | 555,000 | 22.33 | 720,000 | 25.59 | 691,875 | 18.68 |
| Awards exercised | (23,625) | 10.23 | (32,313) | 18.31 | — | — |
| Awards forfeited | (168,750) | 40.17 | (149,375) | 47.28 | (130,167) | 52.48 |
| Outstanding at end of year | 2,901,687 | 32.86 | 2,539,062 | \$ 35.44 | 2,000,750 | \$ 39.59 |

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The following table summarizes information about stock options outstanding at December 31, 2011:

| Options outstanding | | | | | |
|---------------------------------|------------------|---|---|---|--|
| Range of exercise prices | Shares | Average remaining contractual life (years) | Aggregate intrinsic value (US\$) | Weighted average exercise price (US\$) | |
| \$ 0.01 - 20.00 | 603,938 | 2.63 | \$ 71,427 | \$ 17.30 | |
| \$ 20.01 - 40.00 | 1,719,374 | 5.64 | — | 23.77 | |
| \$ 40.01 - 60.00 | 197,125 | 3.75 | — | 51.93 | |
| \$ 60.01 - 80.00 | 183,000 | 2.44 | — | 66.73 | |
| \$ 80.01 - 100.00 | 30,000 | 0.43 | — | 90.54 | |
| \$ 100.01 - 120.00 | 168,250 | 3.19 | — | 112.07 | |
| Total | 2,901,687 | 4.49 | \$ 71,427 | \$ 32.86 | |

The following table summarizes information about stock options exercisable at December 31, 2011:

| Options exercisable | | | | | |
|---------------------------------|------------------|---|---|---|--|
| Range of exercise prices | Shares | Average remaining contractual life (years) | Aggregate intrinsic value (US\$) | Weighted average exercise price (US\$) | |
| \$ 0.01 - 20.00 | 603,938 | 2.63 | \$ 71,427 | \$ 17.30 | |
| \$ 20.01 - 40.00 | 647,500 | 4.27 | 0 | 24.04 | |
| \$ 40.01 - 60.00 | 197,125 | 3.75 | 0 | 51.93 | |
| \$ 60.01 - 80.00 | 183,000 | 2.48 | 0 | 66.73 | |
| \$ 80.01 - 100.00 | 30,000 | 0.43 | 0 | 90.54 | |
| \$ 100.01 - 120.00 | 168,250 | 3.19 | 0 | 112.07 | |
| Total | 1,829,813 | 3.33 | \$ 71,427 | \$ 38.27 | |

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17. EARNINGS PER SHARE

The components of basic and diluted earnings per share are as follows:

| | For the Year Ended December 31, | | |
|---|--|-------------------|--------------------|
| | 2011 | 2010 | 2009 |
| Net loss from continuing operations attributable to CME Ltd. | \$ (174,611) | \$ (113,522) | \$ (60,333) |
| Net income / (loss) from discontinued operations attributable to CME Ltd. | — | 213,697 | (36,824) |
| Net (loss) / income attributable to CME Ltd. | \$ (174,611) | \$ 100,175 | \$ (97,157) |
| Weighted average outstanding shares of common stock | 64,385 | 64,029 | 54,344 |
| Dilutive effect of employee stock options | — | — | — |
| Common stock and common stock equivalents | 64,385 | 64,029 | 54,344 |
| Net (loss) / income per share: | | | |
| Basic | \$ (2.71) | \$ 1.57 | \$ (1.79) |
| Diluted | \$ (2.71) | \$ 1.57 | \$ (1.79) |

At December 31, 2011, 3,763,481 (December 31, 2010: 1,827,408) stock options and warrants were antidilutive to income from continuing operations and excluded from the calculation of earnings per share. These may become dilutive in the future. Shares of Class A common stock potentially issuable under our Convertible Notes may also become dilutive in the future, although they were antidilutive to income at December 31, 2011.

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18. SEGMENT DATA

Through the year ended December 31, 2011, we manage our business on a divisional basis, with three reportable segments: Broadcast, Media Pro Entertainment and New Media. The business segments reflect how CME Ltd.'s operations are managed by segment managers, how operating performance within the Company is evaluated by senior management and the structure of our internal financial reporting. Supplemental geographic information on the performance of our Broadcast segment is provided due to the significance of our broadcast operations to CME Ltd. Management believes this information is useful to users of the financial statements.

Our Broadcast segment generates revenues from the sale of advertising and sponsorship and our New Media segment generates revenues from display and video advertising, paid premium content and subscriptions. Our Media Pro Entertainment segment generates revenues through the sale of production services to independent film-makers and through the sale of broadcast and distribution rights to third parties. Media Pro Entertainment also develops, produces and distributes television and film content which is shown on our television channels. In addition, the distribution activities of Media Pro Entertainment generate revenues from the distribution of rights to film content to third party clients, from the exhibition of films in our theaters and from the sale of DVD and Blu Ray discs to wholesale and retail clients.

We evaluate the performance of our segments based on Net Revenues and OIBDA. OIBDA, which includes program rights amortization costs, is determined as operating income / (loss) before depreciation, amortization of intangible assets and impairments of assets. Items that are not allocated to our segments for purposes of evaluating their performance and therefore are not included in their OIBDA, include stock-based compensation and certain other items.

Our key performance measure of the efficiency of our segments is OIBDA margin. OIBDA margin is the ratio of OIBDA to Net Revenues.

We believe OIBDA is useful to investors because it provides a more meaningful representation of our performance as it excludes certain items that either do not impact our cash flows or the operating results of our operations. OIBDA is also used as a component in determining management bonuses. Intersegment revenues and profits have been eliminated in consolidation.

OIBDA may not be comparable to similar measures reported by other companies.

Below are tables showing our Net Revenues, OIBDA and Total Assets by segment for the years ended December 31, 2011, 2010 and 2009 for Consolidated Statement of Operations data and as at December 31, 2011 and 2010 for Consolidated Balance Sheet data:

| | For the Year Ended December 31, | | |
|--------------------------------|--|-------------------|-------------------|
| | 2011 | 2010 | 2009 |
| Net revenues | | | |
| Broadcast: | | | |
| Bulgaria | \$ 93,732 | \$ 61,753 | \$ 3,517 |
| Croatia | 61,502 | 51,350 | 48,543 |
| Czech Republic | 285,865 | 265,018 | 271,733 |
| Romania | 159,387 | 157,416 | 175,409 |
| Slovak Republic | 101,973 | 90,391 | 106,479 |
| Slovenia | 72,519 | 64,799 | 63,385 |
| Total Broadcast | 774,978 | 690,727 | 669,066 |
| Media Pro Entertainment | 187,224 | 140,797 | 107,683 |
| New Media | 15,764 | 11,193 | 9,935 |
| Intersegment revenues (1) | (113,184) | (105,583) | (104,739) |
| Total net revenues | \$ 864,782 | \$ 737,134 | \$ 681,945 |

(1) Reflects revenues earned by the Media Pro Entertainment segment through sales to the Broadcast segment. All other revenues are third party revenues.

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Tabular amounts in US\$ 000's, except per share data)

| | For the Year Ended December 31, | | |
|--------------------------------|--|-------------------|-------------------|
| | 2011 | 2010 | 2009 |
| OIBDA | | | |
| Broadcast: | | | |
| Bulgaria | \$ 12,897 | \$ (2,071) | \$ (44,471) |
| Croatia | 4,659 | 2,368 | 634 |
| Czech Republic | 140,386 | 122,818 | 130,739 |
| Romania | 25,939 | 25,997 | 39,935 |
| Slovak Republic | 9,968 | (1,001) | 14,965 |
| Slovenia | 19,602 | 18,427 | 15,579 |
| Divisional operating costs | (2,361) | (2,123) | (2,410) |
| Total Broadcast | 211,090 | 164,415 | 154,971 |
| Media Pro Entertainment | 3,996 | (3,005) | 7,538 |
| New Media | (2,558) | (6,542) | (8,651) |
| Central | (41,851) | (44,062) | (38,151) |
| Elimination | (3,675) | (3,483) | (333) |
| Total OIBDA | \$ 167,002 | \$ 107,323 | \$ 115,374 |

Reconciliation to Consolidated Statement of Operations:

| | For the Year Ended December 31, | | |
|---|--|---------------------|--------------------|
| | 2011 | 2010 | 2009 |
| Total OIBDA | \$ 167,002 | \$ 107,323 | \$ 115,374 |
| Depreciation of property, plant and equipment | (56,581) | (58,062) | (52,583) |
| Amortization of intangible assets | (34,881) | (25,987) | (19,919) |
| Impairment | (68,748) | (397) | (81,843) |
| Operating income / (loss) | 6,792 | 22,877 | (38,971) |
| Interest expense, net | (158,704) | (131,267) | (112,895) |
| Foreign currency exchange (loss) / gain, net | (31,124) | (5,030) | 82,920 |
| Change in fair value of derivatives | 7,281 | 1,164 | 1,315 |
| Other income | 1 | 357 | 1,385 |
| Provision for income taxes | (3,850) | (5,025) | (4,737) |
| Loss from continuing operations | \$ (179,604) | \$ (116,924) | \$ (70,983) |

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| Total assets (1): | December 31, 2011 | December 31, 2010 |
|---------------------------------|--------------------------|--------------------------|
| Broadcast | \$ 2,362,143 | \$ 2,552,034 |
| New Media | 11,206 | 2,011 |
| Media Pro Entertainment | 221,601 | 224,934 |
| Total Operating Segments | 2,594,950 | 2,778,979 |
| Corporate | 100,115 | 191,503 |
| Elimination | (13,296) | (29,932) |
| Total | \$ 2,681,769 | \$ 2,940,550 |

(1) Segment assets exclude any intercompany investments.

| Long-lived assets (1): | December 31, 2011 | December 31, 2010 |
|--------------------------------|--------------------------|--------------------------|
| Bulgaria | \$ 13,830 | \$ 18,035 |
| Croatia | 7,684 | 10,017 |
| Czech Republic | 54,759 | 61,274 |
| Romania | 90,270 | 104,304 |
| Slovak Republic | 25,608 | 31,664 |
| Slovenia | 23,115 | 25,163 |
| | 215,266 | 250,457 |
| Corporate | 2,101 | 445 |
| Total long-lived assets | \$ 217,367 | \$ 250,902 |

(1) Reflects property, plant and equipment.

We do not rely on any single major customer or group of major customers.

19. COMMITMENTS AND CONTINGENCIES

Commitments

a) Programming Rights Agreements

At December 31, 2011, we had total commitments of US\$ 361.8 million (December 31, 2010: US\$ 420.1 million) in respect of our broadcast operations for future programming, including contracts signed with license periods starting after the balance sheet date. The amounts are payable as follows:

| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|----------------------------------|--------------|-------------------------|------------------|------------------|--------------------------|
| Programming purchase obligations | \$ 361,772 | \$ 147,310 | \$ 176,663 | \$ 37,799 | \$ — |

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US\$ 000's, except per share data)

b) Operating Lease Commitments

For the years ended December 31, 2011, 2010 and 2009, we incurred aggregate rent expense on all facilities of US\$ 11.7 million, US\$ 11.7 million and US\$ 8.4 million, respectively. Future minimum operating lease payments at December 31, 2011 for non-cancellable operating leases with remaining terms in excess of one year (net of amounts to be recharged to third parties) are payable as follows:

| | December 31, 2011 |
|---------------------|--------------------------|
| 2012 | \$ 5,849 |
| 2013 | 3,525 |
| 2014 | 3,139 |
| 2015 | 2,102 |
| 2016 | 1,468 |
| 2017 and thereafter | 9,356 |
| Total | \$ 25,439 |

c) Factoring of Trade Receivables

CET 21 has a working capital credit facility of CZK 300 million (approximately US\$ 15.0 million) with FCS. This facility is secured by a pledge of receivables under a factoring agreement with FCS. As at December 31, 2011 and 2010, there were no drawings under this facility (see also Note 5, "Long-term Debt and Other Financing Arrangements" and Note 7, "Accounts Receivable").

The transfer of the receivables is accounted for as a secured borrowing, with the proceeds received recorded in the Consolidated Balance Sheet as a liability and included in current credit facilities and obligations under capital leases. The corresponding receivables are a part of accounts receivable, as we retain the risks of ownership.

Contingencies

a) Litigation

While we are, from time to time, a party to litigation or arbitration proceedings arising in the normal course of our business operations, we are not presently a party to any such litigation or arbitration which could reasonably be expected to have a material effect on our business or consolidated financial statements, including proceedings described here and in (b) below.

Video International Termination

On March 18, 2009, Video International Company Group, CGSC ("VI"), a Russian legal entity, filed a claim in the London Court of International Arbitration ("LCIA") against our wholly-owned subsidiary CME BV, which was, at the time the claim was filed, the principal holding company of our former Ukrainian operations. The claim relates to the termination of an agreement between VI and CME BV dated November 30, 2006 (the "parent agreement"). The parent agreement was one of four related contracts by which VI subsidiaries, including LLC Video International-Prioritet ("Prioritet"), supplied advertising and marketing services to Studio 1+1 LLC ("Studio 1+1") in Ukraine and International Media Services Ltd., an offshore affiliate of Studio 1+1 ("IMS"). Among these four contracts were the advertising services agreement and the marketing services agreements both between Prioritet and Studio 1+1. On December 24, 2008, each of CME BV, Studio 1+1 and IMS provided notices of termination to their respective contract counterparties, following which each of the four contracts terminated on March 24, 2009. In connection with these terminations, Studio 1+1 was required under the advertising and marketing services agreements to pay a termination penalty equal to (i) 12% of the average monthly advertising revenues, and (ii) 6% of the average monthly sponsorship revenues, in each case for advertising and sponsorship sold by Prioritet for the six months prior to the termination date, multiplied by six. On June 1, 2009, Studio 1+1 paid UAH 13.5 million (approximately US\$ 1.7 million) to Prioritet and set off UAH 7.4 million (approximately US\$ 0.9 million) against amounts owing to Studio 1+1 under the advertising and marketing services agreements. In its LCIA claim, VI sought payment of a separate indemnity from CME BV under the parent agreement equal to the aggregate amount of Studio 1+1's advertising revenues for the six months ended December 31, 2008. The total amount of relief sought was US\$ 58.5 million. On September 30, 2010, a partial award was issued in the arbitration proceedings, pursuant to which VI's claim for relief in the amount of US\$ 58.5 million was dismissed and CME BV was awarded reimbursement of its legal fees and other costs in respect of the arbitration proceedings, which were received on October 27, 2010. The partial award does permit VI to bring a subsequent claim against CME BV as parent guarantor in the event that VI establishes that it is entitled to certain additional compensation under the advertising and marketing services agreements with Studio 1+1 and that such compensation is not satisfied by Studio 1+1. On July 13, 2011, Prioritet filed claims against Studio 1+1 in the Commercial Court of Kiev. The claims relate to alleged violations of the advertising services agreement and marketing services agreement and the total amount of relief sought is approximately UAH 201.0 million (approximately US\$ 25.4 million). On September 23, 2011, the Commercial Court of Kiev dismissed Prioritet's claims. On November 7, 2011, the Commercial Court of Appeal of Kiev dismissed an appeal of the lower court's decision. On December 13, 2011, the Superior Commercial Court of Ukraine dismissed an appeal of Prioritet following the decision of the appellate court. Prioritet has indicated it intends to seek leave to appeal to the Supreme Court of Ukraine. We do not believe that it is likely that we will be required to make any further payment.

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
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b) Lehman Brothers Bankruptcy Claim

On March 4, 2008, we purchased for cash consideration of US\$ 22.2 million, capped call options from Lehman OTC (see Note 5, "Long-Term Debt and Other Financing Arrangements") over 1,583,333 shares of our Class A common stock which entitled us to receive, at our election following a conversion under the 2013 Convertible Notes, cash or shares of Class A common stock with a value equal to the difference between the trading price of our shares at the time the option is exercised and US\$ 105.00, up to a maximum trading price of US\$ 151.20.

On September 15, 2008, Lehman Holdings, the guarantor of the obligations of Lehman OTC under the capped call agreement, filed for protection under Chapter 11 of the United States Bankruptcy Code. The bankruptcy filing of Lehman Holdings, as guarantor, was an event of default and gave us the right to terminate the capped call agreement with Lehman OTC and claim for losses. We exercised this right on September 16, 2008 and claimed an amount of US\$ 19.9 million, which bears interest at a rate equal to CME's estimate of its cost of funding plus 1.0% per annum.

On October 3, 2008, Lehman OTC also filed for protection under Chapter 11. We filed claims in the bankruptcy proceedings of both Lehman Holdings and Lehman OTC. Our claim was a general unsecured claim and ranked together with similar claims.

On March 3, 2009 we assigned our claim in the bankruptcy proceedings of Lehman Holdings and Lehman OTC to an unrelated third party for cash consideration of US\$ 3.4 million, or 17.0% of the claim value. Under the terms of the agreement, in certain circumstances, including if our claim is subsequently disallowed or adjusted by the bankruptcy court, the counterparty would be able to recoup the corresponding portion of the purchase price from us. Likewise, if the amount of recovery exceeds the amount of our claim, we may receive a portion of that recovery from the claim purchaser.

On March 14, 2011, Lehman Brothers filed an objection to our bankruptcy claim, contending that our claim is worth US 14.7 million. On April 12, 2011, a response was filed with the bankruptcy court reasserting our claim of US\$ 19.9 million.

c) Restrictions on dividends from Consolidated Subsidiaries and Unconsolidated Affiliates

Corporate law in the Central and Eastern European countries in which we have operations stipulates generally that dividends may be declared by shareholders, out of yearly profits, subject to the maintenance of registered capital and required reserves after the recovery of accumulated losses. The reserve requirement restriction generally provides that before dividends may be distributed, a portion of annual net profits (typically 5.0%) be allocated to a reserve, which reserve is capped at a proportion of the registered capital of a company (ranging from 5.0% to 25.0%). The restricted net assets of our consolidated subsidiaries and equity in earnings of investments accounted for under the equity method together are less than 25.0% of consolidated net assets.

20. RELATED PARTY TRANSACTIONS

Overview

There is a limited local market for many specialty broadcasting and production services in the countries in which we operate; many of these services are provided by parties known to be connected to our local shareholders, members of our management and board of directors or our equity investees. Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. We continue to review all of these arrangements.

Related Party Groups

We consider our related parties to be those shareholders who have direct control and/or influence and other parties that can significantly influence management as well as our officers and directors; a "connected" party is one in relation to whom we are aware of the existence of a family or business connection to a shareholder, director or officer. We have identified transactions with individuals or entities associated with the following individuals or entities as material related party transactions: Adrian Sarbu, our President and Chief Executive Officer, a member of our Board of Directors and beneficial owner of approximately 4.3% of our outstanding shares of Class A common stock; and Time Warner Inc. ("Time Warner"), who is represented on our Board of Directors and is the beneficial owner of approximately 34.4% of our outstanding shares of Class A common stock and Class B common stock.

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 (Tabular amounts in US\$ 000's, except per share data)

Related Party Transactions

Adrian Sarbu

| | For the Year Ended December 31, | | |
|---------------------------------------|--|-------------|-------------|
| | 2011 | 2010 | 2009 |
| Purchases of programming and services | \$ 4,812 | \$ 5,174 | \$ 36,900 |
| Sales | 1,197 | 852 | 900 |
| | As at December 31, | | |
| | 2011 | 2010 | |
| Accounts payable | \$ 512 | \$ 896 | |
| Accounts receivable | 765 | | 583 |

In addition, on January 31, 2011, we completed the acquisition of 100.0% of Pro Digital S.R.L. ("Pro Digital"), a company controlled by Adrian Sarbu, on a debt-free basis for cash consideration of EUR 0.7 million (approximately US\$ 0.9 million at the date of acquisition) (see Note 3, "Acquisitions").

Time Warner

| | For the Year Ended December 31, | | |
|--------------------------|--|-------------|-------------|
| | 2011 | 2010 | 2009 |
| Purchases of programming | \$ 57,196 | \$ 33,566 | \$ 61,800 |
| Sales | 198 | 40 | — |
| | As at December 31, | | |
| | 2011 | 2010 | |
| Accounts payable | \$ 78,016 | \$ 50,490 | |
| Accounts receivable | 159 | | 46 |

Ronald S. Lauder

We have paid approximately US\$ 2.9 million, including approximately US\$ 0.4 million in 2010, of legal fees incurred by Ronald S. Lauder in connection with the negotiation and implementation of the investment by Time Warner Media Holding B.V. in CME Ltd. in May 2009, which included the dissolution of the CME Holdco L.P. partnership between Mr. Lauder and an affiliate of Apax Partners. In the agreements governing this investment, we had undertaken to pay the reasonable legal fees of Mr. Lauder relating to the investment. These payments were approved by a committee of independent directors of our Board.

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
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21. INDENTURE CONVENANTS

Under the terms of the indentures governing the 2014 Floating Rate Notes, the 2016 Fixed Rate Notes, the 2017 Fixed Rate Notes and the 2015 Convertible Notes (the "2014 Indenture", the "2016 Indenture", the "2017 Indenture" and the "2015 Indenture", respectively), we are largely restricted from raising debt at the corporate level or making certain payments or investments if the ratio of Consolidated EBITDA to Consolidated Interest Expense (both as defined in the 2014 Indenture and 2016 Indenture) (the "Coverage Ratio") is less than 2.0 times. For this purpose, the calculation includes CME Ltd. and its subsidiaries that are "Restricted Subsidiaries." In addition, under the 2017 Indenture, CET 21 is restricted from incurring indebtedness if the ratio of Consolidated Indebtedness to Consolidated EBITDA of CET 21 (both as defined in the 2010 Indenture) and its Restricted Subsidiaries would exceed 2.25 times.

Subsidiaries may be designated as "Unrestricted Subsidiaries" and excluded from the calculation of Coverage Ratio by our Board of Directors. As of December 31, 2011, our Unrestricted Subsidiaries consisted of certain subsidiaries that formerly comprised the Pro.BG business in Bulgaria, CME Development Financing B.V., the entity that funded those operations, and CME Austria GmbH. As at December 31, 2011, our Coverage Ratio was below 2.0 times. Therefore, our Restricted Subsidiaries are restricted from making payments or investments in total of more than EUR 80.0 million (approximately US\$ 115.6 million) to our Unrestricted Subsidiaries. The integration of the operations of the Pro.BG business with the bTV group was completed in May 2011, and as a result, the Unrestricted Subsidiaries do not require additional financial support.

As of December 31, 2011, there was US\$ 1.5 million of cash remaining in the Unrestricted Subsidiaries. There is no requirement to maintain a minimum cash balance in any of our Unrestricted Subsidiaries and we may choose to transfer the remaining funds to our Restricted Subsidiaries at any time.

Below is selected financial information for CME Ltd., its Restricted Subsidiaries and its Unrestricted Subsidiaries as required by the 2014 Indenture, the 2016 Indenture, the 2017 Indenture, and the 2015 Indenture:

| | Issuer and Restricted Subsidiaries | Unrestricted Subsidiaries | Inter-group eliminations | Total |
|--|---|--------------------------------------|-------------------------------------|--------------|
| Consolidated Statement of Operations: | | | | |
| For the Year Ended December 31, 2011 | | | | |
| Net revenues | \$ 861,810 | \$ 3,092 | \$ (120) | \$ 864,782 |
| Depreciation of property, plant and equipment | 51,639 | 1,315 | — | 52,954 |
| Amortization of broadcast licenses and other intangibles | 34,881 | — | — | 34,881 |
| Operating income / (loss) | 12,129 | (5,337) | — | 6,792 |
| Net loss attributable to CME Ltd. | \$ (140,946) | \$ (33,665) | \$ — | \$ (174,611) |
| Consolidated Balance Sheet: | | | | |
| As at December 31, 2011 | | | | |
| Cash and cash equivalents | \$ 184,935 | \$ 1,451 | \$ — | \$ 186,386 |
| Third Party Debt (1) | 1,324,369 | — | — | 1,324,369 |
| Total assets | 2,864,664 | 1,451 | (184,346) | 2,681,769 |
| Total CME Ltd. shareholders' equity | \$ 1,183,974 | \$ 1,327 | \$ (183,609) | \$ 1,001,692 |

(1) Third party debt is defined as credit facilities and capital leases or debt with entities that are not part of the CME Ltd. consolidated group.

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 (Tabular amounts in US\$ 000's, except per share data)

| | Issuer and Restricted Subsidiaries | Unrestricted Subsidiaries | Inter-group eliminations | Total |
|--|--|------------------------------|-----------------------------|------------|
| Consolidated Statement of Operations: | | | | |
| For the Year Ended December 31, 2010 | | | | |
| Net revenues | \$ 735,062 | \$ 3,928 | \$ (1,856) | \$ 737,134 |
| Depreciation of property, plant and equipment | 50,666 | 3,749 | — | 54,415 |
| Amortization of broadcast licenses and other intangibles | 25,987 | — | — | 25,987 |
| Operating income / (loss) | 53,482 | (30,560) | (45) | 22,877 |
| Net (loss) / income attributable to CME Ltd. | \$ (139,409) | \$ 239,629 | \$ (45) | \$ 100,175 |

Consolidated Balance Sheet:

| | As at December 31, 2010 | | | |
|-------------------------------------|--------------------------------|-------------|--------------|--------------|
| Cash and cash equivalents | \$ 219,789 | \$ 24,261 | \$ — | \$ 244,050 |
| Third Party Debt (1) | 1,359,330 | 454 | — | 1,359,784 |
| Total assets | 3,212,077 | 37,942 | (309,469) | 2,940,550 |
| Total CME Ltd. shareholders' equity | \$ 1,493,511 | \$ (36,981) | \$ (229,651) | \$ 1,226,879 |

(1) Third party debt is defined as credit facilities and capital leases or debt with entities that are not part of the CME Ltd consolidated group.

| | Issuer and Restricted Subsidiaries | Unrestricted Subsidiaries | Inter-group eliminations | Total |
|--|--|------------------------------|-----------------------------|-------------|
| Consolidated Statement of Operations: | | | | |
| For the Year Ended December 31, 2009 | | | | |
| Net revenues | \$ 678,424 | \$ 3,521 | \$ — | \$ 681,945 |
| Depreciation of property, plant and equipment | 48,894 | 2,697 | — | 51,591 |
| Amortization of broadcast licenses and other intangibles | 18,373 | 1,546 | — | 19,919 |
| Operating income / (loss) | 91,464 | (130,435) | — | (38,971) |
| Net (loss) / income attributable to CME Ltd. | \$ 63,448 | \$ (160,605) | \$ — | \$ (97,157) |

22. QUARTERLY FINANCIAL DATA

Selected quarterly financial data for the years ended December 31, 2011 and 2010 is as follows:

| | For the Year Ended December 31, 2011 | | | |
|---|--------------------------------------|-------------------------------|------------------------------|-------------------------------|
| | First Quarter (Unaudited) | Second Quarter (Unaudited) | Third Quarter (Unaudited) | Fourth Quarter (Unaudited) |
| | (US\$ 000's, except per share data) | | | |
| Consolidated Statement of Operations Data: | | | | |
| Net revenues | \$ 172,772 | \$ 249,656 | \$ 165,472 | \$ 276,882 |
| Cost of revenues | 150,730 | 179,568 | 150,560 | 188,797 |
| Operating (loss) / income | (7,665) | 39,473 | (12,910) | (12,106) |
| Net (loss) / income from continuing operations | (20,995) | 812 | (82,196) | (77,225) |
| Net (loss) / income from discontinued operations | — | — | — | — |
| Net (loss) / income attributable to CME Ltd. | \$ (21,114) | \$ 968 | \$ (82,074) | \$ (72,391) |
| Net (loss) / income per share: | | | | |
| Basic EPS | \$ (0.33) | \$ 0.02 | \$ (1.27) | \$ (1.12) |
| Effect of dilutive securities | — | — | — | — |
| Diluted EPS | \$ (0.33) | \$ 0.02 | \$ (1.27) | \$ (1.12) |

| | For the Year Ended December 31, 2010 | | | |
|---|--------------------------------------|-------------------------------|------------------------------|-------------------------------|
| | First Quarter (Unaudited) | Second Quarter (Unaudited) | Third Quarter (Unaudited) | Fourth Quarter (Unaudited) |
| | (US\$ 000's, except per share data) | | | |
| Consolidated Statement of Operations Data: | | | | |
| Net revenues | \$ 143,641 | \$ 201,726 | \$ 134,354 | \$ 257,413 |
| Cost of revenues | 134,329 | 146,282 | 131,045 | 182,388 |
| Operating (loss) / income | (19,133) | 25,452 | (25,345) | 41,903 |
| Net (loss) / income from continuing operations | (41,986) | (52,913) | 3,417 | (25,442) |
| Net (loss) / income from discontinued operations | (3,922) | 217,619 | — | — |
| Net (loss) / income attributable to CME Ltd. | \$ (42,294) | \$ 165,169 | \$ 3,416 | \$ (26,116) |
| Net (loss) / income per share: | | | | |
| Basic EPS | \$ (0.67) | \$ 2.59 | \$ 0.05 | \$ (0.41) |
| Effect of dilutive securities | — | — | — | — |
| Diluted EPS | \$ (0.67) | \$ 2.59 | \$ 0.05 | \$ (0.41) |

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures designed to ensure that information required to be disclosed in our Annual Report on Form 10-K is recorded, processed, summarized and reported within the specified time periods and is designed to ensure that information required to be disclosed is accumulated and communicated to management, including the President and Chief Executive Officer and the Chief Financial Officer to allow timely decisions regarding required disclosure.

Our President and Chief Executive Officer and our Chief Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2011 and concluded that our disclosure controls and procedures were effective as of that date.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. We have performed an assessment of the design and operating effectiveness of our internal control over financial reporting as of December 31, 2011. This assessment was performed under the direction and supervision of our President and Chief Executive Officer and our Chief Financial Officer, and utilized the framework established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on that evaluation, we concluded that as of December 31, 2011, our internal control over financial reporting was effective. Our independent registered public accounting firm, Deloitte LLP, has audited our financial statements and issued a report on the effectiveness of internal control over financial reporting, which is included herein.

Changes in Internal Controls

There were no changes in our internal controls over financial reporting during the three month period ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

February 22, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Central European Media Enterprises Ltd.

We have audited the internal control over financial reporting of Central European Media Enterprises Ltd. and subsidiaries (the "Company") as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2011 of the Company and our report dated February 22, 2012 expressed an unqualified opinion on those financial statements and financial statement schedule.

DELOITTE LLP

London, United Kingdom

February 22, 2012

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ITEM 9B. OTHER INFORMATION

None

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by Item 10 is incorporated herein by reference to the sections entitled “Election of Directors,” “Management,” “Corporate Governance and Board of Director Matters” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement for the 2012 Annual General Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the sections entitled “Compensation Discussion and Analysis,” “Compensation Committee Report” and “Compensation Committee Interlocks and Insider Participation” in our Proxy Statement for the 2012 Annual General Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 relating to the security ownership of certain beneficial owners and management is incorporated herein by reference to the section entitled “Security Ownership of Certain Beneficial Owners and Management” in our Proxy Statement for the 2012 Annual General Meeting of Shareholders.

Equity Compensation Plan Information

The following table provides information as of December 31, 2011 about common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans.

| Equity Compensation Plan Information | | | | |
|--|---|-----|---|----------------|
| Plan Category | (a) | | (b) | |
| | Number of Securities to be issued upon exercise of outstanding options, warrants and rights | | Weighted average exercise price of outstanding options, warrants and rights | |
| | | | (c) | |
| | | | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) | |
| Equity compensation plans approved by security holders | 2,901,687 | (1) | 32.86 | 545,981 |
| Equity compensation plans not approved by security holders | — | | — | — |
| Total | 2,901,687 | | 32.86 | 545,981 |

(1) This number consists of options outstanding at December 31, 2011 under CME’s Amended and Restated Stock Incentive Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated herein by reference to the sections entitled “Certain Relationships and Related Party Transactions” and “Director Independence” in our Proxy Statement for the 2012 Annual General Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated herein by reference to the section entitled “Selection of Auditors” in our Proxy Statement for the 2012 Annual General Meeting of Shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) The following Financial Statements of Central European Media Enterprises Ltd. are included in Part II, Item 8 of this Report:

- Report of Independent Registered Public Accounting Firm;
- Consolidated Balance Sheets as of December 31, 2011 and 2010;
- Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2011, 2010 and 2009;
- Consolidated Statements of Equity for the years ended December 31, 2011, 2010 and 2009;
- Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009; and
- Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedule (included at page S-1 of this Annual Report on Form 10-K).

(a)(3) The following exhibits are included in this report:

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|---|
| 3.01* | Memorandum of Association (incorporated by reference to Exhibit 3.01 to the Company's Registration Statement No. 3380344 on Form S-1 filed June 17, 1994). |
| 3.02* | Bye-Laws of Central European Media Enterprises Ltd., as amended and restated on June 3, 2008 (incorporated by reference to Exhibit 3.02 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008). |
| 3.03* | Memorandum of Increase of Share Capital (incorporated by reference Exhibit 3.03 to Amendment No. 1 to the Company's Registration Statement No. 33-80344 on Form S-1, filed August 19, 1994). |
| 3.04* | Memorandum of Reduction of Share Capital (incorporated by reference to Exhibit 3.04 to Amendment No. 2 to the Company's Registration Statement No. 33-80344 on Form S-1, filed September 14, 1994). |
| 3.05* | Certificate of Deposit of Memorandum of Increase of Share Capital executed by the Registrar of Companies on May 20, 1997 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997). |
| 4.01* | Specimen Class A Common Stock Certificate (incorporated by reference to Exhibit 4.01 to Amendment No. 1 to the Company's Registration Statement No. 33-80344 on Form S-1, filed August 19, 1994). |
| 4.02* | Indenture among Central European Media Enterprises Ltd. as Issuer, Central European Enterprises N.V. and CME Media Enterprises B.V. as Subsidiary Guarantors, BNY Corporate Trustee Services Limited as Trustee, The Bank of New York as Security Trustee, Principle Paying Agent and Transfer Agent and The Bank of New York (Luxembourg) S.A. as Registrar, Luxembourg Transfer Agent and Luxembourg Paying Agent, dated May 16, 2007 (incorporated by reference to Exhibit 10.65 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007). |
| 4.03* | Registration Rights Agreement among Central European Media Enterprises Ltd., Lehman Brothers Inc., J.P. Morgan Securities Inc., Deutsche Bank Securities Inc., BNP Paribas and ING Bank N.V., London Branch, dated March 10, 2008 (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008). |
| 4.04* | Indenture among Central European Media Enterprises Ltd., Central European Enterprises N.V., CME Media Enterprises B.V. and The Bank of New York, dated March 10, 2008 (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008). |
| 4.05* | Indenture among Central European Media Enterprises Ltd. as Issuer, Central European Enterprises N.V. and CME Media Enterprises B.V. as Subsidiary Guarantors, The Bank of New York, acting through its London Branch, as Trustee, The Bank of New York, acting through its London Branch, as Principle Paying Agent and Transfer Agent, The Law Debenture Trust Corporation p.l.c as Security Trustee and The Bank of New York (Luxembourg) S.A. as Registrar, Luxembourg Transfer Agent and Luxembourg Paying Agent, dated September 17, 2009 (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009). |

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| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---|
| 4.06* | Warrant to Purchase Common Stock issued to Media Pro B.V., dated December 9, 2009 (incorporated by reference to Exhibit 4.07 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 4.07* | Warrant to Purchase Common Stock issued to Media Pro Management S.A., dated December 9, 2009 (incorporated by reference to Exhibit 4.08 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 4.08* | Registration Rights Agreement between Central European Media Enterprises Ltd. and Igor Kolomoisky, dated as of August 24, 2007 (incorporated by reference to Exhibit 4.03 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007). |
| 4.09* | Registration Rights Agreement between the Company and Time Warner Holdings B.V., dated May 18, 2009 (incorporated by reference to Exhibit 4.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 4.10* | Indenture among CET 21 spol. sro. as Issuer, Central European Media Enterprises Ltd., Central European Media Enterprises N.V., CME Media Enterprises B.V., CME Slovak Holdings B.V., CME Investments B.V. and MARKÍZA-SLOVAKIA, spol. s r.o. as Guarantors, Citibank, N.A., London Branch, as Trustee, Citibank, N.A., London Branch, as Paying Agent and Transfer Agent and Citigroup Global Markets Deutschland AG as Registrar, dated October 21, 2010 (incorporated by reference to Exhibit 4.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010). |
| 4.11* | Indenture among Central European Media Enterprises Ltd. as issuer, Central European Media Enterprises N.V. and CME Media Enterprises B.V. as guarantors, and Deutsche Bank Trust Company Americas as trustee, security agent, paying agent, conversion agent, transfer agent and registrar, dated February 18, 2011 (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011). |
| 10.01*+ | Central European Media Enterprises Ltd. Amended and Restated Stock Incentive Plan, as amended on May 15, 2009 (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2009). |
| 10.02*+ | Employee Stock Option Form (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004). |
| 10.03* | Subscription Agreement between Central European Media Enterprises Ltd. and Igor Kolomoisky, dated August 24, 2007 (incorporated by reference to Exhibit 4.02 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007). |
| 10.04* | Pledge Agreement among Central European Media Enterprises Ltd., Central European Media Enterprises N.V. and the Bank of New York, dated March 10, 2008 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008). |
| 10.05* | Deed of Pledge of Shares among Central European Media Enterprises N.V., CME Media Enterprises B.V. and The Bank of New York, dated March 10, 2008 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008). |
| 10.06* | Capped Call Transaction between Central European Media Enterprises Ltd., Deutsche Bank AG, London Branch and Deutsche Bank Securities Inc., dated March 4, 2008 (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008). |
| 10.07* | Capped Call Transaction between Central European Media Enterprises Ltd. and BNP Paribas, dated March 4, 2008 (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008). |
| 10.08* | Capped Call Transaction between the Company and Lehman Brothers OTC Derivatives Inc., dated March 4, 2008 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008). |
| 10.09* | Subscription Agreement, by and between Central European Media Enterprises Ltd. and TW Media Holdings LLC, dated March 22, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009). |

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| 10.10* | Indemnity Agreement, by and among Central European Media Enterprises Ltd., Ronald S. Lauder and RSL Savannah LLC, dated as of March 22, 2009 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009). |
| 10.11* | First Amended and Restated Framework Agreement among Central European Media Enterprises Ltd., CME Ukraine Holding B.V., CME Cyprus Holding Limited, Alstrom Business Corp, Michalakis Tsitsekos, Igor Kolomoisky and Ihor Surkis, dated July 22, 2009 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009). |
| 10.12* | Framework Agreement among CME Production B.V., CME Romania B.V., Media Pro Management S.A., Media Pro B.V. and Adrian Sarbu, dated July 27, 2009 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009). |
| 10.13*+ | Contract of Employment between CME Media Services Limited and Adrian Sarbu, dated July 27, 2009 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009). |
| 10.14* | Dealer Manager Agreement between Central European Media Enterprises Ltd. and Deutsche Bank AG, London Branch, dated September 7, 2009 (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009). |
| 10.15* | Tender Agency Agreement between Central European Media Enterprises Ltd., Deutsche Bank AG, London Branch, as a Principle Tender Agent, and certain other tender agents, dated September 7, 2009 (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009). |
| 10.16* | Global Deed of release among Central European Media Enterprises Ltd., CME Media Enterprises B.V., Central European Media Enterprises N.V. and European Bank for Reconstruction and Development, dated September 16, 2009 (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009). |
| 10.17* | Contract Assignment between CME Media Enterprises B.V, Central European Media Enterprises Ltd., The Bank of New York Mellon, acting through its London Branch and The Law Debenture Trust Corporation p.l.c., dated September 17, 2009 (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009). |
| 10.18* | Pledge Agreement among Central European Media Enterprises Ltd., Central European Media Enterprises N.V., The Bank of New York Mellon, acting through its London Branch and The Law Debenture Trust Corporation p.l.c., dated September 17, 2009 (incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009). |
| 10.19* | Deed of Pledge of Shares among Central European Media Enterprises N.V., CME Media Enterprises B.V., The Bank of New York Mellon, acting through its London Branch and The Law Debenture Trust Corporation p.l.c., dated September 17, 2009 (incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009). |
| 10.20* | Global Deed of Release among Central European Media Enterprises Ltd., CME Media Enterprises B.V., Central European Media Enterprises N.V. and the The Bank of New York Mellon, acting through its London Branch (formerly JPMorgan Chase Bank, N.A., London Branch), dated September 29, 2009 (incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009). |
| 10.21* | Amendment to the Framework Agreement among CME Production B.V., CME Romania B.V., Media Pro Management S.A., Media Pro B.V. and Adrian Sarbu, dated December 9, 2009 (incorporated by reference to Exhibit 10.66 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 10.22* | Subscription Agreement among Central European Media Enterprises Ltd., Media Pro Management S.A. and Media Pro B.V., dated December 9, 2009 (incorporated by reference to Exhibit 10.67 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 10.23* | Share Purchase Agreement among Central European Media Enterprises Ltd., CME Cyprus Holding II Limited, Igor Kolomoisky and Harley Trading Limited, dated January 20, 2010 (incorporated by reference to Exhibit 10.68 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |

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| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--|
| 10.24* | Termination Agreement among Central European Media Enterprises Ltd., CME Ukraine Holding B.V., CME Cyprus Holding Limited, Alstrom Business Corp, Michalakis Tsitsekkos, Igor Kolomoisky and Ihor Surkis, dated January 20, 2010 (incorporated by reference to Exhibit 10.69 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 10.25* | Facility Agreement among CET 21 spol. s r.o., Erste Group Bank A.G. as arranger, Ceská Sporitelna, a.s. ("CSAS") as facility agent and security agent, CSAS, UniCredit Bank Czech Republic, a.s. and BNP Paribas as original lenders and the Company, CME Slovak Holdings B.V., CME Media Enterprises B.V., CME Romania B.V. and MARKÍZA-SLOVAKIA, spol. s r.o. as original guarantors, dated December 21, 2009 (incorporated by reference to Exhibit 10.70 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 10.26* | Investor Rights Agreement among the Company, Ronald S. Lauder, RSL Savannah LLC, RSL Investment LLC, RSL Investments Corporation and Time Warner Media Holdings B.V., dated May 18, 2009 (incorporated by reference to Exhibit 10.71 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 10.27* | Irrevocable Voting Deed and Corporate Representative Appointment among RSL Savannah LLC, Time Warner Media Holdings B.V. and the Company, dated May 18, 2009 (incorporated by reference to Exhibit 10.72 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 10.28*+ | Contract of Employment between CME Media Services Limited and Dave Sturgeon, dated June 19, 2009 (incorporated by reference to Exhibit 10.73 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 10.29* | Deed relating to the Sale and Purchase of Certain Media Interests in Bulgaria by and among News Netherlands B.V., News Corporation, CME Media Enterprises B.V. and Central European Media Enterprises Ltd. dated February 18, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010). |
| 10.30*+ | Contract of Employment between CME Media Services Limited and David Sach, dated February 26, 2010 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010). |
| 10.31*+ | Contract of Employment between CME Media Services Limited and Andrei Boncea, dated May 3, 2010 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010). |
| 10.32* | Amended and Restated Sale and Purchase Agreement between CME Media Enterprises B.V., CME Development Financing B.V., Top Tone Media Holdings Limited and Krassimir Guergov, dated April 19, 2010 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010). |
| 10.33* | Investment Agreement between CME Media Enterprises B.V. and Top Tone Media Holdings Limited, dated April 22, 2010 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010). |
| 10.34* | Deed of Termination and Release between CME Media Enterprises B.V., Top Tone Media Holdings Limited and Krassimir Guergov, dated April 22, 2010 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010). |
| 10.35*+ | Contract of Employment between CME Media Services Limited and Petr Dvorak, dated May 1, 2010 (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010). |
| 10.36* | Sale and Purchase Agreement in respect of Pro TV S.A., Media Pro International S.A. and Media Vision S.R.L. among CME Investments B.V., Central European Media Enterprises Ltd. and Adrian Sarbu, dated May 24, 2010 (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010). |
| 10.37*+ | Amended and Restated Contract of Employment between CME Media Services Limited and Dave Sturgeon, dated July 27, 2010 (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010). |
| 10.38* | CZK 1,500,000,000 Revolving Credit Facility Agreement among CET 21 spol. s r.o. as original borrower, BNP Paribas S.A., JPMorgan Chase Bank N.A., Citibank Europe plc (acting through its Prague branch Citibank Europe plc, organizační složka), ING Bank N.V. and CSAS. as original lenders, BNP Paribas S.A., J.P. Morgan plc, Citigroup Global Markets Limited, ING Bank N.V. and CSAS. as arrangers, BNP Paribas S.A. as agent, BNP Paribas Trust Corporation UK Limited as Security Agent and the Company, Central European Media Enterprises N.V., CME Media Enterprises B.V., CME Slovak Holdings B.V., MARKÍZA-SLOVAKIA, spol. s r.o. and CME Investments B.V. as original guarantors, dated October 21, 2010 (incorporated by reference to Exhibit 10.40 to the Company's Annual Report on Form 10-K for the fiscal period ended December 31, 2010). |

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| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|---|
| 10.39* | Pledge Agreement among the Company, Central European Media Enterprises N.V. and BNP Paribas Trust Corporation UK Limited, dated October 21, 2010 (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal period ended December 31, 2010). |
| 10.40* | Deed of Pledge of Shares among Central European Media Enterprises N.V., CME Media Enterprises B.V. and BNP Paribas Trust Corporation UK Limited, dated October 21, 2010 (incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K for the fiscal period ended December 31, 2010). |
| 10.41* | Deed of Amendment to the Intercreditor Agreement dated July 21, 2006, as amended, among the Company, Central European Media Enterprises N.V., CME Media Enterprises B.V., BNY Corporate Trustee Services Limited, The Bank of New York Mellon (formerly The Bank of New York), The Bank of New York Mellon (formerly The Bank of New York), The Bank of New York Mellon, acting through its London Branch, The Law Debenture Trust Corporation p.l.c., Citibank, N.A., London Branch, BNP Paribas Trust Corporation UK Limited and BNP Paribas S.A., dated October 21, 2010 (incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K for the fiscal period ended December 31, 2010). |
| 10.42* | Intercreditor Agreement dated October 21, 2010 among the Company, CET 21 spol. s r.o., Central European Media Enterprises N.V., CME Media Enterprises B.V., CME Slovak Holdings B.V., MARKÍZA-SLOVAKIA, spol. s r.o., CME Investments B.V., BNP Paribas S.A., Citibank Europe plc, ING Bank N.V., JPMorgan Chase Bank, N.A., CSAS., BNP Paribas S.A. as agent, BNP Paribas Trust Corporation UK Limited as security agent and Citibank, N.A., London Branch, as notes trustee, dated October 21, 2010 (incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the fiscal period ended December 31, 2010). |
| 10.43*+ | Amended and Restated Contract of Employment between CME Media Services Limited and Anthony Choy, dated December 1, 2010 (incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K for the fiscal period ended December 31, 2010). |
| 10.44* | Deed of Amendment to the Intercreditor Agreement between Central European Media Enterprises Ltd., Central European Media Enterprises N.V., CME Media Enterprises B.V., BNY Corporate Trustee Services Limited, The Bank of New York Mellon (formerly The Bank of New York), The Bank of New York Mellon (formerly The Bank of New York), The Bank of New York Mellon, acting through its London Branch, The Law Debenture Trust Corporation p.l.c., Citibank, N.A., London Branch, BNP Paribas Trust Corporation UK Limited, BNP Paribas S.A. and Deutsche Bank Trust Company Americas, dated February 18, 2011 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011). |
| 10.45* | Pledge Agreement among Central European Media Enterprises Ltd., Central European Media Enterprises N.V. and Deutsche Bank Trust Company Americas, dated February 18, 2011 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011). |
| 10.46* | Deed of Pledge of Shares among Central European Media Enterprises N.V., CME Media Enterprises B.V. and Deutsche Bank Trust Company Americas, dated February 18, 2011 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period's ended March 31, 2011). |
| 10.47+ | Contract of Employment between CME Media Services Limited and Daniel Penn, dated February 20, 2012. |
| 21.01 | List of subsidiaries. |
| 23.01 | Consent of Deloitte LLP. |
| 24.01 | Power of Attorney, dated as of February 22, 2012 |
| 31.01 | Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.02 | Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.01 | Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only). |

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| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--|
| 101.INS# | XBRL Instance Document |
| 101.SCH# | XBRL Taxonomy Schema Document |
| 101.CAL# | XBRL Taxonomy Calculation Linkbase Document |
| 101.DEF# | XBRL Taxonomy Definition Linkbase Document |
| 101.LAB# | XBRL Taxonomy Label Linkbase Document |
| 101.PRE# | XBRL Taxonomy Presentation Linkbase Document |

* Previously filed exhibits

+ Exhibit is a management contract or compensatory plan

XBRL (Extensible Business Reporting Language) information is furnished and not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

b) Exhibits: See (a)(3) above for a listing of the exhibits included as part of this report.

c) Report of Independent Registered Public Accountants on Schedule II - Schedule of Valuation Allowances. (See page S-1 of this Annual Report on Form 10-K).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 22, 2012

/s/ David Sach
David Sach
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|---|-------------------|
| <u>/s/ Ronald S. Lauder</u> Ronald S. Lauder | Chairman of the Board of Directors | February 22, 2012 |
| * <u>Herbert A. Granath</u> | Vice-Chairman of the Board of Directors | February 22, 2012 |
| <u>/s/ Adrian Sarbu</u> Adrian Sarbu | President and Chief Executive Officer and Director (Principal Executive Officer) | February 22, 2012 |
| <u>/s/ David Sach</u> David Sach | Executive Vice President and Chief Financial Officer (Principal Financial Officer) | February 22, 2012 |
| <u>/s/ David Sturgeon</u> David Sturgeon | Deputy Chief Financial Officer (Principal Accounting Officer) | February 22, 2012 |
| * <u>Paul T. Cappuccio</u> | Director | February 22, 2012 |
| * <u>Michael Del Nin</u> | Director | February 22, 2012 |
| * <u>Charles Frank</u> | Director | February 22, 2012 |
| * <u>Alfred W. Langer</u> | Director | February 22, 2012 |
| * <u>Fred H. Langhammer</u> | Director | February 22, 2012 |

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| | | |
|---------------------------------|----------|-------------------|
| * <hr/> Bruce Maggin | Director | February 22, 2012 |
| * <hr/> Parm Sandhu | Director | February 22, 2012 |
| * <hr/> Caryn Seidman Becker | Director | February 22, 2012 |
| * <hr/> Duco Sickinghe | Director | February 22, 2012 |
| * <hr/> Kelli Turner | Director | February 22, 2012 |
| * <hr/> Eric Zinterhofer | Director | February 22, 2012 |

*By: /s/ David Sach

David Sach
Attorney-in-fact

INDEX TO SCHEDULES

Schedule II

Schedule of Valuation Allowances
(US\$ 000's)

| | Bad debt and credit note provision | Deferred tax allowance |
|-------------------------------------|---------------------------------------|------------------------|
| Balance at December 31, 2008 | \$ 10,918 | \$ 46,826 |
| Charged to costs and expenses | 8,199 | (16,349) |
| Charged to other accounts (1) | (5,056) | 29,762 |
| Foreign exchange | 32 | (93) |
| Balance at December 31, 2009 | 14,093 | 60,146 |
| Charged to costs and expenses | 5,296 | 30,427 |
| Charged to other accounts (1) | (5,606) | — |
| Foreign exchange | (578) | (20) |
| Balance at December 31, 2010 | 13,205 | 90,553 |
| Charged to costs and expenses | 3,281 | 4,036 |
| Charged to other accounts (1) | (2,126) | — |
| Foreign exchange | (750) | (465) |
| Balance at December 31, 2011 | \$ 13,610 | \$ 94,124 |

(1) Charged to other accounts for the bad debt and credit note provision consist primarily of accounts receivable written off and opening balance of acquired companies.

February 20, 2012

DATED

CME Media Services Limited

- and -

Daniel Penn

CONTRACT OF EMPLOYMENT

**CONTRACT OF EMPLOYMENT AND STATEMENT OF PARTICULARS PURSUANT TO SECTION 1
OF THE EMPLOYMENT RIGHTS ACT 1996 (the "Contract")**

Name and Address of Employer: CME Media Services Limited, 5 Fleet Place, London EC4M
7RD, United Kingdom (the "**Company**")

Name and Address of Employee: Daniel Penn, 2 St Lukes House, 14 Fitzroy Square, London W1T
6ED, United Kingdom

Date this Contract takes effect: February 20, 2012

1 COMMENCEMENT OF AND CONDITIONS TO EMPLOYMENT

- 1.1 Your employment with the Company shall commence on February 20, 2012 or such other date as agreed between you and the President and Chief Executive Officer of the CME group, subject to compliance with clause 1.2 below (the "**Commencement Date**").
- 1.2 You shall establish to the Company's satisfaction (through production of original documents reasonably requested by us) that you are entitled to live and work in the United Kingdom without any additional approvals. You will notify the Company immediately if you cease to be so entitled at any time during your employment with the Company.
- 1.3 You represent and warrant that you are not bound by or subject to any contract, court order, agreement, arrangement or undertaking which in any way restricts or prohibits you from entering into this Contract or performing your duties under it.

2 JOB TITLE AND DUTIES

- 2.1 Your job title is General Counsel, reporting to the President and Chief Executive Officer of the CME group.
- 2.2 Your main duties are:
 - 2.2.1 managing the CME group legal department and legal matters relating to the operations and investments of the CME group and performing such functions and undertaking such responsibilities as are customarily associated with such matters, including the supervision of legal staff based in the CME group operations;
 - 2.2.2 reporting to and advising the Board of Directors of Central European Media Enterprises Ltd. ("**CME Ltd.**") and its committees;
 - 2.2.3 acting as statutory director of such entities of the CME group as may be determined from time to time; and
 - 2.2.4 undertaking such additional tasks in respect of the business of the CME group as the President and Chief Executive Officer of the CME group directs from time to time.
- 2.3 You shall use your best endeavours to promote and protect the interests of the CME group and shall not do anything that is harmful to those interests.
- 2.4 You shall devote the whole of your working time (unless prevented by ill-health or accident or otherwise directed by the Company) to the duties of this Contract and you shall not be directly or

indirectly interested or concerned in any manner in any other business (other than holding as a bona-fide personal investment equity in any company whose shares are listed on any recognised exchange or does not otherwise contravene clause 17) except with the Company's prior written consent. If such consent is given, you must provide the Company with the number of hours worked for any other employer each month.

3 PLACE OF WORK

You will be based in the Company's London office. However, it is agreed that your position will require that you spend extensive time travelling for the proper performance of your duties.

4 REMUNERATION

- 4.1 From January 1, 2012, your basic salary is GBP 335,000 per year, payable monthly in arrears by credit transfer into your bank account after all necessary deductions for relevant taxes and social security payments. Your salary will be reviewed on an annual basis on or about the anniversary of your Commencement Date. Any increase is entirely at the Company's discretion.
- 4.2 You shall be entitled to participate in the CME Management Compensation Policy in effect from time to time (the "**Policy**"). The amount, if any, of any bonus awarded pursuant to the Policy shall be determined by the President and Chief Executive Officer of the CME group, pursuant to the rules of the Policy. Any bonus awarded will be based on a figure representing 100% of your gross annual salary.

5 OTHER BENEFITS

- 5.1 You are entitled to membership of such insurance schemes (each referred to below as an "**insurance scheme**") provided by the Company from time to time, including:
 - 5.1.1 a medical and dental expenses insurance scheme providing such cover for you and your spouse/partner and any children under the age of eighteen (18) as the Company may from time to time notify to you;
 - 5.1.2 a salary continuance on long-term disability insurance scheme providing such cover for you as the Company may from time to time notify to you; and
 - 5.1.3 a life insurance scheme providing such cover for you as the Company may from time to time notify to you.
- 5.2 Benefits shall be subject to the terms of any applicable insurance policy and are conditional upon your complying with and satisfying any applicable requirements of the insurers or other benefits provider. Copies of these rules and policies and particulars of the requirements shall be provided to you on request. The Company shall not have any liability to pay any benefit to you under any insurance scheme unless it receives payment of the benefit from the insurer under the scheme.
- 5.3 Any insurance scheme which is provided for you is also subject to the Company's right to alter the cover provided or any term of the scheme or to cease to provide (without replacement) the scheme at any time if in the reasonable opinion of the Company your state of health is or becomes such that the Company is unable to insure the benefits under the scheme at the normal premiums applicable.

- 5.4 The provision of any insurance scheme or any benefits hereunder does not in any way prevent the Company from lawfully terminating this Contract in accordance with the provisions in clause 9 even if to do so would deprive you of membership of or cover under any such scheme or benefit.

6 EXPENSES

The Company shall reimburse you for all reasonable expenses incurred by you in the proper performance of your duties under this Contract on production of appropriate receipts in accordance with the CME Group Expenses Policy in effect from time to time.

7 HOURS OF WORK

Your normal working hours are 40 hours per week Monday to Friday together with such additional hours as may be necessary for the proper performance of your duties. This may include working in the evenings, outside normal office hours, at weekends or on public holidays. No additional pay or time off will be permitted.

8 HOLIDAYS

- 8.1 You are entitled to 30 days' holiday per annum (in addition to public holidays).
- 8.2 Your entitlement to holiday accrues pro rata on an annual basis as calculated from 1 January until 31 December (inclusive) each year (the "**Holiday Year**").
- 8.3 On termination, you will be paid for accrued holiday in the relevant Holiday Year as well as holiday carried over from previous years.
- 8.4 The Company may also refuse to allow you to take holiday in circumstances where it would be inconvenient to the business of the Company. If, in exceptional circumstances, the Company is forced to cancel holiday previously booked by you, all reasonable and properly documented accommodation, reservation and travel expenses incurred by you in connection therewith up to the date of cancellation that are not otherwise refundable will be reimbursed by the Company.

9 TERMINATION

- 9.1 The Company may terminate this Contract on giving you twelve months' notice in writing to expire at any time. You are required to give the Company the same period of notice, to expire at any time.
- 9.2 In the event you give notice of termination pursuant to this clause 9, the Company may in its sole discretion determine that you will be required to continue to provide services to the Company as a full-time employee during the full twelve-month notice period or during a specified time shorter than such twelve-month period. You will continue to receive your basic salary and other entitlements hereunder during the period that you remain employed by the Company. Upon termination of your employment with the Company following expiration of the twelve-month notice period, or upon such termination after you have satisfied any shorter period of continued employment determined by the Company, you will be entitled to receive a lump sum amount as severance, within thirty days following the effective date of your termination of employment, in an amount equal to the excess of (i) your basic salary for a period of twelve months, minus (ii) the portion, if any, of your basic salary paid while you performed services as a full-time employee during the twelve-month notice period (with

your basic salary computed at the rate payable immediately prior to the date you provided notice to the Company of your termination of employment). Upon your termination of employment with the Company, you will also be entitled to receive any earned but unpaid bonus awarded in accordance with clause 4.2 hereof and any accrued holiday in accordance with clause 8.3 hereof. All payments made pursuant to this clause 9.2 shall be subject to deductions for income tax and social security contributions as appropriate. You will not, under any circumstances, have any right to payment in lieu of notice unless the Company has exercised its option as described in this clause 9.2.

- 9.3 If the Company gives notice of termination (other than Termination for Cause (as defined below)), the Contract and your employment with the Company will terminate with immediate effect and the Company will pay you a lump sum amount as severance within thirty days following the effective date of your termination of employment, in an amount equal to twelve months of your basic salary (with your basic salary computed at the rate payable immediately prior to the date the Company provided such notice of your termination of employment). As additional severance compensation, the Company will pay a lump sum amount consisting of (i) an amount equal to your target bonus in respect of your notice period (at the rate payable immediately prior to the date the Company delivered such notice of termination), (ii) an amount equal to the number of days of holiday in respect of the notice period plus the number of days of accrued holiday in accordance with clause 8.3, and (iii) any accrued bonus as of the date of notice of termination and any earned but unpaid bonus awarded in accordance with clause 4.2 hereof. In addition, you shall be entitled to medical and dental insurance as provided in clause 5.1.1 for a period of twelve months following the date on which this Contract is terminated pursuant to this clause 9.3. All payments made pursuant to this clause 9.3 shall be subject to deductions for income tax and social security contributions as appropriate.
- 9.4 The Company may terminate this Contract due to Termination for Cause without notice, payment in lieu of notice or any other payment whatsoever. "Termination for Cause" means your (i) conviction of a felony or entering a plea of nolo contendere (or its equivalent) with respect to a charged felony; (ii) gross negligence, recklessness, dishonesty, fraud, wilful malfeasance or wilful misconduct in the performance of your duties under this Contract; (iii) wilful misrepresentation to the shareholders or directors of CME Ltd. that is injurious to CME Ltd.; (iv) wilful failure without reasonable justification to comply with a reasonable written instruction or resolution of the Board of Directors of CME Ltd.; or (v) a material breach of your duties or obligations under this Contract. The Company may, in its reasonable judgment, suspend you on full pay during any investigation that the Company may undertake into any fact or circumstance which could lead to your Termination for Cause. Notwithstanding the foregoing, a termination shall not be treated as Termination for Cause unless the Company has delivered a written notice to you stating that it intends to terminate your employment due to Termination for Cause and specifying the basis for such termination.
- 9.5 Upon the termination by whatever means of this Contract you shall immediately return to the Company all documents, computer media and hardware, credit cards, mobile phones and communication devices, keys and all other property belonging to or relating to the business of the Company which is in your possession or under your power or control and you must not retain copies of any of the above.

10 **SUSPENSION**

- 10.1 The Company may suspend you from your duties on full pay to allow the Company to investigate any bona-fide complaint made against you in relation to your employment with the Company.
- 10.2 Provided you continue to enjoy your full contractual benefits and receive your pay in accordance with this Contract, the Company may in its absolute discretion do all or any of the following during the notice period or any part of the notice period, after you or the Company have given notice of termination to the other, without breaching this Contract or incurring any liability or giving rise to any

claim against it:

- 10.2.1 exclude you from the premises of any company of the CME group;
 - 10.2.2 require you to carry out only specified duties (consistent with your status, role and experience) or to carry out no duties;
 - 10.2.3 announce to any of its employees, suppliers, customers and business partners that you have been given notice of termination or have resigned (as the case may be);
 - 10.2.4 prohibit you from communicating in any way with any or all of the suppliers, customers, business partners, employees, agents or representatives of the CME group until your employment has terminated except to the extent that you are authorised by the General Counsel of the CME group in writing; and
 - 10.2.5 require you to comply with any other reasonable conditions imposed by the Company.
- 10.3 You will continue to be bound by all obligations owed to the Company under this Contract until termination of this Contract in accordance with clause 9 or such later date as provided herein.

11 CONFIDENTIAL INFORMATION

- 11.1 You agree during and after the termination of your employment not to use or disclose to any person (and shall use your best endeavours to prevent the use, publication or disclosure of) any confidential information:
- 11.1.1 concerning the business of the CME group and which comes to your knowledge during the course of or in connection with your employment or your holding office with the CME group; or
 - 11.1.2 concerning the business of any client or person having dealings with the CME group and which is obtained directly or indirectly in circumstances where the CME group is subject to a duty of confidentiality.
- 11.2 For the purposes of clause 11.1.1 above, information of a confidential or secret nature includes but is not limited to information disclosed to you or known, learned, created or observed by you as a consequence of or through your employment with the Company, not generally known in the relevant trade or industry about the Company or any member of the CME group's business activities, services and processes, including but not limited to information concerning advertising, sales promotion, publicity, sales data, research, programming and plans for programming, finances, accounting, methods, processes, business plans (including prospective or pending licence applications or investments in licence holders or applicants), client or supplier lists and records, potential client or supplier lists, and client or supplier billing.
- 11.3 This clause shall not apply to information which is:
- 11.3.1 used or disclosed in the proper performance of your duties or with the consent of the Company;
 - 11.3.2 ordered to be disclosed by a court of competent jurisdiction or otherwise required to be disclosed by law or pursuant to the rules of any applicable stock exchange; or
 - 11.3.3 in or comes into the public domain (otherwise than due to a default by you).

12 INTELLECTUAL PROPERTY

- 12.1 You shall assign with full title your entire interest in any Intellectual Property Right (as defined below) to the Company to hold as absolute owner.
- 12.2 You shall communicate to the Company full particulars of any Intellectual Property Right in any work or thing created by you and you shall not use, license, assign, purport to license or assign or disclose to any person or exploit any Intellectual Property Right without the prior written consent of the Company.
- 12.3 In addition to and without derogation of the covenants imposed by the Law of Property (Miscellaneous Provisions) Act 1994, you shall prepare and execute such instruments and do such other acts and things as may be necessary or desirable (at the request and expense of the Company) to enable the Company (or its nominee) to obtain protection of any Intellectual Property Right vested in the Company in such parts of the world as may be specified by the Company (or its nominee) and to enable the Company to exploit any Intellectual Property Right vested in it to its best advantage.
- 12.4 You hereby irrevocably appoint the Company to be your attorney in your name and on your behalf to sign, execute or do any instrument or thing and generally to use your name for the purpose of giving to the Company (or its nominee) the full benefit of the provisions of this clause and a certificate in writing signed by any director or the secretary of the Company that any instrument or act relating to such Intellectual Property Right falls within the authority conferred by this clause shall be conclusive evidence that such is the case in favour of any third party.
- 12.5 You hereby waive all of your moral rights (as defined in the Copyright, Designs and Patents Act 1988) in respect of any act by the Company and any act of a third party done with the Company's authority in relation to any Intellectual Property Right which is or becomes the property of the Company.
- 12.6 **"Intellectual Property Right"** means a copyright, know-how, trade secret and any other intellectual property right of any nature whatsoever throughout the world (whether registered or unregistered and including all applications and rights to apply for the same) which:
- 12.6.1 relates to the business or any product or service of the Company; and
- 12.6.2 is invented, developed, created or acquired by you (whether alone or jointly with any other person) during the period of your employment with the Company;

and for these purposes and for the purposes of the other provisions of this clause 12, references to the Company shall be deemed to include references to any Associated Company (as defined in clause 17.5 below).

13 COLLECTIVE AGREEMENTS/WORKFORCE AGREEMENTS

There are no collective agreements or workforce agreements applicable to you or which affect your terms of employment.

14 DATA PROTECTION

- 14.1 You acknowledge that the Company will hold personal data relating to you. Such data will include

your employment application, address, references, bank details, performance appraisals, work, holiday and sickness records, next of kin, salary reviews, remuneration details and other records (which may, where necessary, include sensitive data relating to your health and data held for equal opportunities purposes). The Company will hold such personal data for personnel administration and management purposes and to comply with its obligations regarding the retention of your records. Your right of access to such data is as prescribed by law.

- 14.2 By signing this Contract, you agree that the Company may process personal data relating to you for personnel administration and management purposes and may, when necessary for those purposes, make such data available to its advisors, to third parties providing products and/or services to the Company and as required by law.

15 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Unless the right of enforcement is expressly granted, it is not intended that a third party should have the right to enforce the provisions of this Contract pursuant to the Contracts (Rights of Third Parties) Act 1999.

16 MONITORING OF COMPUTER SYSTEMS

- 16.1 The Company will monitor messages sent and received via the email and voicemail system to ensure that employees are complying with the CME group's Information Technology policy in effect from time to time.
- 16.2 The Company reserves the right to retrieve the contents of messages for the purpose of monitoring whether the use of the email system is in accordance with the Company's best practice, whether use of the computer system is legitimate, to find lost messages or to retrieve messages lost due to computer failure, to assist in the investigations of wrongful acts or to comply with any legal obligation.
- 16.3 You should be aware that no email or voicemail sent or received through the Company's system is private. The Company reserves and intends to exercise its right to review, audit, intercept, access and disclose on a random basis all messages created from it or sent over its computer system for any purpose. The contents of email or voicemail so obtained by the Company in the proper exercise of these powers may be disclosed without your permission. You should be aware that the emails or voicemails or any document created on the Company's computer system, however confidential or damaging, may have to be disclosed in court or other proceedings. An email which has been trashed or deleted can still be retrieved.
- 16.4 The Company further reserves and intends to exercise its right to monitor all use of the internet through its information technology systems, to the extent authorised by law. By your signature to this Contract, you consent to any such monitoring.

17 POST-EMPLOYMENT RESTRICTIONS

- 17.1 For the duration of your employment with the Company and for a period of twelve (12) months after the termination thereof for any cause, you shall not:
- 17.1.1 either on your own account or on behalf of any other person, firm or company, directly or indirectly, carry on or be engaged, concerned or interested in any business the same as that of the CME group or which is competitive with any CME Business (as hereinafter defined)

and with which you were actively involved at any time in the twelve months preceding the termination of your employment within the territories in which the CME group operates or is considering to operate (the “**Territory**”);

- 17.1.2 seek to do business and/or do business, perform any services or supply any goods or seek to do so, in competition with any company of the CME group with any person, firm or company who at any time during the twelve months preceding the termination of your employment was a client, customer or supplier of any company of the CME group and with whom during that period you or another person on your behalf had contact or dealings in the ordinary course of business or were aware of in the course of your employment;
 - 17.1.3 interfere or seek to interfere or take such steps as may or are calculated to interfere with the continuance of supplies (whether services or goods) or any rights of purchase, sale, import, distribution or agency enjoyed by or supplied to any company of the CME group, or the terms on which they are so supplied or enjoyed, from any person, firm or company supplying or offering rights to any company of the CME group at any time during the period of twelve months prior to such termination;
 - 17.1.4 solicit, entice or procure or endeavour to solicit, entice or procure any employee of the CME group to breach his contract of employment or any person to breach his contract for services with the Company or any Associated Company;
 - 17.1.5 in relation to any CME Business in the Territory, solicit, employ, engage or offer or cause to be employed or engaged, whether directly or indirectly, any employee, director or consultant of any company of the CME group engaged or employed at the date of termination of your employment or at any time during the twelve months preceding such termination who has knowledge of confidential aspects of the business of the CME group, and with whom, at any time during the period of twelve months prior to such termination, you had material dealings and/or
 - 17.1.6 you shall not at any time falsely represent yourself as being connected with or interested in the Company or any Associated Company or in the business of the CME group.
- 17.2 For the duration of your employment with the Company, you shall not, either on your own account or through any other person, firm or company, directly or indirectly, carry on, accept or be engaged, concerned or interested in, any opportunity (a “**Corporate Opportunity**”) in Central and Eastern Europe and any other country that CME Ltd. has identified from time to time (i) which is in the line of business of any company of the CME group from time to time (including, without limitation, securing broadcasting licenses, operating television stations, broadcasting on any distribution platform, selling advertising on any platform, developing and operating internet sites, providing production services, producing programming and other content for broadcast on any platform or for exhibition, distributing or licensing content for exhibition, home entertainment or otherwise, providing other programming services, owning and operating cinemas) (each a “**CME Business**”) or in any Ancillary Business (ii) which arises or becomes known to you as a result of your employment by the Company, or (iii) in which it can reasonably be expected that the CME group has an interest or expectancy (including any Ancillary Business) unless (a) you have presented the Corporate Opportunity to the Board of Directors of CME Ltd. in reasonable detail and (b) the Board of Directors of CME Ltd. has decided not to pursue such Corporate Opportunity after such presentation by you.

For purposes of this clause, “**Ancillary Business**” means any business or opportunity that is related to any CME Business, can reasonably be expected to a customer or supplier of goods or services of any such CME Business in the usual and ordinary course of business, or is otherwise necessary to support the primary activities of any CME Business.

- 17.3 Each of the restrictions in this clause shall be enforceable independently of each other and its validity shall not be affected if any of the others is invalid. If any of the restrictions is void but would be valid if some part of the restriction were deleted, the restriction in question shall apply with such modification as may be necessary to make it valid.
- 17.4 The restrictions set forth in this clause 17 shall not apply if the Company is in breach of this Contract.
- 17.5 For the purposes of this Contract, "**Associated Company**" shall mean a subsidiary (as defined by the Companies Act 1985 as amended) and any other company which is for the time being a holding company (as defined by the Companies Act 1985 as amended) of the Company or another subsidiary of such holding company.

18 INDEMNITY

- 18.1 The Company will indemnify you and pay on your behalf all Expenses (as defined below) incurred by you in any Proceeding (as defined below), whether the Proceeding which gave rise to the right of indemnification pursuant to this Contract occurred prior to or after the date of this Contract, provided that you shall promptly notify the Company of such Proceeding and the Company shall be entitled to participate in such Proceeding and, to the extent that it wishes, jointly with you, assume the defence thereof with counsel of its choice. This indemnification shall not apply if it is determined by a court of competent jurisdiction in a Proceeding that any losses, claims, damages or liabilities arose primarily out of your gross negligence, wilful misconduct or bad faith.
- 18.2 The term "**Proceeding**" shall include any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation, whether brought in the name of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, including, but not limited to, actions, suits or proceedings brought under or predicated upon any securities laws, in which you may be or may have been involved as a party or otherwise, and any threatened, pending or completed action, suit or proceeding or any inquiry or investigation that you in good faith believe might lead to the institution of any such action, suit or proceeding or any such inquiry or investigation, in each case by reason of the fact that you are or were serving at the request of the Company as a director, officer or manager of any other Associated Company, whether or not you are serving in such capacity at the time any liability or expense is incurred for which indemnification or reimbursement can be provided under this Contract.
- 18.3 The term "**Expenses**" shall include, without limitation thereto, expenses (including, without limitation, attorneys fees and expenses) of investigations, judicial or administrative proceedings or appeals, damages, judgments, fines, penalties or amounts paid in settlement by or on behalf of you and any expenses of establishing a right to indemnification under this Contract.
- 18.4 The Expenses incurred by you in any Proceeding shall be paid by the Company as incurred and in advance of the final disposition of the Proceeding at your written request. You hereby agree and undertake to repay such amounts if it shall ultimately be decided in a Proceeding that you are not entitled to be indemnified by the Company pursuant to this Contract or otherwise.
- 18.5 The indemnification and advancement of Expenses provided by this Contract shall not be deemed exclusive of any other rights to which you may be entitled under the Company's Articles of Association or the constituent documents of any other Associated Company for which you are serving as a director, officer or manager at the request of the Company, the laws under which the Company was formed, or otherwise, and may be exercised in any order you elect and prior to, concurrently with or following the exercise of any other such rights to which you may be entitled, including pursuant to directors' and officers' insurance maintained by the Company, both as to action in official capacity

and as to action in another capacity while holding such office, and the exercise of such rights shall not be deemed a waiver of any of the provisions of this Contract. To the extent that a change in law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded under this Contract, it is the intent of the parties hereto that you shall enjoy by this Contract the greater benefit so afforded by such change. The provisions of this clause shall survive the expiration or termination, for any reason, of this Contract and shall be separately enforceable.

19 SECTION 409A

- 19.1 This Contract is intended to comply with, or otherwise be exempt from, Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) and any regulations and U.S. Treasury guidance promulgated thereunder. If the Company determines in good faith that any provision of this Contract would cause you to incur an additional tax, penalty or interest under Section 409A of the Code, the Company and you will use reasonable efforts to reform such provision, if possible, in a mutually agreeable fashion to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code.
- 19.2 For purposes of Section 409A of the Code, the right to a series of installment payments under this Contract shall be treated as a right to “separate payments” within the meaning of Section 409A.
- 19.3 With respect to any reimbursement of expenses of, or any provision of in-kind benefits to, you, as specified under this Contract, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (1) the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year shall not affect the expense eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(h) of the Code, (2) the reimbursement of an eligible expense shall be made no later than the end of the year after the year such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.
- 19.4 “Termination of employment” or words of similar import, as used in this Contract, means, for purposes of determining the timing of any payments under this Contract that are payments of deferred compensation under Section 409A of the Code, your “separation from service” as defined in Section 409A of the Code; provided, however, that for the avoidance of doubt, the foregoing provisions relate only to the determination of the time at which a payment is due, and do not relate to the determination of your right to receive compensation or benefits or to vest in compensation or benefits, including without limitation the determination of bonuses.
- 19.5 If a payment obligation under this Contract arises on account of your separation from service while you are a “specified employee” (as defined under Section 409A of the Code and determined in good faith by the Company), any payment of “deferred compensation” (as defined under U.S. Treasury Regulation 1.4019A-1(b)(1)), after giving effect to the exemptions in U.S. Treasury Regulations Sections 1.409A-1(b)(3) through (b)(12)) that is scheduled to be paid within six (6) months after such separation from service shall accrue without interest and shall be paid within 15 days after the end of the six (6) month period beginning on the date of such separation from service or, if earlier, within fifteen (15) days after the appointment of your personal representative or executor of your estate following your death.

20 GENERAL

- 20.1 You hereby authorize the Company to deduct from any salary payable to you any sums owing by you to the Company.

- 20.2 As from the effective date of this Contract, all other agreements or arrangements between you and the Company shall cease to have effect.
- 20.3 This Contract shall be governed by and construed in accordance with English law. The parties agree to submit to the non-exclusive jurisdiction of the English courts in respect of any dispute hereunder.

The Company and Daniel Penn agree to the terms set out above.

Signed as a Deed by CME Media Services Limited
acting by:

Oliver Meister, Director

/s/ Oliver Meister

Dave Sturgeon, Director

/s/ Dave Sturgeon

Signed as a Deed by Daniel Penn

/s/ Daniel Penn

in the presence of:

Witness signature:

/s/ Joelma Aguiar

Name:

Joelma Aguiar

Address:

Occupation:

Office Support Assistant

Exhibit 21.01

Our principal subsidiaries and equity-accounted affiliates as at February 15, 2012 were:

| Company Name | Voting Interest | Jurisdiction of Organization | Subsidiary / Equity-Accounted Affiliate |
|--------------------------------|------------------------|-------------------------------------|--|
| CME Bulgaria B.V. | 94% | Netherlands | Subsidiary |
| PRO BG MEDIA OOD | 100% | Bulgaria | Subsidiary (in liquidation) |
| LG Consult EOOD | 100% | Bulgaria | Subsidiary |
| Ring TV EAD | 100% | Bulgaria | Subsidiary (in liquidation) |
| BTV Media Group EAD | 94% | Bulgaria | Subsidiary |
| Radiocompany C.J. OOD | 69.56% | Bulgaria | Subsidiary |
| Balkan Media Group AD | 21.62% | Bulgaria | Cost Investment |
| | | | |
| Nova TV d.d. | 100% | Croatia | Subsidiary |
| | | | |
| CET 21 spol. s r.o. | 100% | Czech Republic | Subsidiary |
| | | | |
| CME Investments B.V. | 100% | Netherlands | Subsidiary |
| Media Pro International S.A. | 100% | Romania | Subsidiary |
| Media Vision S.R.L. | 100% | Romania | Subsidiary |
| Pro TV S.A. | 100% | Romania | Subsidiary |
| Sport Radio TV Media SRL | 100% | Romania | Subsidiary |
| Campus Radio S.R.L. | 20% | Romania | Equity-Accounted Affiliate |
| Music Television System S.R.L. | 100% | Romania | Subsidiary |
| | | | |
| CME Slovak Holdings B.V. | 100% | Netherlands | Subsidiary |
| A.R.J., a.s. | 100% | Slovak Republic | Subsidiary |
| MARKÍZA-SLOVAKIA, spol. s r.o. | 100% | Slovak Republic | Subsidiary |
| A.D.A.M., a.s. | 100% | Slovak Republic | Subsidiary (in liquidation) |
| MEDIA INVEST, spol. s r.o. | 100% | Slovak Republic | Subsidiary |
| EMAIL.SK s.r.o. | 80% | Slovak Republic | Subsidiary |
| PMT, s.r.o. | 31.5% | Slovak Republic | Cost investment |
| | | | |
| MMTV 1 d.o.o. | 100% | Slovenia | Subsidiary |
| Produkcija Plus d.o.o. | 100% | Slovenia | Subsidiary |
| POP TV d.o.o. | 100% | Slovenia | Subsidiary |
| Kanal A d.o.o. | 100% | Slovenia | Subsidiary |
| Euro 3 TV d.o.o. | 42% | Slovenia | Equity-Accounted Affiliate |
| TELEVIDEO d.o.o. | 100% | Slovenia | Subsidiary |
| | | | |
| Pro Digital S.R.L. | 100% | Moldova | Subsidiary |
| | | | |
| CME Media Pro B.V. | 100% | Netherlands | Subsidiary |
| Media Pro Sofia EOOD | 100% | Bulgaria | Subsidiary |
| Media Pro Audiovizual d.o.o. | 100% | Croatia | Subsidiary |
| Media Pro Pictures s.r.o. | 100% | Czech Republic | Subsidiary |
| Zmena, s.r.o. | 99.79% | Czech Republic | Subsidiary (in liquidation) |

| | | | |
|--|--------|-----------------|-----------------------------|
| Taková normální rodinka, s.r.o. | 99.29% | Czech Republic | Subsidiary (in liquidation) |
| Certova nevesta, s.r.o. | 51% | Czech Republic | Subsidiary |
| Pro Video Film and Distribution Kft. | 100% | Hungary | Subsidiary |
| Media Pro Pictures S.A. | 100% | Romania | Subsidiary |
| Mediapro Music Entertainment S.R.L. | 100% | Romania | Subsidiary |
| Media Pro Distribution S.R.L. | 100% | Romania | Subsidiary |
| Pro Video S.R.L. | 100% | Romania | Subsidiary |
| Hollywood Multiplex Operation S.R.L. | 100% | Romania | Subsidiary |
| Domino Production S.R.L. | 51% | Romania | Subsidiary |
| Studiourile Media Pro S.A. | 92.21% | Romania | Subsidiary |
| Mediapro Magic Factory S.R.L. | 100% | Romania | Subsidiary |
| MediaPro Entertainment Slovakia, s.r.o. | 100% | Slovak Republic | Subsidiary |
| CME Media Pro Ljubljana, d.o.o. | 100% | Slovenia | Subsidiary |
| BONTONFILM a.s. | 100% | Czech Republic | Subsidiary |
| Meme Media a.s. | 100% | Czech Republic | Subsidiary |
| BONTONFILM a.s. | 100% | Slovak Republic | Subsidiary |
| Central European Media Enterprises N.V. ("CME NV") | 100% | Curacao | Subsidiary |
| Central European Media Enterprises II B.V. | 100% | Curacao | Subsidiary |
| CME Media Enterprises B.V. | 100% | Netherlands | Subsidiary |
| CME Programming B.V. | 100% | Netherlands | Subsidiary |
| CME Development Financing B.V. | 100% | Netherlands | Subsidiary |
| CME Media Services Limited | 100% | United Kingdom | Subsidiary |
| CME Services s.r.o. | 100% | Czech Republic | Subsidiary |
| CME Media Pro Distribution B.V. | 100% | Netherlands | Subsidiary |
| CME Development Corporation | 100% | Delaware (USA) | Subsidiary |
| CME SR d.o.o. | 100% | Serbia | Subsidiary |
| CME Austria GmbH | 100% | Austria | Subsidiary |
| Glavred-Media LLC | 10% | Ukraine | Cost Investment |

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-157692 on Form S-3 and Registration Statement Nos. 333-60295, 333-110959, 333-130405 and 333-160444 on Form S-8 of our reports dated February 22, 2012, relating to the financial statements and financial statement schedule of Central European Media Enterprises Ltd. and subsidiaries and the effectiveness of Central European Media Enterprises Ltd. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Central European Media Enterprises Ltd. and subsidiaries for the year ended December 31, 2011.

DELOITTE LLP

London, United Kingdom
February 22, 2012

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Adrian Sarbu and David Sach, and each of them, with full power to act without the other, such person's true and lawful attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year 2011 of Central European Media Enterprises Ltd., a Bermuda company limited by shares, and any and all amendments to such Annual Report on Form 10-K and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, thereby ratifying and confirming all that said attorneys-in-fact, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

February 22, 2012

/s/ Herbert Granath
Herbert A. Granath

/s/ Paul Cappuccio
Paul Cappuccio

/s/ Michael Del Nin
Michael Del Nin

/s/ Charles Frank
Charles Frank

/s/ Alfred Langer
Alfred Langer

/s/ Fred Langhammer
Fred Langhammer

/s/ Bruce Maggin
Bruce Maggin

/s/ Parm Sandhu
Parm Sandhu

/s/ Caryn Seidman Becker
Caryn Seidman Becker

/s/ Duco Sickinghe
Duco Sickinghe

/s/ Kelli Turner
Kelli Turner

/s/ Eric Zinterhofer
Eric Zinterhofer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Adrian Sarbu, certify that:

1. I have reviewed this annual report on Form 10-K of Central European Media Enterprises Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Adrian Sarbu

Adrian Sarbu

President and Chief Executive Officer

February 22, 2012

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, David Sach, certify that:

1. I have reviewed this annual report on Form 10-K of Central European Media Enterprises Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David Sach

David Sach

Chief Financial Officer

February 22, 2012

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Central European Media Enterprises Ltd. (the "Company") on Form 10-K for the fiscal year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Adrian Sarbu, President and Chief Executive Officer of the Company, and David Sach, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1 the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the dates and for the periods explained in the Report.

/s/ Adrian Sarbu

Adrian Sarbu

President and Chief Executive Officer
(Principal Executive Officer)

February 22, 2012

/s/ David Sach

David Sach

Chief Financial Officer
(Principal Financial Officer)

February 22, 2012