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**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, 2007

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 or organization)

**98-0438382**

(IRS Employer Identification No.)

**Clarendon House, Church Street, Hamilton**

(Address of principal executive offices)

**HM CX Bermuda**

(Zip Code)

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

**Securities registered pursuant to Section 12(b) of the Act: NONE**

**Securities registered pursuant to Section 12(g) of the Act:  
CLASS A COMMON STOCK, \$0.08 PAR VALUE**

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 the 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 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 registrant's 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 in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2007 (based on the closing sale price of US\$ 97.58 of the registrant's Common Stock, as reported by the Nasdaq Global Select Market on such date) was approximately US\$ 4.0 billion.

Number of shares of Class A Common Stock outstanding as of February 25, 2008: 36,003,198

Number of shares of Class B Common Stock outstanding as of February 25, 2008: 6,312,839

**DOCUMENTS INCORPORATED BY REFERENCE**

<b>Document</b>	<b>Location in Form 10-K in Which Document is Incorporated</b>
Registrant's Proxy Statement for the Annual General Meeting of Shareholders to be held on June 3, 2008	Part III

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Unless the context otherwise requires, references in this report to the “Company”, “we”, “us” or “our” refer to Central European Media Enterprises Ltd. (“CME”) or CME 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 “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 “SKK” are to Slovak korunas, all references to “UAH” are to Ukrainian hryvna, all references to “Euro” or “EUR” are to the European Union Euro and all references to “GBP” or “£” are to British pounds. The exchange rates as of December 31, 2007 used in this report are HRK/US\$ 4.98; CZK/US\$ 18.08; RON/US\$ 2.46; SKK/US\$ 22.87; UAH/US\$ 5.05; Euro/US\$ 0.68 and GBP/US\$ 0.50.

#### **Forward-Looking Statements**

*This report contains forward-looking statements, including statements regarding 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 “Risk Factors” in Item 1A, as well as the following: general market and economic conditions in our markets as well as in the United States and Western Europe; the results of additional investment in Croatia and Ukraine; the expected completion dates and the impact of the buyout of our partners in the Studio 1+1 Group in Ukraine; the growth of television advertising spending and the rate of development of advertising in our markets; our ability to make future investments in television broadcast operations; our ability to develop and implement strategies regarding sales and multi-channel distribution; the performance of obligations by third parties with whom we have entered into agreements; the general political, economic and regulatory environments where we operate and application of relevant laws and regulations; the renewals of broadcasting licenses and our ability to obtain additional frequencies and licenses; and our ability to 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 publically update or review any forward-looking statements, whether as a result of new information, future developments or otherwise.*

**PART 1**

**ITEM 1. BUSINESS**

**GENERAL**

Central European Media Enterprises Ltd. is a Bermuda company that, together with its subsidiaries and affiliates, invests in, develops and operates commercial television channels in Central and Eastern Europe. At present, we have operations in Croatia, the Czech Republic, Romania, the Slovak Republic, Slovenia and Ukraine.

Our registered offices are located at Clarendon House, Church Street, Hamilton HM CX Bermuda, and our telephone number is +1-441-296-1431. Communications can also be sent c/o CME Development Corporation at Aldwych House, 81 Aldwych, London WC2B 4HN, United Kingdom, telephone number +44-20-7430-5430.

We make available, free of charge, on our website at <http://www.cetv-net.com> 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 ("SEC").

**CORPORATE STRUCTURE**

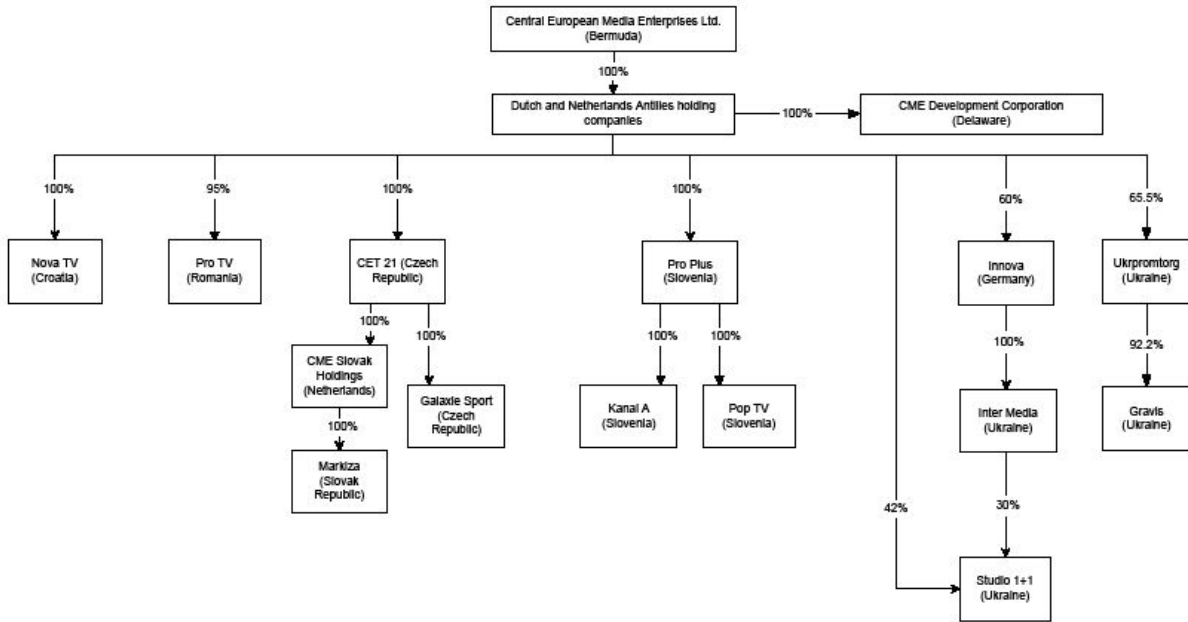
Central European Media Enterprises Ltd. was incorporated on June 15, 1994 under the laws of Bermuda. Our assets are held through a series of Dutch and Netherlands Antilles holding companies. In each market in which we operate, we have ownership interests in license companies and operating companies. Operations are conducted either by the license companies themselves or by separate operating companies. License companies have been authorized by the relevant local regulatory authority to engage in television broadcasting in accordance with the terms of a particular license. We generate revenues primarily through acquiring programming for broadcast by the corresponding license company and entering into agreements with advertisers and advertising agencies on behalf of the license company. Other than in Slovenia, the license company also acts as an operating company. As depicted in the table below, our share of profits in our license and operating companies corresponds with our voting interest. Below is an overview of our operating structure at December 31, 2007, the type of affiliate and a chart entitled "Simplified Corporate Structure - Continuing Operations".

<b>Company Name</b>	<b>Effective Voting Interest</b>	<b>Type of Affiliate</b>	<b>TV Channels</b>
<b>Croatia</b>			
<u>License Company:</u>			
Nova TV d.d. ("Nova TV (Croatia)")	100.0%	Consolidated Subsidiary	NOVA TV (Croatia)
<b>Czech Republic</b>			
<u>License Companies:</u>			
CET 21 spol s.r.o. ("CET 21")	100.0%	Consolidated Subsidiary	TV NOVA (Czech Republic) NOVA CINEMA
Galaxie Sport s.r.o. ("Galaxie Sport")	100.0%	Consolidated Subsidiary	GALAXIE SPORT

Company Name	Effective Voting Interest	Type of Affiliate	TV Channels
<b>Romania</b>			
<u>Operating Companies:</u>			
Media Pro International S.A. ("MPI")	95.0%	Consolidated Subsidiary	
Media Vision S.R.L. ("Media Vision")	95.0%	Consolidated Subsidiary	
<u>License Company:</u>			
Pro TV S.A. ("Pro TV")	95.0%	Consolidated Subsidiary	PRO TV, ACASA, PRO CINEMA, PRO TV INTERNATIONAL and SPORT.RO
Music Television System S.R.L. ("MTS")	95.0%	Consolidated Subsidiary	MTV ROMANIA
<b>Slovak Republic</b>			
<u>License Company:</u>			
Markiza-Slovakia s.r.o. ("Markiza")	100.0%	Consolidated Subsidiary	TV MARKIZA
<b>Slovenia</b>			
<u>Operating Company:</u>			
Produkcija Plus d.o.o. ("Pro Plus")	100.0%	Consolidated Subsidiary	
<u>License Companies:</u>			
Pop TV d.o.o. ("Pop TV")	100.0%	Consolidated Subsidiary	POP TV
Kanal A d.o.o. ("Kanal A")	100.0%	Consolidated Subsidiary	KANAL A
<b>Ukraine</b>			
<u>Operating Companies:</u>			
Innova Film GmbH ("Innova")	60.0%	Consolidated Subsidiary	
International Media Services Ltd. ("IMS")	60.0%	Consolidated Subsidiary	
Foreign Enterprise "Inter-Media" ("Inter-Media")	60.0%	Consolidated Subsidiary	
TV Media Planet Ltd. ("TV Media Planet")	60.0%	Consolidated Subsidiary	
<u>License Company:</u>			
Studio 1+1 LLC ("Studio 1+1")	60.0%	Consolidated Subsidiary	STUDIO 1+1
Gravis LLC ("Gravis")	60.4%	Consolidated Subsidiary	KINO and CITI
Tor LLC ("Tor")	60.4%	Consolidated Subsidiary	KINO and CITI (1)
Zhysa LLC ("Zhysa")	60.4%	Consolidated Subsidiary	KINO and CITI (1)

(1) Zhysa and Tor hold local terrestrial licenses which allow them to re-broadcast the KINO and CITI signals.

**SIMPLIFIED CORPORATE OWNERSHIP STRUCTURE - CONTINUING OPERATIONS  
(AS AT DECEMBER 31, 2007)**



**OPERATING ENVIRONMENT**

Our television channels reach an aggregate of approximately 85 million people in six countries with a combined population of approximately 90 million people. TV NOVA (Czech Republic) was ranked first in terms of national all day audience share in 2007, as were TV MARKIZA in the Slovak Republic, PRO TV in Romania and POP TV, our primary channel in Slovenia. STUDIO 1+1 in Ukraine was ranked second in terms of national all day audience share in 2007. NOVA TV (Croatia) was ranked third in terms of national all day audience share in 2007.

The rankings of our channels in the markets in which they broadcast are reflected below.

Country	TV Channels	Launch Date	2007 National, All Day, All		Market Rank (2)
			Technical Reach (1)	Audience Share (2)	
Croatia	NOVA TV (Croatia)	August 2000 (3)	88.6%	18.7%	3
Czech Republic	TV NOVA (Czech Republic)	February 1994 (4)	97.2%	39.6%	1
	GALAXIE SPORT	April 2002 (5)	39.1%	0.3%	14
Romania	NOVA CINEMA	December 2007	-	-	-
	PRO TV	December 1995	96.8%	14.1%	1
	ACASA	February 1998	82.8%	6.8%	4
	PRO CINEMA	April 2004	63.0%	1.2%	16
Slovak Republic	SPORT.RO	July 2003 (6)	66.0%	1.9%	12
	MTV ROMANIA	June 2002 (7)	55.5%	0.4% (7)	-
	TV MARKIZA	August 1996	86.4%	35.4%	1
Slovenia	POP TV	December 1995	94.7%	26.1%	1
	KANAL A	October 1991 (8)	90.1%	11.3%	3
Ukraine	STUDIO 1+1	January 1997	98.5%	16.1%	2
	KINO	August 1993 (9)	55.5%	0.7%	23
	CITI	March 1994 (9)	12.1%	0.2%	32

(1) Source: Croatia: Croatian Media Council, Czech Republic: ATO - Mediaresearch, Romania: GFK, Slovak Republic: TBDS, Slovenia: AGB Nelson, Ukraine: GFK Ukraine. "Technical Reach" is a measurement of the percentage of a country's population that is able to receive the signals of the indicated channels.

(2) Source: Croatia: Peoplemeters AGB Media Services, Czech Republic: ATO - Mediaresearch / GFK, Romania: Peoplemeters Taylor Nelson Sofres, Slovak Republic: PMT / TNS SK, Slovenia: Peoplemeters AGB Media Services, Ukraine: Peoplemeters GFK USM. National all day audience share and rank. There are four significant stations in Croatia, four in the Czech Republic, twenty-eight in Romania, six in the Slovak Republic, and six in Ukraine.

(3) We acquired NOVA TV (Croatia) in July 2004.

(4) We acquired TV NOVA (Czech Republic) in May 2005.

(5) We acquired GALAXIE SPORT in September 2005.

(6) We acquired SPORT.RO in March 2007.

(7) We acquired MTV ROMANIA in December 2007. Audience share of 0.4% is an average audience share for the whole of 2007.

(8) We acquired KANAL A in October 2000.

(9) We acquired KINO and CITI in January 2006 and relaunched them in July 2006 and December 2006, respectively.



The following table shows the population, technical reach of our primary channel, number and proportion of television households, and cable penetration for those countries of Central and Eastern Europe where we conduct broadcast operations.

Country	Population (in millions) (1)	Technical Reach (in millions) (2)	Television Households (in millions) (3)	Television Households Reach (%) (4)	Cable Penetration (3)
Croatia	4.6	4.1	1.5	93%	16%
Czech Republic	10.2	10.2	3.9	99%	26%
Romania	20.2	18.7	7.5	100%	63%
Slovak Republic	5.4	4.6	2.0	87%	40%
Slovenia	2.0	1.9	0.6	96%	63%
Ukraine	46.4	45.7	18.6	100%	19%
<b>Total</b>	<b>88.8</b>	<b>85.2</b>	<b>34.1</b>		

(1) Source: Global Insight, except for Romania's population, which is a CME estimate.

(2) Source: Internal estimates supplied by each country's operations. Each of our operations has estimated its own technical reach based on the location, power and frequency of each of its transmitters and the local population density and geography around that transmitter. The technical reach is separate from the independent third party measurement that determines audience shares.

(3) Source: Informa Telecoms and Media (July 2007). A Television Household is a residential dwelling with one or more television sets. Cable Penetration refers to the percentage of Television Households that subscribe to television services via cable channels.

(4) Source: CME. Television Households Reach is the percentage of a country's television households that our operation reaches.

### Regulation

In this report, we refer to each broadcasting regulatory authority or agency in our operating countries individually as the "Media Council" and collectively as the "Media Councils". These authorities or agencies are as follows:

Croatia: Electronic Media Council

Czech Republic: The Council for Radio and Television Broadcasting

Romania: National Audio-Visual Council

Slovak Republic: Council of the Slovak Republic for Broadcasting and Television Transmission

Slovenia: Post and Electronic Communications Agency of the Republic of Slovenia

Ukraine: National Council for Television and Radio Broadcasting

Media Councils generally supervise broadcasters and their compliance with national broadcasting legislation. On the accession to the European Union (the "EU") of any Central or Eastern European country in which we operate, our broadcast operations in such country become subject to EU legislation, including regulations on the origin of programming content. The Czech Republic, Slovenia and the Slovak Republic acceded to the EU on May 1, 2004. Romania acceded to the EU on January 1, 2007.

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 transmissions (e.g., video-on-demand and mobile television) media services, with the latter subject to lighter 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 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 requirements 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 substantially 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 children's programming, where programming can be interrupted once every thirty minutes or more. In addition, broadcasters may use product placements in most genres, subject to the identification of such practices and limitations on prominence. Member states have two years to implement the AVMS Directive. We intend to participate actively in any consultation process in respect of the implementation of the AVMS Directive in countries in which we operate that are EU members.

*License Renewal*

Regulatory bodies in each country in which we operate control access to the available frequencies through licensing regimes. The analog licenses to operate our terrestrial broadcast operations are effective for the following periods:

<b>Croatia</b>	The license of NOVA TV (Croatia) expires in April 2010.
<b>Czech Republic</b>	The license of TV NOVA (Czech Republic) expires in January 2017. The NOVA CINEMA license expires in November 2019. The GALAXIE SPORT license expires in March 2014.
<b>Romania</b>	Licenses expire on dates ranging from November 2008 to February 2016.
<b>Slovak Republic</b>	The license of TV MARKIZA in the Slovak Republic expires in September 2019.
<b>Slovenia</b>	The licenses of POP TV and KANAL A expire in August 2012.
<b>Ukraine</b>	The 15-hour prime time and off prime time license of STUDIO 1+1 expires in December 2016. The license to broadcast for the remaining nine hours in off prime expires in August 2014. Licenses for KINO and CITI expire on dates ranging from November 2008 to July 2016.

Management believes that the licenses for our television license companies will be renewed prior to expiry or that we will receive digital licenses for our channels in replacement of current analog licenses (see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Executive Summary"). In Romania, the Slovak Republic, Slovenia and Ukraine local regulations contain a qualified presumption for extensions of broadcast licenses according to which a license may be renewed if the licensee has operated substantially in compliance with the relevant licensing regime. To date, all expiring licenses have been renewed; however, there can be no assurance that licenses will continue to be renewed upon expiration of their current terms. The failure of any such license to be renewed could adversely affect the results of our operations (see Item 1A, "Risk Factors - Risks Relating to our Operations – Our broadcasting licenses may not be renewed and may be subject to revocation.").

## OPERATIONS BY COUNTRY

### CROATIA

#### General

Croatia is a parliamentary democracy with a population of approximately 4.6 million people. Per capita GDP is estimated to be US\$ 11,272 in 2007 with a GDP growth rate in 2007 of 5.9%. Approximately 99% of Croatian households have television, and cable penetration is approximately 16%. According to our estimates, in local currency the Croatian television advertising market grew by approximately 4 - 7% in 2007 and was worth approximately US\$ 140 - 150 million.

We operate one national television channel in Croatia, NOVA TV (Croatia). The two other national broadcasters are the public broadcaster HRT, which operates two channels, and privately owned broadcaster RTL.

#### License Holder

Nova TV (Croatia) holds a national terrestrial broadcast license for Croatia and is responsible for our broadcasting operations in Croatia.

#### Operations

##### *NOVA TV (Croatia)*

NOVA TV (Croatia) reaches approximately 89% of Croatia's television households. Independent research shows that among the main television stations in Croatia, the NOVA TV (Croatia) channel had a national all day audience share of 18.7% and a national prime time audience share of 19.7% in 2007.

The chart below summarizes the national all day and prime time audience share figures for NOVA TV (Croatia):

	2003	2004	2005	2006	2007
All day	15.6%	12.0%	13.6%	15.3%	18.7%
Prime time	12.7%	10.9%	13.3%	17.1%	19.7%

Source: AGB Media Services.

We primarily sell a 18-49 target group. In that group, our national all day and national prime time audience shares were 18.8% and 19.7% respectively for the year ended December 31, 2007.

#### Programming

NOVA TV (Croatia) broadcasts approximately 21 hours per day. Its programming strategy is to appeal to a commercial audience through a wide range of programming. NOVA TV (Croatia)'s programming focus is locally produced news, sitcoms, magazine and other shows, together with popular acquired programming, including movies, series, sitcoms, soap operas and sports.

Approximately 36% of NOVA TV (Croatia)'s programming is locally produced, including a Croatian version of 'Nasa Mala Klinika' ('Our Little Clinic'), a sitcom originally produced by Pro Plus in Slovenia; 'Nad Lipom 35' ('35 Lime Street'), an entertainment show; 'Istraga' ('Investigation'), a crime magazine show; and access prime time sitcom 'La Bloc' ('Neighbors Forever').

NOVA TV (Croatia) has secured exclusive broadcast rights in Croatia to a variety of popular American and European series, films and soap operas produced by major international studios, including Sony, Universal and Walt Disney Television International. All foreign language programming is subtitled. Foreign news reports and film footage licensed from Reuters, APTN and SNTV is integrated into news programs on NOVA TV (Croatia).

NOVA TV (Croatia) is required to comply with several restrictions on programming, including regulations on the origin of programming. These include the requirement that 20% of broadcast time consists of locally produced programming and 60% of such locally produced programming be shown during prime time (between 6:00 p.m. and 10:00 p.m.).

### **Advertising**

Our Croatia operations derive revenues principally from the sale of commercial advertising time on NOVA TV (Croatia), sold both through independent agencies and media buying groups. NOVA TV (Croatia) currently serves a wide variety of advertisers, including domestic and multinational companies such as Croatian Telecom, Procter & Gamble, Henkel, Vipnet, Johnson & Johnson, L'Oréal, and Reckitt Benckiser. The top ten advertising clients of NOVA TV (Croatia) contributed approximately 51% of its total Segment Net Revenues in 2007.

Within the Croatian advertising market, television advertising accounts for approximately 44% of total advertising spending. NOVA TV (Croatia) competes for advertising revenues with other media such as print, radio, outdoor advertising and direct mail.

Privately owned broadcasters are permitted to broadcast advertising for up to 12 minutes per hour but not for more than 15% of their total daily broadcast time, and an additional 5% of daily broadcast time may be used for direct sales advertising. The public broadcaster, HRT, which is also financed through a compulsory television license fee, is restricted to broadcasting nine minutes of advertising per hour. HRT is not permitted to broadcast spots for teleshopping. There are restrictions on the frequency of advertising breaks that are different for public and privately owned broadcasters as well as restrictions that relate to advertising content, including a ban on tobacco and alcohol advertising, which are similar for publicly and privately owned broadcasters.

### **Competition**

In addition to NOVA TV (Croatia), which we acquired in July 2004, Croatia is served by HRT1 and HRT2, two channels operated by HRT, and privately owned broadcaster RTL. During 2007 NOVA TV (Croatia) achieved a national all day audience share of 18.7%, which made it the third ranked station nationally.

The chart below provides a comparison of our national all day audience share and technical reach to those of our competitors:

Main Television Channels	Ownership	Year of first transmission	Signal distribution	All day audience share (2007)	Technical reach
RTL	Bertelsmann	2004	Terrestrial / satellite / cable	28.4%	97.0%
HRT 1	Public Television	1956	Terrestrial / satellite / cable	25.9%	99.0%
<b>NOVA TV (Croatia)</b>	<b>CME</b>	<b>2000</b>	<b>Terrestrial / satellite / cable</b>	<b>18.7%</b>	<b>88.6%</b>
HRT 2	Public Television	1972	Terrestrial / satellite / cable	17.5%	97.0%
Others				9.5%	
				100.0%	

Source: AGB Puls; Media Council; CME.

NOVA TV (Croatia) also competes for audience share with smaller terrestrial, cable and satellite channels.

### Regulation and License Renewal

NOVA TV (Croatia) operates pursuant to a license originally granted by the Croatian Telecommunications Agency and is regulated by the Croatian Media Council pursuant to the Electronic Media Law and the Media Law. The license of NOVA TV (Croatia) is for a period of 10 years, expiring in April 2010. According to the Electronic Media Law, a license may be extended. The Croatian Media Council has the authority to grant an extension of a license extension, if requested by a license holder six months before its expiration, so long as such broadcaster has conducted its business in accordance with law and the license. The Croatian Media Council may hold a public tender in connection with a request to extend a license.

### Ownership

We own 100% of the voting and economic interests in Nova TV (Croatia).

## CZECH REPUBLIC

### General

The Czech Republic is a parliamentary democracy with a population of approximately 10.2 million people. Per capita GDP in 2007 is estimated to be US\$ 17,061 with a GDP growth rate in 2007 of 6.1%. Approximately 98% of Czech Republic households have television, and cable penetration is approximately 26%. According to our estimates, in local currency the Czech Republic television advertising market grew by 8 - 12% in 2007 and was worth approximately US\$ 390 - 400 million.

We operate one national television channel in the Czech Republic, TV NOVA (Czech Republic), and two cable/satellite channels, GALAXIE SPORT and NOVA CINEMA. The other national broadcasters are the public broadcaster CT, which operates two national channels and two cable channels, and privately owned broadcaster TV Prima.

## License Holders

CET 21 holds the national terrestrial broadcast license for TV NOVA (Czech Republic) and a satellite license for NOVA CINEMA. Galaxie Sport, a wholly owned subsidiary of CET 21, holds the broadcast license for GALAXIE SPORT.

## Operations

### TV NOVA (Czech Republic)

TV NOVA (Czech Republic) reaches approximately 99% of the Czech Republic's television households. The TV NOVA (Czech Republic) channel had an average national all day audience share for 2007 of 39.6% compared to 22.7% for its nearest competitor, CT1.

The chart below summarizes the national all day and prime time audience share figures for TV NOVA (Czech Republic):

	2003	2004	2005	2006	2007
All day	43.4%	42.2%	40.9%	41.7%	39.6%
Prime time	45.8%	44.9%	42.3%	44.6%	43.2%

Source: ATO – Mediaresearch.

We primarily sell a 15-54 target group. In that group, our national all day and national prime time audience shares were 43.0% and 46.8%, respectively, for the year ended December 31, 2007.

### GALAXIE SPORT

Our subsidiary that operates GALAXIE SPORT currently has carriage agreements with all of the largest cable distributors and with all direct-to-home (“DTH”) distributors in the Czech Republic and the Slovak Republic, reaching approximately 1.5 million subscribers from the approximately 1.8 million households receiving cable in the combined markets. We estimate that GALAXIE SPORT had a national all day audience share of 0.3% in 2007.

### NOVA CINEMA

NOVA CINEMA was launched in December 2007. It is a niche channel focusing on films and series and is distributed via cable and satellite throughout the Czech Republic.

## Programming

TV NOVA (Czech Republic) broadcasts 24 hours per day and its programming strategy is to appeal to a broad audience, especially during prime time, with news, movies, entertainment programs and sports highlights, and to target more specific demographics in off-peak broadcasting hours. Approximately 33% of the programming on TV NOVA (Czech Republic) is locally produced, including ‘Televizni noviny’ (TV News), ‘Bailando’ (a dancing show), ‘Vem si me’ (‘Bachelor’), ‘Vymena manzelek’ (reality show ‘Wife Swap’), ‘Ordinace v ruzove zahrade’ (‘Rose Garden Medical’), an original Czech series, ‘Pojistovna Stesti’ (‘Insuring Happiness’), an original Czech series and ‘Ulice’ (‘The Street’), an originally produced Czech soap opera. ‘Televizni noviny’, TV NOVA (Czech Republic)’s nightly news program, achieves the highest ratings among all Czech television shows on a regular basis. ‘Ordinace v ruzove zahrade’ (‘Rose Garden Medical’), ‘Pojistovna Stesti’ (‘Insuring Happiness’), ‘Ulice’ (‘The Street’), and ‘Vymena manzelek’ (‘Wife Swap’) are also among the top-rated shows in the Czech Republic.

TV NOVA (Czech Republic) has secured exclusive broadcast rights in the Czech Republic to a variety of popular American and European series and films produced by major international studios, including DreamWorks/Paramount, Grand View Castle, Sony Pictures, Walt Disney/Buena Vista International Television, SPI, MGM, NBC Universal, Twentieth Century Fox, Alliance Atlantis, EEAP and MediaPro Distribution. All foreign language programming is dubbed into the Czech language. Foreign news reports and film footage licensed from CNN, Reuters, APTN, SNTV and ENEX are integrated into news programs on TV NOVA (Czech Republic).

TV NOVA (Czech Republic) is required to comply with certain restrictions on programming, including regulations on the origin of programming. These include the requirements that broadcasters (i) shall, where practicable, reserve more than half of their broadcasting time for European productions; (ii) reserve, where practicable, at least 10% of their broadcasting time or spend 10% of their programming budget on independent European productions; and (iii) ensure, where practicable, that at least 10% of broadcasting time reserved for independent European productions is dedicated to productions made within the last five years.

GALAXIE SPORT broadcasts high quality sports and sport-related programming in the Czech Republic and the Slovak Republic. GALAXIE SPORT has secured broadcast license rights to some of the most popular sports programming in its markets, including the National Hockey League, the Premier League (British Football), the National Football League, the National Basketball Association, Major League Baseball, ATP Tennis tournaments, Formula One, IndyCar Series, motorcycle and automobile races, golf tournaments, the World Poker Tour and other competitions. GALAXIE SPORT also produces daily sports news programs in the Czech and Slovak languages as well as studio interviews with guests prior to the start of live transmitted key competitions. The program schedule also contains sport documentaries on popular sports in the Czech Republic and Slovak Republic.

NOVA CINEMA, launched in December 2007, broadcasts new and older movies and popular American series (sitcom, drama and crime), as well as a mix of short programs such as cinema news and star profiles.

### **Advertising**

TV NOVA (Czech Republic) derives revenues principally from the sale of commercial advertising time through media buying groups and independent agencies. Advertisers include large multinational firms such as Danone, Telefonica O2, Procter & Gamble, T-Mobile, Nestlé, Henkel, Laboratoires Garnier and Reckitt Benckiser. The top ten advertisers on TV NOVA (Czech Republic) contributed approximately 29% of its total Segment Net Revenues in 2007.

GALAXIE SPORT derives its revenues principally from cable subscription fees and carries a low volume of advertising. NOVA CINEMA is a cable and satellite channel launched in December 2007. We are not currently selling any advertising on NOVA CINEMA but in addition to advertising revenue we expect it will also derive part of its revenues from subscription fees.

Within the Czech Republic advertising market, television accounts for approximately 48% of total advertising spending. The television advertising market in the Czech Republic has shown slow growth over the past several years compared to general economic growth rates. TV NOVA (Czech Republic) competes for advertising revenues with other media such as print, radio, outdoor advertising, internet and direct mail.

Privately owned broadcasters in the Czech Republic are permitted to broadcast advertising for up to 12 minutes per hour, but not for more than 15% of their total daily broadcast time. Starting January 1, 2007, public broadcaster CT, which is also financed through a compulsory television license fee, has been restricted to broadcasting advertising for a maximum of 0.5% of their daily broadcast time (excluding teleshopping), with the ability to combine this between its channels. From January 1, 2008, CT is restricted to broadcasting advertising for a maximum of 0.75% of daily broadcasting time on its main channel and 0.5% for its other channel, without the ability to combine. There are also restrictions for all broadcasters on the frequency of advertising breaks during and between programs, as well as restrictions that relate to advertising content, including a ban on tobacco advertising and limitations on advertisements of alcoholic beverages.

## Competition

In addition to TV NOVA (Czech Republic), the Czech Republic is served by two national public television stations, CT1 and CT2, which dominated the ratings until TV NOVA (Czech Republic) began broadcasting in 1994, and by the national privately owned broadcaster TV Prima (co-owned by Modern Times Group and local owners). During 2007 TV NOVA (Czech Republic) achieved a national all day audience share of 39.6%, which made it the highest ranked station nationally.

The chart below provides a comparison of the national all day audience share and technical reach of our Czech stations to those of its competitors:

Main Television Channels	Ownership	Year of first transmission	Signal distribution	All day audience share (2007)	Technical reach
<b>TV NOVA (Czech Republic)</b>	<b>CME</b>	<b>1994</b>	<b>Terrestrial / satellite and digital</b>	<b>39.6%</b>	<b>98.0%</b>
CT 1	Public Television	1953	Terrestrial / satellite / digital	22.7%	98.2%
TV Prima	Modern Times Group/Local owners	1993	Terrestrial / satellite / digital	19.4%	94.0%
CT 2	Public Television	1970	Terrestrial / satellite / digital	7.9%	97.6%
<b>GALAXIE SPORT</b>	<b>CME</b>	<b>2002</b>	<b>Cable / satellite</b>	<b>0.3%</b>	<b>39.1%</b>
<b>NOVA CINEMA</b>	<b>CME</b>	<b>2007</b>	<b>Cable / satellite</b>	<b>.*</b>	<b>.*</b>
Others				10.1%	
				100.0%	

Source: ATO – Mediaresearch; CME.

\*Channel launched in December 2007.

TV NOVA (Czech Republic) also competes for audiences with foreign terrestrial television stations in Austria, Germany, the Slovak Republic and Poland whose originating signals reach the Czech Republic, as well as with cable and satellite stations.

## Regulation and License Renewal

The broadcast operations of TV NOVA (Czech Republic) are subject to regulations imposed by (i) the Broadcasting Act 2001, (ii) the Act on Advertising and (iii) conditions contained in the license granted by the Czech Republic Media Council.

According to the Broadcasting Act 2001, a television broadcasting license can be extended once for an additional twelve years. The Czech Republic Media Council has granted one extension of the TV NOVA (Czech Republic) license, held by CET 21, which expires in January 2017. The Czech Republic Media Council issued a decision dated December 21, 2006 confirming that CET 21's existing analog license (No. 001/1993) is also valid for digital broadcasting and permits the company to broadcast TV NOVA (Czech Republic) throughout the entire territory of the Czech Republic in any electronic communications network designated for digital terrestrial television broadcasting.



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An amendment of the broadcasting laws related to digital terrestrial broadcasting and the analog switch-off was approved in November 2007. Pursuant to that amendment TV NOVA (Czech Republic)'s current broadcasting license can be extended for an additional eight years (until 2025) in exchange for a pledge to switch off analog broadcasting by October 10, 2010 or at such later date as might be approved by the Czech government in accordance with its technical plan for the transition to digital ("TTP"). In the event this pledge to switch over to digital broadcasting is breached by CET 21, the extension of the license will be cancelled. At present it is expected that the analog switch-off will not occur by October 10, 2010, as the Czech Telecommunications Office and certain ministries of the Czech government are still in discussions with broadcasters and the prospective operators of the digital networks over the TTP.

The GALAXIE SPORT license expires in March 2014, and the NOVA CINEMA license expires in November 2019.

**Ownership**

We own 100% of CET 21, the operating company for TV NOVA (Czech Republic) and NOVA CINEMA. CET 21 owns 100% of Galaxie Sport, the operating company for GALAXIE SPORT.

**ROMANIA**

**General**

Romania, which acceded to the EU on January 1, 2007, is a parliamentary democracy with a population of approximately 20.2 million people. Per capita GDP is estimated to be US\$ 8,094 in 2007 with a GDP growth rate of 6.0% in 2007. Approximately 95% of Romanian households have television and cable penetration is approximately 63%. According to our estimates, the Romanian television advertising market grew by approximately 50 - 60% in 2007 and was worth approximately US\$ 375 - 385 million.

We operate six television channels in Romania: PRO TV, ACASA, PRO CINEMA, SPORT.RO and MTV ROMANIA as well as PRO TV INTERNATIONAL, a channel distributed by satellite outside the country featuring programs re-broadcast from other Romanian channels. The other significant national broadcasters in Romania are the public broadcaster TVR, which operates two channels, and privately owned terrestrial broadcaster Antena 1.

**License Holders**

Pro TV holds broadcasting licenses for PRO TV, ACASA, PRO CINEMA, PRO TV INTERNATIONAL, SPORT.RO and MTV ROMANIA. In December 2007, Pro TV acquired MTS; in connection with this acquisition, Pro TV entered into a trademark and programming agreement with MTV Networks Europe ("MTVNE") to operate the MTV ROMANIA channel.

**Operations**

PRO TV, which was launched in December 1995, reaches approximately 97% of Romanian television households. PRO TV broadcasts from Bucharest to terrestrial broadcast facilities and to approximately 920 cable systems throughout Romania, and is also rebroadcast by five DTH systems via satellite. In 2007 PRO TV had a national all day audience share of 14.1%, which made it first (of 38 ranked channels) in Romania. Advertisers evaluate audience share within a channel's coverage area and by this measure PRO TV was also ranked first, with an all day audience share of 18.3%. On June 20, 2006 PRO TV was awarded a temporary digital license for Bucharest. PRO TV began to broadcast in high definition in the Bucharest area on December 1, 2006 and is the first television station in Central and Eastern Europe to do so.

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ACASA, a cable channel launched in 1998, reaches approximately 83% of Romanian television households. In 2007, ACASA had a national all day audience share of 6.8% which made it the fourth-ranked channel.

PRO CINEMA, a cable film channel launched in April 2004, reaches approximately 63% of Romanian television households. In 2007, PRO CINEMA had a national all day audience share of 1.2%.

SPORT.RO, a cable sports channel that we acquired in March 2007 reaches approximately 66% of Romanian television households. In 2007, SPORT.RO had a national all day audience share of 1.9%.

MTV ROMANIA, a cable music channel acquired in December 2007 reaches approximately 56% of Romanian television households. In 2007, MTV ROMANIA had a national all day audience share of 0.4%.

The chart below summarizes the national all day and prime time audience share figures for our Romanian channels:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>PRO TV</b>					
All day	15.4%	15.8%	15.7%	15.6%	14.1%
Prime time	17.1%	17.2%	16.6%	17.0%	16.3%
<b>ACASA</b>					
All day	6.6%	7.4%	8.1%	7.7%	6.8%
Prime time	7.8%	7.7%	9.1%	8.1%	6.1%
<b>SPORT.RO</b>					
All day	-	-	-	-	1.9%
Prime time	-	-	-	-	1.5%
<b>PRO CINEMA</b>					
All day	-	0.6%	0.8%	1.0%	1.2%
Prime time	-	0.6%	0.7%	0.9%	1.1%
<b>MTV ROMANIA</b>					
All day	0.5%	0.5%	0.4%	0.4%	0.4%
Prime time	0.3%	0.3%	0.2%	0.2%	0.2%

Source: Peoplemeters Taylor Nelson Sofres.

PRO TV INTERNATIONAL re-broadcasts PRO TV and ACASA programs to cable and satellite operators in North America, Europe and Israel using the existing PRO TV and ACASA satellite infrastructure.

PRO TV primarily sells an 18-49 urban target group. In that group, our national all day and national prime time audience shares were 18.3% and 21.5%, respectively, for the year ended December 31, 2007.

ACASA primarily sells a female 15-49 urban target group. In that group, our national all day and national prime time audience shares were 10.5% and 9.8%, respectively, for the year ended December 31, 2007.

SPORT.RO primarily sells a 4+ male urban target group. In that group, our national all day and national prime time audience shares were 3.0% and 2.4%, respectively, for the year ended December 31, 2007.

PRO CINEMA primarily sells an 18-49 urban target group. In that group, our national all day and national prime time audience shares were 2.2% and 1.9%, respectively, for the year ended December 31, 2007.

MTV ROMANIA primarily sells a 15-34 urban target group. In that group, our national all day and national prime time audience shares were 1.4% and 0.9%, respectively, for the year ended December 31, 2007.

## **Programming**

PRO TV broadcasts 24 hours per day and its programming strategy is to appeal to a broad audience through a wide range of programming, including movies and series, news, sitcoms, police series, soap operas and game shows. More than 46% of PRO TV's programming is comprised of locally produced programming, including news and sports programs as well as the local productions 'La Bloc' ('In the Block'), 'Dansez pentru tine' ('Dancing For A Dream') and 'Happy Hour'. 'Dancing For A Dream' was the top-rated show in 2007. Since 1999, PRO TV has broadcast the UEFA Cup and UEFA Champions League football matches, which consistently record high ratings and audience share.

PRO TV has secured exclusive broadcast rights in Romania to a variety of popular American and European programs and films produced by such companies as Warner Bros. and DreamWorks/Paramount. PRO TV also licenses foreign news reports and film footage from Reuters, APTN and ENEX to integrate into its news programs. All foreign language programs and films are subtitled in Romanian.

PRO TV is required to comply with several restrictions on programming, including the requirement that 30% of all material be locally produced. From January 1, 2008, PRO TV must comply with regulations on the origin of programming as a result of Romania's accession to the European Union, including requirements that 50% of all programming be of European origin and that 10% of all programming be supplied by independent European producers.

ACASA broadcasts 24 hours per day and targets a female audience with programming such as telenovellas, films and soap operas as well as news, daily local productions for women and families and talk shows. ACASA's audience demographics complement PRO TV's, providing an attractive advertising platform for advertisers across our group of channels. Approximately 38% of ACASA's programming is locally produced, including 'Inima de tigan' ('Gypsy Heart'), 'Iubire ca in filme' ('Movie Like Romance') and 'Povestiri Adevarate' ('True Stories'). 'Inima de tigan' ('Gypsy Heart') was the top-rated show on ACASA in 2007.

PRO CINEMA broadcasts 24 hours per day and is focused on those types of movies, series and documentaries that are popular among the educated, upwardly mobile demographic, which is a small segment of Romanian population and an attractive advertising target group. Local productions make up 24% of the programming, the majority being regular and special news programs.

SPORT.RO broadcasts 24 hours per day and targets male audiences with programming focusing on local and international football, international boxing and a number of local Romanian sports. Local productions make up 49% of the programming, the majority being regular and special news programs.

PRO TV INTERNATIONAL broadcasts 24 hours per day and targets Romanian communities outside Romania. The channel re-broadcasts locally produced programming from certain of our Romanian channels (generally PRO TV and ACASA), as well as programming from Pro TV's library.

MTV ROMANIA broadcasts 24 hours per day, with a programming strategy to attract a young audience in Romania by broadcasting music and youth related programming.

### **Advertising**

Our Romania operations derive revenues principally from the sale of commercial advertising time on the PRO TV, ACASA, SPORT.RO and PRO CINEMA channels, sold both through independent agencies and media buying groups. Our Romanian channels currently serve a wide variety of advertisers, including multinational companies such as Unilever, L'Oréal, Procter & Gamble, Orange and Coca Cola. The top ten advertising clients on our Romanian channels contributed approximately 26% of our total Segment Net Revenues in Romania in 2007.

Within the Romanian advertising market, television accounts for approximately 65% of total advertising spending. Television competes for advertising revenues with other media such as print, radio, outdoor advertising and direct mail.

Privately owned broadcasters are permitted to broadcast advertising for up to 12 minutes per hour but not for more than 15% of their total daily broadcast time, and an additional 5% of daily broadcast time may be used for direct sales advertising. The public broadcaster, TVR, which is also financed through a compulsory television license fee, is restricted to broadcasting advertising for eight minutes per hour. There are also restrictions on the frequency of advertising breaks (for example, news and children's 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 children's programming. In addition, members of the news department of our channels are prohibited from appearing in advertisements.

### **Competition**

PRO TV has a leading position amongst Romanian broadcasters in respect of national all day audience share. Other competitors include the second channel of the public broadcaster, TVR 2, and privately owned broadcasters Antena 1 and Prima TV.

The chart below provides a comparison of the national all day audience share and technical reach of our Romanian channels to those of our main competitors:

Main Television Channels	Ownership	Year of first transmission	Signal distribution	All day audience share (2007)	Technical reach
<b>PRO TV</b>	<b>CME</b>	<b>1995</b>	<b>Terrestrial / satellite / cable</b>	<b>14.1%</b>	<b>96.8%</b>
TVR 1	Public Television	1956	Terrestrial / satellite / cable	11.8%	99.1%
Antena 1	Local owner	1993	Terrestrial / satellite / cable	11.3%	89.0%
<b>ACASA</b>	<b>CME</b>	<b>1998</b>	<b>Satellite / cable</b>	<b>6.8%</b>	<b>82.8%</b>
Prima TV	SBS	1994	Terrestrial / satellite / cable	4.8%	86.7%
TVR 2	Public Television	1968	Terrestrial / satellite / cable	4.5%	93.6%
<b>SPORT.RO</b>	<b>CME</b>	<b>2003</b>	<b>Satellite / cable</b>	<b>1.9%</b>	<b>66.0%</b>
<b>PRO CINEMA</b>	<b>CME</b>	<b>2004</b>	<b>Satellite / cable</b>	<b>1.2%</b>	<b>63.0%</b>
<b>MTV ROMANIA</b>	<b>CME</b>	<b>2002</b>	<b>Satellite / cable</b>	<b>0.4%</b>	<b>55.5%</b>
Others				43.2%	
				100.0%	

Source: Peoplemeters Taylor Nelson Sofres; CME.

Our Romanian channels also compete for audience with other cable and satellite stations. There is increased competition for audience share from new niche channels, which is reflected in the "Others" audience share of 43.2% for the year ended December 31, 2007, as compared to 33.9% for the year ended December 31, 2006.

#### Regulation and License Renewal

PRO TV, ACASA, PRO CINEMA, SPORT.RO and MTV ROMANIA operate pursuant to licenses and regulations issued by the Romanian Media Council. Pro TV holds all of the licenses for PRO TV, ACASA, PRO CINEMA, SPORT.RO, PRO TV INTERNATIONAL and MTV ROMANIA. To date, licenses have been renewed as they expire. These broadcasting licenses expire on dates ranging from November 2008 to February 2016.

#### Ownership

We own a 95% voting and economic interest in Pro TV. Adrian Sarbu, our Chief Operating Officer, owns the remaining 5% voting and economic interest in Pro TV. We increased our voting and economic interest from 90% to 95% on June 1, 2007 (see Part II, Item 8, Note 4, "Acquisitions and Disposals, Romania").

Our interest in our Romania operations is generally governed by the articles of Pro TV. We have the right to appoint two of the three members of the Council of Administration, the governing body of Pro TV. Although we have majority voting power in Pro TV, the affirmative vote of Adrian Sarbu is required with respect to certain financial and corporate matters. Such matters are in the nature of protective rights, and are not an impediment to consolidation for accounting purposes.

We have a 95% voting and economic interest in Media Vision, which, together with other subsidiaries of the Media Pro group of companies, provides programming and production services to Pro TV. We increased our voting and economic interest from 75% to 95% following the sale by Media Pro Pictures SA of a 20% interest on May 16, 2007.

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We also have a put option agreement with Adrian Sarbu that grants him the right to sell us his remaining interest in Pro TV and certain other companies of our Romania operations from November 12, 2009 for a twenty-year period thereafter. The right to exercise this put is subject to a pledge of those interests to us in connection with our investment in the Media Pro group of companies (see Part II, Item 8, Note 5, "Investments").

*Media Pro*

On August 11, 2006, we acquired a 10.0% interest in each of Media Pro B.V. and Media Pro Management S.A., the parent companies of the Media Pro group of companies ("Media Pro"). Substantially all of the remaining shares of Media Pro are owned directly or indirectly by Adrian Sarbu. Media Pro comprises a number of Romanian companies with operations in the fields of publishing, information, printing, cinema, entertainment and radio.

Following capital calls in which we did not participate in 2007, our holding in Media Pro Management S.A. is now 8.7%. The remaining 91.3 % is held by Mr. Sarbu.

*SPORT.RO*

On December 14, 2006, we acquired a 20% interest in Sport Radio TV Media S.R.L. ("TV Sport"), a sports channel. On February 20, 2007, we acquired control of TV Sport by acquiring an additional 50% interest and then acquired the remaining 30% interest in March 2007. We have rebranded this channel SPORT.RO (see Part II, Item 8, Note 5, "Investments").

*MTV ROMANIA*

On December 12, 2007, Pro TV acquired a 100% interest in MTS; in conjunction with this acquisition, Pro TV entered into a trademark and programming agreement with MTVNE to operate the MTV ROMANIA channel. The license granted by MTVNE is for a five-year period initially and may be extended for an additional five years if certain revenue targets are achieved.

## SLOVAK REPUBLIC

### General

The Slovak Republic is a parliamentary democracy with a population of approximately 5.4 million people. Per capita GDP is estimated to be US\$ 13,896 in 2007 with a GDP growth rate of 8.9% in 2007. Approximately 99% of Slovak Republic households have television and cable penetration is 40%. According to our estimates, in local currency the Slovak Republic television advertising market grew by approximately 25 - 30% in 2007 and was worth approximately US\$ 165 - 170 million.

In the Slovak Republic, we operate one national television channel, TV MARKIZA. The other significant national broadcasters are the public broadcaster STV, which operates two channels, and privately owned broadcaster TV JOJ.

### License Holder

Markiza holds a national terrestrial broadcast license for TV MARKIZA.

### Operations

TV MARKIZA, launched in August 1996, reaches approximately 86% of the Slovak Republic's television households. TV MARKIZA had an average national all day audience share for 2007 of 35.4%, versus 17.7% for its nearest competitor, STV 1. In October 2004, the journal method of measuring audience share and ratings was replaced with peplemeters (an electronic audience measurement device). The introduction of peplemeters has resulted in lower audience share and ratings being recorded for all national broadcasters (see Part II, Item 7, "Analysis of Segment Results, Slovak Republic"). Since the introduction of peplemeters, the national all day audience share of TV MARKIZA has fallen from 39.6% to 35.4%.

The chart below summarizes national all day and prime time audience share figures for TV MARKIZA:

	2003	2004	2005	2006	2007
All day	45.8%	39.6%	31.1%	33.6%	35.4%
Prime time	45.5%	40.0%	32.8%	35.9%	39.5%

Source: TNS.

We primarily sell a 12+ target group. In that group, our national all day and national prime time audience shares were 35.5% and 39.5%, respectively, for the year ended December 31, 2007.

### Programming

TV MARKIZA broadcasts 24 hours per day and its programming strategy is to appeal to a broad audience through news, movies, entertainment and sports programming, with specific groups targeted in off-peak broadcasting hours. Approximately 30% of TV MARKIZA programming is locally produced, including 'Televizne noviny' ('TV News'), 'Sportove noviny' ('Sports News'), 'Susedia' ('Neighbours'), 'Slovensko hlada Superstar 3' ('Pop Idol 3'), and 'Bailando' (a dance show). 'Televizne noviny' is consistently the top-ranked show in the Slovak Republic. 'Susedia', 'Slovensko hlada Superstar 3' and 'Bailando' were also among the most popular shows in 2007.

TV MARKIZA has secured exclusive broadcast rights to a variety of popular American and European series, films and telenovellas produced by major international studios including Warner Bros., NBC Universal, CBS Paramount, Dreamworks/Paramount, Grandview-Castle, and Buena Vista. All foreign language programming (other than that in the Czech language) is dubbed into the Slovak language. Foreign news reports and film footage licensed from CNN, Reuters, APTN and SNTV are integrated into news programs on TV MARKIZA.

TV MARKIZA is required to comply with several restrictions on programming, including regulations on the origin of programming. These include the requirement that a minimum of 11% of programming be public interest programming (which includes news and topical shows), and that a minimum of 51% of films and series be European productions.

### Advertising

TV MARKIZA derives revenues principally from the sale of commercial advertising time through media buying groups and independent agencies. Advertisers include large multinational companies such as T-Com / T-Mobile, Orange, Telefonica O2, Benckiser, Procter & Gamble, Henkel, L'Oréal, Unilever, Nestlé and Danone. The top ten advertisers of TV MARKIZA contributed 39% of the channel's total Segment Net Revenues in 2007.

Within the Slovak advertising market, television accounts for approximately 46% of total advertising spending. TV MARKIZA also competes for advertising revenues with other media such as print, radio, outdoor advertising and direct mail.

Privately owned broadcasters are permitted to broadcast advertising for up to twelve minutes per hour but not for more than 15% of their total daily broadcast time. The public broadcaster, STV, which is also financed through a compulsory license fee, can broadcast advertising for up to twelve minutes per hour, but between 7:00 p.m. and 10:00 p.m. may broadcast only eight minutes of advertising per hour and not more than 3% of their total daily broadcast time. 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) between 6:00 a.m. and 10:00 p.m.

### Competition

In addition to TV MARKIZA, the Slovak Republic is served by two national public television channels, STV1 and STV2, which dominated the ratings until TV MARKIZA began broadcasting in 1996. TV MARKIZA also competes with the privately owned broadcaster TV JOJ. During 2007 TV MARKIZA achieved a national all day audience share of 35.4%, which made it the highest ranked station nationally.

The chart below provides a comparison of the national all day audience share of TV MARKIZA and technical reach to those of our competitors:

Main Television Channels	Ownership	Year of first transmission	Signal distribution	All day audience share (2007)	Technical reach
TV MARKIZA	CME	1996	Terrestrial	35.4%	86.4%
STV 1	Public Television	1956	Terrestrial	17.7%	98.2%
TV JOJ	Local owner	2002	Terrestrial	15.8%	76.4%
STV 2	Public Television	1969	Terrestrial	5.0%	98.2%
Others				26.1%	
				100.0%	

Source : Informa Telecoms and Media; Visio / MVK; PMT / TNS SK; CME.

TV MARKIZA also competes for audience share with foreign terrestrial television stations located in Austria, the Czech Republic and Hungary whose originating signals reach the Slovak Republic, as well as cable and satellite stations.



## **Regulation and License Renewal**

TV MARKIZA's broadcast operations are subject to regulations imposed by (i) the Act on Broadcasting and Retransmission of September 2000, (ii) the Act on Advertising and (iii) conditions contained in the license granted by the Slovak Republic Media Council pursuant to the Act on Broadcasting and Retransmission.

The current broadcasting license for TV MARKIZA expires in September 2019.

## **Ownership**

On January 23, 2006, we acquired control of our Slovak Republic operations and increased our economic interest from 70% to 80%. Following the merger of STS into Markiza on January 1, 2007 and our acquisition of 20% of Markiza on July 13, 2007, we now own a 100% voting and economic interest in Markiza (see Part II, Item 7, "Analysis by Geographic Segment, Slovak Republic").

## **SLOVENIA**

### **General**

Slovenia is a parliamentary democracy with a population of approximately 2.0 million people. Per capita GDP is estimated to be US\$ 23,000 in 2007, the highest per capita GDP in Central and Eastern Europe, with a GDP growth rate of 5.9% in 2007. Approximately 99% of Slovenian households have television and cable penetration is approximately 63%. According to our estimates, the Slovenian television advertising market grew by approximately 8 - 10% during 2007 and was worth approximately US\$ 85-90 million.

We operate two national television channels in Slovenia, POP TV and KANAL A. The other significant national broadcasters are two channels operated by the public broadcaster, SLO 1 and SLO 2, and privately owned broadcaster TV3.

### **License Holders**

Pop TV holds the broadcast licenses for the POP TV channel and Kanal A holds the broadcast licenses for the for the KANAL A channel.

### **Operations**

#### *POP TV and KANALA*

POP TV is the leading national commercial television broadcaster in Slovenia and reaches approximately 95% of the television households, including the capital Ljubljana and Maribor, Slovenia's second largest city. In 2007, the POP TV channel had a national all day audience share of 26.1%, the largest in Slovenia.

KANAL A reaches 90% of the television households, including Ljubljana and Maribor. In 2007 KANAL A had an all day audience share of 11.3%, making it the third most watched television channel in Slovenia.

The chart below summarizes the national all day and prime time audience share figures for POP TV and KANAL A:

	2003	2004	2005	2006	2007
<b>POP TV</b>					
All day	29.5%	27.6%	27.3%	28.6%	26.1%
Prime time	34.0%	31.9%	32.2%	34.3%	31.9%
<b>KANAL A</b>					
All day	10.2%	8.3%	8.5%	8.9%	11.3%
Prime time	10.9%	9.4%	9.8%	9.8%	11.1%

Source: AGB Nielsen Media Research.

POP TV primarily sells an 18-49 target group. In that group, our national all day and national prime time audience shares were 26.2% and 32.4%, respectively, for the year ended December 31, 2007.

KANAL A primarily sells an 18-49 target group. In that group, our national all day and national prime time audience shares were 14.4% and 15.4%, respectively, for the year ended December 31, 2007.

### Programming

POP TV broadcasts 24 hours per day and its programming strategy is to appeal to a broad audience through a wide variety of programming including series, movies, news, variety and game shows and features. Approximately 33% of programming is locally produced, including 'Preverjeno!' ('Confirmed!'), 'Trenja' ('Friction'), the local series 'Nasa Mala Klinika' ('Our Little Clinic') and the reality show 'Farm'. KANAL A broadcasts 24 hours per day and has a programming strategy to complement that of POP TV with a mixture of locally produced programs (approximately 27% in 2007) such as 'World on Kanal A', the reality show 'Big Brother' and acquired foreign programs, including films and series.

Pro Plus has secured exclusive program rights in Slovenia to a variety of successful American and Western European programs and films produced by studios such as Warner Bros., Twentieth Century Fox and Paramount. All foreign language programs and films are subtitled in Slovenian with the exception of some children's programming that is dubbed. Pro Plus has agreements with CNN, Reuters and APTN to receive foreign news reports and film footage to integrate into news programs on POP TV and KANAL A.

POP TV and KANAL A are required to comply with several restrictions on programming, including regulations on the origin of programming. These include the requirement that 20% 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. Two percent of the station's annual broadcast time must be Slovenian origin audio-visual works and this amount must increase each year until it reaches five percent. In the future a majority, increased from the current 20%, of the station's annual broadcast time will be required to be European origin programming. Furthermore, 10% of the station's annual broadcast time is required to be devoted to programs made by European producers who are independent of broadcasters, and 50% of such works are to have been produced in the last five years.

### Advertising

Pro Plus derives revenues from the sale of commercial advertising time on POP TV and KANAL A. Current multinational advertisers include firms such as Reckitt Benckiser, Procter & Gamble, Mobitel, L'Oréal, Wrigley, Henkel and Beiersdorf, although no advertiser dominates the market. During the year 2007, we serviced a wide variety of advertisers, the majority through advertising agencies. The top ten advertisers of POP TV and KANAL A contributed approximately 26% of our total Segment Net Revenues in Slovenia in 2007.

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Within the Slovenian advertising market, television accounts for approximately 58% of total advertising spending. In addition, POP TV and KANAL A compete for revenues with other media such as print, radio, outdoor advertising, the internet and direct mail.

Privately owned broadcasters are allowed to broadcast advertising for up to 12 minutes in any hour and for up to 20% of their total daily broadcasting time (with 15% for advertisements only). The public broadcaster, SLO, which is also financed through a compulsory television license fee, is allowed to broadcast advertising for up to 12 minutes per hour and for up to 15% of its total daily broadcasting time (with 10% for advertisements only), but is only permitted up to 9 minutes per hour between the hours of 6:00 p.m. and 11:00 p.m.

There are restrictions on the frequency of advertising breaks during programs. There are also 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%.

### Competition

Prior to the launch of POP TV in 1995, the television market in Slovenia had been dominated by SLO 1, a channel of the public broadcaster. During 2007, POP TV achieved a national all day audience share of 26.1%, which made it the highest ranked station nationally, and KANAL A achieved a national all day audience share of 11.3%, which made it the third ranked station nationally.

The chart below provides a comparison of the national all day audience share of our Slovenian channels and technical reach to those of our competitors:

Main Television Channels	Ownership	Year of first transmission	Signal distribution	All day audience share (2007)	Technical reach
POP TV	CME	1995	Terrestrial / cable	26.1%	94.7%
SLO 1	Public Television	1958	Terrestrial / satellite / cable	23.3%	99.3%
KANAL A	CME	1991	Terrestrial / cable	11.3%	90.1%
SLO 2	Public Television	1967	Terrestrial / satellite / cable	8.5%	98.8%
TV3	MTG	1995	Terrestrial / cable	3.7%	68.5%
Others				27.1%	
				100.0%	

Source : Media Services AGB; CME.

POP TV and KANAL A also compete for audience share with foreign television stations, particularly Croatian, Italian, German and Austrian stations whose originating signals reach Slovenia.

### Regulation and License Renewal

POP TV and KANAL A operate under licenses regulated pursuant to the Law on Media adopted in 2001 and pursuant to the Electronic Communications Act, which came into effect on May 1, 2004. According to the Electronic Communications Act, the Slovenian Media Council may extend a license at the request of the broadcaster if it is in compliance with all the license conditions. The licenses held by POP TV and KANAL A expire in August 2012. Under legislation adopted in Slovenia in connection with the transition to digital, POP TV and KANAL A have received digital terrestrial licenses (see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Executive Summary").

## **Ownership**

We own 100% of the voting and economic interests in Pro Plus, the operating company for our Slovenia operations. Pro Plus has a 100% voting and economic interest in Pop TV and Kanal A.

## **UKRAINE**

### **General**

Ukraine, the most populous market in which we operate, is a parliamentary democracy with a population of approximately 46.4 million people. Per capita GDP is estimated to be US\$ 2,943 in 2007, the lowest of all our markets, with a GDP growth rate in 2007 of 7.2%. Nearly 100% of Ukrainian households have television, and cable penetration is approximately 19%. According to our estimates, the Ukrainian television advertising market grew by approximately 25 - 35% in 2007 and was worth approximately US\$ 390 - 400 million (excluding political advertising and sponsorship).

We operate one national television channel in Ukraine, STUDIO 1+1, the regional channel KINO and the local channel CITI. The other significant national broadcasters are the state-owned broadcaster UT-1, which operates one channel, and privately owned broadcasters Inter, Novy Kanal, ICTV and STB.

### **License Holders**

Studio 1+1 holds the broadcasting licenses for STUDIO 1+1. The sale of Studio 1+1's advertising has been outsourced to Video International Prioritet, a Ukrainian subsidiary of a Russian advertising sales company, in which we have neither an economic nor a voting interest.

Gravis broadcasts KINO through terrestrial licenses covering 16 cities and a satellite license and re-broadcasts across a network of regional stations (including our subsidiaries Tor and Zhysa) and cable operators. The sale of KINO's advertising has been outsourced to Video International Group. Gravis conducts advertising sales for CITI.

### **Operations**

#### *STUDIO 1+1*

STUDIO 1+1, launched in 1997, reaches approximately 99% of Ukraine television households. STUDIO 1+1 initially began broadcasting on the national frequencies of UT-2 under a license permitting 15 hours of broadcasting per day, primarily in prime time and off prime time. In July 2004, STUDIO 1+1 was awarded a second license allowing it to broadcast for the remaining nine hours per day on the UT-2 frequencies. STUDIO 1+1 has been broadcasting a full 24-hour schedule since early September 2004. STUDIO 1+1 had a national all day audience share of 16.1% and an 18.2% prime time audience share in the year ended December 31, 2007.

The chart below summarizes the national all day and prime time audience share figures for STUDIO 1+1:

	2003	2004	2005	2006	2007
All day	19.1%	20.9%	20.0%	18.4%	16.1%
Prime time	25.8%	26.9%	22.2%	23.1%	18.2%

Source: GFK LISM.

We primarily sell an 18+ target group. In that group, our national all day and national prime time audience shares were 16.0% and 18.5% respectively for the year ended December 31, 2007.

#### *KINO and CITI*

KINO reaches approximately 56% of television households and broadcasts on average 19 hours per day with a national all day 15-50 audience share of 0.9%. CITI reaches approximately 12% of television households in Ukraine and broadcasts 24 hours per day to the city of Kiev and the Kiev region. CITI achieved an average all day 15-50 audience share in Kiev and Kiev region of 1.86%.

#### **Programming**

STUDIO 1+1's programming strategy is to appeal to a broad audience through a wide variety of programming, including series (popular Russian police and action series in particular), movies and locally produced Ukrainian shows, features and news. In 2007, approximately 60% of programming for prime-time broadcasting hours were either in-house or outsourced local productions, which consist primarily of news broadcasts and news related programs, entertainment shows and TV series of various genres.

The Studio 1+1 Group, comprised of several entities that are involved in broadcast operations of Studio 1+1, has secured exclusive territorial or local language broadcast rights in Ukraine to a variety of successful high quality Russian, American and Western European programs and films from many of the major studios, including Warner Bros., Paramount, Universal and Columbia. Studio 1+1 has agreements with Reuters for foreign news packages and other footage to be integrated into its programming. Most non-Ukrainian language programs and films (including those in the Russian language) are dubbed or subtitled in Ukrainian.

KINO, which targets the 15-50 age group, male skewed in prime time, female skewed in off-prime and family oriented on weekends, offers feature films, series, animation and other entertainment programming, much of which is acquired from Western sources.

CITI, which targets the 15-50 age group, broadcasts mainly originally-produced shows, local news, and programs on Kiev culture, business and community, as well as teleshopping.

STUDIO 1+1, KINO and CITI are required to comply with certain restrictions on programming, including regulations on the origin of programming and the language of broadcast. At least 50% of programming broadcast by STUDIO 1+1, KINO and CITI must be of Ukrainian origin and STUDIO 1+1 is further required to broadcast not less than 75% of its programming in Ukrainian or dubbed into Ukrainian. Furthermore, the law stipulates that between 7:00 a.m. and 11:00 p.m. at least 80% of programming be European-made.

#### **Advertising**

The Studio 1+1 Group derives revenues principally from the sale of commercial advertising time through both media buying groups and independent agencies. Video International sells advertising for the Studio 1+1 Group. Advertisers include large multinational firms such as Procter & Gamble, Kraft Foods, Unilever, Samsung, Mars, Sony, L'Oréal, Nestlé and Baltic Beverage Holding, as well as large Ukrainian companies like Volun Holding, Obolon and Kyiv Star. The top ten advertising clients of STUDIO 1+1 contributed approximately 29% of STUDIO 1+1's total Segment Net Revenues in 2007. Furthermore, in the year ended December 31, 2007, parliamentary elections in September brought extra revenue for STUDIO 1+1 from the sale of political advertising. In Ukraine, political elections tend to have the effect of decreasing advertising activity around the time of the elections, but attracting additional revenues from political advertising.

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Gravis derives revenue from the sale of commercial advertising time on KINO and CITI. Video International sells advertising for KINO. KINO targets smaller national advertisers and CITI aims to attract Kiev-based clients. Some of the biggest KINO and CITI advertisers/ clients are: Procter & Gamble, Obolon, Unilever, Meloni, Nestlé, Ukrtelecom and Wrigley. The top ten advertising clients of KINO and CITI contributed approximately 28% of the total Segment Net Revenues of KINO and CITI in 2007.

Privately owned broadcasters are allowed to broadcast advertising for 15% of their total broadcast time. During an electoral season this quota increases to 20% of the total broadcasting time. These requirements are not applicable to specialized broadcasting channels. The portion of advertising per hour of actual broadcasting cannot exceed 20%, and during the electoral process may not exceed 25%. The state owned broadcaster is subject to the same restrictions on advertising time. There are restrictions on the frequency of advertising breaks both during and between programs. There are also restrictions that relate to advertising content, including a ban on tobacco advertising and a prohibition on the advertising of alcoholic beverages from 6:00 a.m. to 11:00 p.m.

**Competition**

In addition to STUDIO 1+1, Ukraine is served by public broadcaster UT-1 and privately owned broadcasters Inter, ICTV, STB and Novy Channel.

The chart below provides a comparison of STUDIO 1+1's national all day audience share and technical reach to those of its competitors:

Main Television Channels	Ownership	Year of first transmission	Signal distribution	Audience share (2007)	Technical reach
Inter	Local owners	1996	Terrestrial /satellite / cable	20.9%	99.0%
<b>STUDIO 1+1</b>	<b>CME</b>	<b>1997</b>	<b>Terrestrial /satellite / cable</b>	<b>16.1%</b>	<b>98.5%</b>
Novy Kanal	Local owner (same as ICTV and STB)	1998	Terrestrial	7.4%	96.8%
ICTV	Local owner (same as Novy Kanal and STB)	1992	Terrestrial	6.9%	96.0%
STB	Local owner (same as Novy Kanal and ICTV)	1997	Terrestrial	6.7%	94.7%
UT-1	Public Television	1965	Terrestrial /cable	1.9%	97.5%
Others				40.1%	
				<hr/>	
				100.0%	

Source: GFK LISM; CME.

KINO and CITI compete with certain regional and Kiev-based channels and other regions where KINO is broadcast, including TRK Ukraine, TRK Kiev, Megaspot, RTR Planet, Enter Film, NTV Mir, RU Music, K1 and K2 channels and Channel 1 Rus.

**License Renewal**

In December 2006, the Ukraine Media Council extended the 15-hour broadcast license of STUDIO 1+1, covering prime time and off prime time, until December 29, 2016. The license to broadcast the remaining nine hours on the same frequencies expires on July 30, 2014.

Following the acquisition of a 42% direct interest in Studio 1+1 by our subsidiary, UMS in August 2007, Studio 1+1 filed an amended charter that reflected the current ownership of Studio 1+1 with the Ukraine Media Council and solicited the reissuance of the 15-hour (for prime time and off prime time) and 9-hour broadcasting licenses for the STUDIO 1+1 channel. The Ukraine Media Council has reissued the 15-hour broadcast license but has postponed a decision in respect of the reissuance of the 9-hour broadcasting license. Under amendments to the Ukrainian Media Law adopted in March 2006, a broadcaster is entitled to hold only one broadcasting license that covers a territorial segment (national, regional, or local). The Ukraine Media Council has taken the position that Studio 1+1 is not in compliance with this provision of the Ukraine Media Law because it holds two broadcasting licenses. To date the Ukraine Media Council has not accepted our position that the fact that the two licenses held by Studio 1+1 are in respect of the same frequencies but for different time periods does not contradict the intent of this limitation in the Ukraine Media Law. Notwithstanding the current position of the Ukraine Media Council, Studio 1+1 is entitled to continue to broadcast during the period permitted by the 9-hour license. We are in discussions with the Ukraine Media Council to resolve this issue and expect to have a resolution before the end of the second quarter of 2008.

## **Ownership**

The Studio 1+1 Group consists of several entities in which we hold direct or indirect interests. We hold a 60% ownership and economic interest in each of Innova, IMS and TV Media Planet. Innova owns 100% of Inter-Media, which in turn holds a 30% interest in Studio 1+1. We hold a 99.9% interest in UMS, which owns 42% of Studio 1+1.

On January 31, 2008, we entered into agreements with Igor Kolomoisky, Boris Fuchsmann and Alexander Rodnyansky to acquire the remaining interests in the Studio 1+1 Group. Upon completion of an initial sale transaction, we will own 90% of Studio 1+1 and Messrs. Fuchsmann and Rodnyansky will have the right to put to us, and we will have the right to call from them, the remaining 10% interest (see Part II, Item 8, Note 22, "Subsequent Events – Ukraine").

On January 11, 2006, we acquired a 65.5% interest in Ukrpromtorg 2003 LLC ("Ukrpromtorg"), which owns 92.2% of Gravis LLC, which formerly operated the local channels KINO (formerly CHANNEL 7) and CITI (formerly CHANNEL 35). On June 21, 2007, we acquired a 60.4% interest in each of Tor and Zhysa, two regional broadcasters.

## **CORPORATE OPERATIONS**

In addition to group management and corporate administration, our central organization provides oversight and support to our television operations. The functions include treasury, internal audit, financial planning and analysis, financial control and legal services.

## **SEASONALITY**

We, like other television operators, 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. See Part II, Item 6, "Selected Financial Data" for further discussion.

## **EMPLOYEES**

As of February 20, 2008, our operating companies had a total of approximately 3,500 employees (including contractors) and we had a corporate staff of 48 employees in London and Amsterdam. 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.

## **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".



## ITEM 1A. RISK FACTORS

This report and the following discussion of risk factors contain forward-looking statements as discussed on page 4. 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. Prospective investors are advised to consider carefully the risk factors below and other information in this report before making an investment in our securities.

### **Risks Relating to our Operations**

*Our operating results are dependent on favorable economic and political conditions in countries in which we operate.*

The results of our operations rely heavily on advertising revenue and demand for advertising is affected by prevailing general and regional economic conditions. Although recently there has been growth in the economies of our operating countries, there can be no assurance that these trends will continue or that any such improvement in economic conditions will generate increased advertising revenue. Adverse economic conditions generally and downturns in the economies of our operating countries specifically are likely to negatively impact the advertising industries in those countries by reducing the amounts our customers spend on advertising, which could result in a decrease in demand for our advertising airtime. In addition, disasters, acts of terrorism, civil or military conflicts or general political uncertainty may create economic uncertainty that reduces advertising spending. The occurrence of any of these events may have a material adverse effect on our financial position, results of operations and cash flows.

*Our operating results depend on our ability to generate advertising sales.*

We generate almost all of our revenues from the sale of advertising airtime on our television channels. Our advertising revenues generally depend on the pricing of our advertising time as well as other factors, including television viewing levels, changes in audience preferences, our stations' 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 in the countries in which we operate, and shifts in population and other demographics. Therefore, in order to maintain and increase our advertising sales, we must be able to offer programming which appeals to our target audiences in order to generate GRPs, respond to technological developments in media, compete effectively with other broadcasters seeking to attract similar audiences and manage the impact of any seasonal trends as well as respond successfully to changes in other factors affecting advertising sales generally, particularly in Ukraine. Any decline in advertising sales due to a failure to respond to such changes or to successfully implement our advertising sales strategies could have a material adverse effect on our financial position, results of operations and cash flows.

*We will not have management control of our affiliate in Ukraine until we complete the Ukraine Buyout.*

Prior to the completion of the initial sale transactions to acquire an additional 30% interest in the Studio 1+1 Group from our partners (the "Ukraine Buyout") (see Part II, Item 8, Note 22, "Subsequent Events – Ukraine"), we continue to own our operations in Ukraine jointly with our partners through subsidiaries and affiliates. We currently hold a direct 42% ownership interest and an indirect 18% ownership interest in Studio 1+1.

Although our partners have resigned their management and board positions in the Studio 1+1 Group in connection with entering into transaction documents in respect of the Ukraine Buyout, we believe that to unilaterally assert management control or unilaterally direct the strategies, operations and financial decisions prior to the completion of the Ukraine Buyout may impede the successful completion of the transaction. Therefore, prior to the closing of the Ukraine Buyout, we do not intend to institute material operational changes, including those that may affect the implementation of all of the financial reporting and management processes that exist in our other operations, including ensuring compliance with relevant tax and other obligations of Studio 1+1. Until the Ukraine Buyout is completed, decisions may be taken that do not fully reflect our strategic objectives or may result in Studio 1+1 being in breach of such tax or other obligations. In addition, Studio 1+1 may not adopt decisions in respect of advertising and sponsorship, programming, production, scheduling, personnel or otherwise that we believe are necessary in order to respond to competitive market dynamics in Ukraine for audience share and advertising. The occurrence of any or all of these events may have an adverse impact 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 Romania and Ukraine, the local shareholders, general directors or other members of the management of our operating companies have other business interests in their respective countries, including interests in television and other media-related companies. We may not be aware of all such 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 interests which may in turn result in the conclusion of transactions on terms that are not arms-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 Senior Notes (as defined in Part II, Item 7, V(c) “Contractual Obligations, Commitments and Off-Balance Sheet Arrangements”) and the European Bank for Reconstruction and Development (“EBRD”) Loan (as defined in Part II, Item 7, V(c) “Contractual Obligations, Commitments and Off-Balance Sheet Arrangements”). In addition, there have been instances in the past where certain related party receivables have been collected more slowly than unrelated third party receivables, which have resulted in slower cash flow to our operating companies. Any related party transaction that is entered into on terms that are not arms-length may result in a negative impact on our financial position, results of operations and cash flows.

*We may not be able to prevent the management of our operating companies from entering into transactions that are outside their authority and not in the best interests of shareholders.*

The general directors of our operating companies have significant management authority on a local level, subject to the overall supervision by the corresponding company board of directors. In addition, we typically grant authority to other members of management through delegated authorities. Our internal controls have detected transactions that have been entered into by managers acting outside of their authority. Internal controls may not be able to prevent an employee from acting outside his authority. There is therefore a risk that employees with delegated authorities may act outside their authority and that our operating companies will enter into transactions that are not duly authorized. Unauthorized transactions may not be in the best interests of our shareholders, may create the risk of fraud or the breach of applicable law, which may result in transactions or sanctions that may have an adverse impact on our financial position, results of operations and cash flows.

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

Television programming is one of the most significant components of our operating costs, particularly in Ukraine. The commercial success of our channels depends substantially on our ability to develop, produce or acquire syndicated television programming content that matches audience tastes, attracts high audience shares and generates advertising revenues. The costs of acquiring programming content attractive to our viewers, such as feature films and popular television series and formats, may increase as a result of greater competition from existing and new television broadcasting channels. Our expenditure in respect of locally produced programming content 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 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.

*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. We cannot guarantee that our current licenses or other authorizations will be renewed or extended, 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.

Our current broadcasting licenses expire at various times between November 2008 and 2019. 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 from 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 on our financial positions, 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 loss of our business operations, as occurred in the Czech Republic in 1999. The loss of a material business would have an adverse impact on our financial position, results of operations and cash flows.

*We may seek to make acquisitions of other stations, 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 continue to experience rapid growth, including through acquisition. The acquisition and integration of new businesses pose significant risks to our existing operations, including:

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

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

In addition, prospective competitors may have greater financial resources than us and increased competition for target broadcasters may decrease the number of potential acquisitions that are available on acceptable terms.

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

We generate almost all 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 or 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 could have an adverse effect on our financial position, 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 initiating the migration from analog terrestrial broadcasting to digital terrestrial broadcasting. Each country has independent plans with its own timeframe and regulatory and investment regime. The specific timing and approach to implementing such plans is subject to change. We cannot predict the effect of the migration on our existing operations or predict our ability to receive any additional rights or licenses to broadcast for our existing channels or any additional channels if such additional rights or licenses should be required under any relevant regulatory regime. Furthermore, we may be required to make substantial additional capital investment and commit substantial other resources to implement digital terrestrial broadcasting and the availability of competing alternative distribution systems, such as direct-to-home platforms, may require us to acquire additional distribution and content rights. We may not have access to resources sufficient to make such investments when required.

*Our operations are subject to significant changes in technology that could adversely affect our business.*

The television broadcasting industry may be 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 broadcasting, direct-to-home cable and satellite distribution systems, the internet, video-on-demand and the availability of television programming on portable digital devices, have fragmented television audiences in more developed markets and could adversely affect our ability to attract advertisers as such technologies penetrate our markets. New technologies that enable viewers to choose when and what content to watch, as well as to fast-forward or skip advertisements, may cause changes in consumer behavior that could impact our business. In addition, compression techniques and other technological developments allow for expanded programming offerings to be offered to highly targeted audiences. Reductions in the cost of creating additional channel capacity 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 on the implementation of 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.

*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 an important contribution 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 business, results of operations and cash flow.

#### **Risks Relating to our Financial Position**

*We may require additional external sources of capital, which may not be available or may not be available on acceptable terms.*

The acquisition, ownership and operation of television broadcasting operations require substantial investment. Our ability to meet our total capital requirements is based on our expected cash resources, including our debt facilities, as well as estimates of future operating results, which are derived from a variety of assumptions that may prove to be inaccurate. If our assumptions prove to be inaccurate, if our assumptions or our investment plans change in light of additional acquisitions or other investments, or if our costs increase due to competitive pressures or other unanticipated developments, we may need to obtain additional financing. Such financings, if available at all, may not be available on acceptable terms. Sources of financing may include public or private debt or equity financings, proceeds from the sale of assets or other financing arrangements. Any additional debt or equity securities issued to raise funds may have rights, preferences and privileges that are senior to shares of our Common Stock, and the issuance of additional equity may dilute the economic interest of the holders of shares of our Common Stock. It is also not possible to ensure that such debt financings will be available within the limitations on the incurrence of additional indebtedness contained in the Indentures pursuant to which our Senior Notes were issued in 2005 (the "2005 Indenture") and in 2007 (the "2007 Indenture" and collectively with the 2005 Indenture the "Indentures") or pursuant to the terms of the EBRD Loan or as a result of general economic conditions. If we cannot obtain adequate capital or on obtain it on acceptable terms, this could have an adverse effect on our financial positions, results of operations and cash flows.

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

Our ability to make debt service payments under our Senior Notes and other indebtedness depends on our future operating performance and our ability to generate sufficient cash, which in turn depends in part on factors that are not within our control, including general economic, financial, competitive, market, legislative, regulatory and other factors. If our cash flow and capital resources are insufficient to fund our debt service obligations, we would face substantial liquidity problems. We may not be able to maintain the ratings of our Senior Notes without adequate liquidity, which would have an adverse impact on our ability to raise additional debt financing. We may be obliged to reduce or delay capital or other material expenditures at our stations, restructure our debt, obtain additional debt or equity capital (if available on acceptable terms), or dispose of material assets or businesses to meet our debt service and other obligations. It may not be possible to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, which may have an adverse effect on our financial positions, results of operations and cash flows.

*Our debt service obligations following the issuance of the Senior Notes may restrict our ability to fund our operations.*

We have significant debt service obligations under our Senior Notes and we are restricted in the manner in which our business is conducted (see Part II, Item 8, Note 6 “Senior Notes”). Our high leverage could have important consequences to our business and results of operations, including but not limited to increasing our vulnerability to a downturn in our business or economic and industry conditions, as well as limiting our ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements. We may have a higher level of debt than certain of our competitors, which may put us at a competitive disadvantage. A substantial portion of our cash flow from operations is required to be dedicated to the payment of principal of, and interest on, our indebtedness, which means that this cash flow is not available to fund our operations, capital expenditures or other corporate purposes. Therefore, our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate is somewhat limited. Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations and would therefore have potentially harmful consequences for the development of our business and strategic plan.

*Under the Senior Notes and the EBRD Loan, we have pledged shares in our two principal subsidiary holding companies that hold substantially all of our assets and a default on our obligations could result in our inability to continue to conduct our business.*

Pursuant to the terms of the Indentures and the EBRD Loan, we have pledged shares in our two principal subsidiary holding companies, which own substantially all of our interests in our operating companies, including the TV Nova (Czech Republic) group, Pro TV, Markiza, Pro Plus and Studio 1+1. If we were to default on either of the Indentures or the EBRD Loan, the trustees under our Indentures or the EBRD Loan would have the ability to sell all or a portion of all of these assets in order to pay amounts outstanding under our Indentures or the EBRD Loan.

*We may be adversely affected by fluctuations in exchange rates.*

Our reporting currency is the dollar but a significant portion of our consolidated revenues and costs, including programming rights expenses and interest on debt, are in other currencies. Furthermore, the functional currency of our operations in Romania and Ukraine is the dollar. This is subject to annual review and new circumstances that may be identified during these annual reviews may result in the use of functional currencies in these markets that differ from our reporting currency. In addition, our Senior Notes are denominated in Euros. We have not attempted to hedge the Senior Notes. We have in the past and may therefore in the future continue to experience significant gains and losses on the translation of the Senior Notes into dollars due to movements in exchange rates between the Euro and the dollar.

*If our goodwill or intangible assets become impaired we may be required to record a significant charge to earnings.*

We review our amortizable intangible 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 or amortizable intangible assets may not be recoverable include a decline in stock price and market capitalization, future cash flows, and slower growth rates in our industry. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined resulting in a negative impact on our financial position, results of operations and cash flows.

*Our holding company structure may limit our access to cash.*

We are a holding company and we conduct our operations through subsidiaries and affiliates. The primary internal source of our cash to fund our operating expenses as well as service our existing and future debt depends on debt repayments from our subsidiaries, the earnings of our operating subsidiaries, earnings generated from our equity interest in certain of our affiliates and distributions of such earnings to us. Substantially all of our assets consist of ownership of and loans to our subsidiaries and affiliates. We currently rely on the repayment of intercompany indebtedness and the declaration of dividends to receive distributions of cash from our operating subsidiaries and affiliates. The distribution of dividends is generally subject to conformity with requirements of local law, including the funding of a reserve account and, in certain instances, the affirmative vote of our partners. If our operating subsidiaries or affiliates are unable to distribute to us funds to which we are entitled, we may be unable to cover our operating expenses. Such inability would have a material adverse effect on our financial position, 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.*

Central European Media Enterprises 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 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 effect 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.

#### **Risks Relating to Our Common Stock**

*CME Holdco L.P. is in a position to decide corporate actions that require shareholder approval and may have interests that differ from those of other shareholders.*

CME Holdco L.P. owns all our outstanding shares of Class B Common Stock, each of which carries 10 votes per share. Ronald Lauder, the chairman of our Board of Directors, is the majority owner of CME Holdco L.P. and, subject to certain limitations described below, is entitled to vote those shares on behalf of CME Holdco L.P. The shares over which Ronald Lauder has voting power represent 63.7% of the aggregate voting power of our outstanding Common Stock. On September 1, 2006, Adele (Guernsey) L.P., a fund affiliated with Apax Partners, acquired 49.7% of CME Holdco L.P. Under the terms of the limited partnership agreement of CME Holdco L.P., Adele (Guernsey) L.P. has certain consent rights in respect of the voting and disposition of the shares of Class B Common Stock. CME Holdco L.P. is in a position to control the outcome of corporate actions requiring shareholder approval, such as the election of directors (including two Adele (Guernsey) L.P. is entitled to recommend for appointment) and transactions involving a change of control. The interests of CME Holdco L.P. 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 CME Holdco L.P. 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 Business and Operations” as well as the following: license renewals, general economic and business trends, variations in quarterly operating results, 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 investor and securities analyst perception of us and other companies that investors or securities analysts deem comparable in the television broadcasting industry. In addition, the stock market in general has 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 potential future issuances and sales of our shares.*

As at February 25, 2008, we have a total of 1.1 million options to purchase Class A Common Stock outstanding and 0.1 million options to purchase shares of Class B Common Stock outstanding. An affiliate of PPF a.s., from whom we acquired the TV Nova (Czech) group, holds 3,500,000 unregistered shares of Class A Common Stock and Igor Kolomoisky, a member of our Board of Directors and a party to the Ukraine Buyout, holds 1,275,227 unregistered shares of Class A Common Stock. In addition, a portion of the consideration for the Ukraine Buyout may be paid in shares of Class A Common Stock (see Part II, Item 8, Note 22 “Subsequent Events”). We cannot predict what effect, if any, the issuance of shares underlying options, the entry into trading of such unregistered shares or any future issuances of our shares will have on the market price of our shares. If more shares are issued, the economic interest of current shareholders may be diluted and the price of our shares may be adversely affected.



**ITEM 1 B. 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 or such other operations. 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.

<b>Location</b>	<b>Property</b>	<b>Use</b>
Hamilton, Bermuda	Leased office	Registered Office, Corporate
Amsterdam, Netherlands	Leased office	Corporate Office, Corporate
London, United Kingdom	Leased office	Administrative Center, Corporate
Zagreb, Croatia	Owned and leased buildings	Office and studio space, NOVA TV (Croatia)
Prague, Czech Republic	Owned and leased buildings	Office and studio space, TV NOVA (Czech Republic)
Bucharest and other key cities within Romania	Owned and leased buildings	Office and studio space, PRO TV
Bratislava, Slovak Republic	Owned buildings	Office and studio space, TV MARKIZA
Ljubljana, Slovenia	Owned and leased buildings	Office and studio space, POP TV and KANAL A
Kiev and other key cities within Ukraine	Leased buildings	Office and studio space, STUDIO 1+1. Office and studio space, KINO, CITI
Zug, Switzerland	Leased office	Office space, IMS

For further information on using our cash resources to fund these facility-related costs, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" .

### ITEM 3. LEGAL PROCEEDINGS

#### General

We are, from time to time, a party to litigation that arises in the normal course of our business operations. Other than those claims discussed below, we are not presently a party to any such litigation which could reasonably be expected to have a material adverse effect on our business or operations.

We present below a summary of our more significant proceedings by country.

#### *Croatia*

##### *Global Communications Disputes*

On October 29, 2004, Operativna Kompanija d.o.o. ("OK"), our former operating company in Croatia, filed suit against Global Communications d.o.o. ("Global Communications") claiming approximately HRK 53.0 million (approximately US\$ 10.3 million) in damages. Global Communications is a company controlled by Ivan Caleta, who had previously operated Nova TV (Croatia) through OK. Global Communications, together with GRP Media d.o.o. ("GRP Media"), another company controlled by Mr. Caleta, had provided certain goods and services to OK and Nova TV (Croatia) in exchange for advertising time pursuant to an agreement dated April 10, 2001 (the "Global Agreement"). Global Communications and GRP Media were functionally managing the advertising inventory of Nova TV (Croatia). On December 31, 2003, Global Communications entered into a reconciliation agreement by which OK acknowledged that Global Communications was entitled to approximately 375,000 seconds of advertising time for goods and services previously provided. Following our acquisition of Nova TV (Croatia) and OK in July 2004, OK concluded that Global Communications had used all of its seconds by June 2004 based on a substantial discrepancy discovered between the utilization of advertising time recorded by Global Communications and that recorded by AGB Puls ("AGB"), an independent television audience measurement service operating in Croatia. In the course of its investigation of the usage of seconds by Global Communications, OK discovered that computer records of advertising seconds kept for OK may have been altered. OK brought a suit to recover amounts for advertising time used by Global Communications in excess of the 375,000 seconds agreed. Global Communications filed a counterclaim in January 2005 for HRK 68.0 million (approximately US\$ 13.2 million), claiming that the AGB data is unreliable and that it is entitled to additional seconds under the previous agreement. The lower commercial court issued a judgment on July 12, 2006 in favor of Global Communications for the full amount of the counterclaim, and we appealed this decision on the basis of false and inadequate disclosure, wrongful application of substantive law and procedural error. Global Communications separately brought a claim against Nova TV (Croatia), on the same basis as the OK counterclaim. Both Global Communications and Nova TV (Croatia) requested the court to join this claim with the OK counterclaim but this request was denied. The lower commercial court issued a judgment on August 1, 2006 in favor of Global Communications for the full amount of the claim, after having denied submission of evidence supporting our defense. We also appealed this decision.

On January 25, 2007, Nova TV (Croatia) filed suit against Global Communications. The facts underlying the claim are substantially the same as those of the abovementioned claims, but Nova TV (Croatia) claimed that the Global Agreement and the two reconciliation agreements dated April 30, 2004 and June 30, 2004 (the "Reconciliation Agreements"), by which OK acknowledged the number of seconds of advertising time to which Global Communications was purportedly entitled, should be declared null and void under Article 141 of the Croatian Obligations Act. This provision is intended to protect a contractual party which has entered into unfair bargaining terms due to its dependency on the other contractual party. Global Communications, OK and Nova TV (Croatia) were all related parties (controlled by Ivan Caleta) and the contractual terms provided for the provision of 1,340,280 seconds by OK to Global Communications in exchange for certain transmitters. These seconds were valued at an aggregate of DEM 5 million (or DEM 3.73 per second; HRK 3.91 per second at the time) whereas the rate card price was DEM 97.18 or HRK 380.00 per second (i.e. a price that was 26 times higher). Other clients (unrelated parties) sampled from this period were paying between 382.50 HRK to 491.85 HRK per second. Nova TV (Croatia) argued for voidance of this contract because of its unconscionable terms which were detrimental to OK and Nova TV (Croatia) and beneficial solely to Global Communications (which, in its capacity as an advertising agency, on-sold these seconds to its clients at market rates, thereby reaping an extraordinary profit). Nova TV (Croatia) further claimed restitution for advertising seconds appropriated by Global Communications under the Global Agreement. The restitution amount was HRK 586.5 million (approximately US\$ 114.2 million). The first hearing was held on September 24, 2007, and the judge denied the claim without permitting any arguments, evidence or witnesses.

*Former Shareholder Dispute*

On July 21, 2005, Narval A.M. d.o.o. (a company wholly-owned by Ivan Caleta), Studio Millenium d.o.o. and Richard Anthony Sheldon, three of the former shareholders of OK, filed suit against Nova TV (Croatia) for rescission of the sale and purchase contract pursuant to which they sold 75% of OK to Nova TV (Croatia) in July 2004 (the "OK Sale Contract"). Nova TV (Croatia) acquired OK immediately prior to our acquiring Nova TV (Croatia). The provisions of the OK Sale Contract required Nova TV (Croatia) to make payment to the four shareholders of OK by September 1, 2004, upon receipt of appropriate invoices and bank account details. The fourth shareholder, Pitos d.o.o., issued an invoice that was duly received by Nova TV (Croatia) and payment was made thereunder. The other three shareholders claim that they hand-delivered a joint invoice to one of the former directors of Nova TV (Croatia), but we disputed this. Under the Croatian Obligations Act, one party to a contract who has performed may unilaterally rescind a contract if the other party fails to perform after receipt of a written warning. On May 24, 2006, the lower commercial court decided in favor of the plaintiffs to rescind the OK Sale Contract and ordered the defendant to pay court costs. We appealed the decision on the basis that evidence supporting our position was not allowed to be presented to the court and we challenged the validity of the power of attorney purportedly issued by Richard Anthony Sheldon (a resident of the United Kingdom) to legal counsel representing the other plaintiffs.

On August 28, 2006, we received a lower court decision of an injunction against us (decided without a hearing) that, inter alia, prohibited a sale or encumbrance of 75% of the shares of OK. Although we appealed this decision, the appellate commercial court upheld the lower court's judgment on November 21, 2006. On November 6, 2006, we were notified of a request for a further injunction that would, inter alia, prohibit us from taking any actions to decrease the value of OK and require the management of OK to report to a delegate of the former shareholders. We unsuccessfully sought the removal of the presiding judge, Raul Dubravec (who also presided over the Global Communications lawsuit against Nova TV (Croatia)). Mr. Dubravec ruled against us on December 18, 2006, requiring imposition of a temporary director for OK, which is not a remedy available under Croatian law under the facts of this action. Further, the temporary director who was appointed is one of the former directors of OK who countersigned the Reconciliation Agreements and is an associate of Ivan Caleta. Our appeal against this decision was denied on May 8, 2007.

*Settlement Agreements*

On November 26, 2007, Nova TV (Croatia) and OK entered into a settlement agreement with Global Communications and the former shareholders of OK to settle all outstanding litigation between the parties and release Nova TV (Croatia) and OK from claims relating to such litigation. In consideration of Global Communications withdrawing its claims, Nova TV (Croatia) has agreed to withdraw its claims and pay Global Communications EUR 7.5 million (approximately US\$ 11.0 million) and provide advertising seconds to Global Communications over a two-year period with an aggregate value of EUR 2.0 million (approximately US\$ 3.0 million). The advertising time is being provided to Global Communications pursuant to a separate advertising sales agreement that was signed on the same date. In the event of certain breaches by Global Communications, Nova TV (Croatia) may terminate this agreement and pay Global Communications an amount in cash equal to sixty-five percent of the value of the unused advertising time at the date of such termination.

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On November 26, 2007, Nova TV (Croatia) entered into settlement agreements with Narval A.M. d.o.o., Studio Millenium d.o.o. and Richard Anthony Sheldon to settle all outstanding litigation between the parties. In consideration of Narval A.M. d.o.o., Studio Millenium d.o.o. and Richard Anthony Sheldon withdrawing their claims, Nova TV (Croatia) has agreed to pay each of the parties HRK 111,700 (approximately US\$ 23,000) due to them for their shares of OK under the OK Sale Contract.

*Czech Republic*

There are no significant outstanding legal actions that relate to our business in the Czech Republic.

*Romania*

There are no significant outstanding legal actions that relate to our business in Romania.

*Slovenia*

On November 20, 2002, we received notice of a claim filed by Mrs. Zdenka Meglic, the founder and a former shareholder of MMTV 1 d.o.o. ("MMTV"), against MMTV, a subsidiary of CME Media Enterprises B.V. In her claim against MMTV, Mrs. Meglic is seeking an amount equal to EUR 0.8 million (approximately US\$ 1.2 million) for repayment of monies advanced to MMTV from 1992 to 1994 (in the amount of approximately EUR 0.1 million (approximately US\$ 0.1 million)) plus accrued interest. On September 9, 2004, the court of first instance found against MMTV and issued a judgment requiring MMTV to pay an amount equal to EUR 0.8 million (approximately US\$ 1.2 million) plus interest as well as costs. On September 24, 2004, MMTV filed an appeal against the judgment. On December 15, 2004, the appellate court vacated the judgment of the lower court and returned the case for further proceedings. At a hearing on September 4, 2007, the lower court denied the claim of Mrs. Meglic and ordered her to pay MMTV's costs of litigation. Mrs. Meglic filed an appeal on September 24, 2007, which was rejected by the Court of Appeal on December 12, 2007. The Court of Appeal also confirmed the judgment of September 4, 2007. Mrs. Meglic filed an appeal with the Slovenian Supreme Court on February 13, 2008, to vacate the decision of the lower court. We do not believe Mrs. Meglic will prevail and we will file a response with the Supreme Court. We expect the Supreme Court to issue an *in camera* decision in connection with the appeal, which may take up to 15 months to be issued.

*Slovak Republic*

There are no significant outstanding legal actions that relate to our business in the Slovak Republic.

*Ukraine*

On December 23, 2005, we initiated international arbitration proceedings against our partners Alexander Rodnyansky and Boris Fuchsmann to enforce our contractual rights and compel a restructuring of the ownership of Studio 1+1 in order to permit us to hold a 60.0% interest in Studio 1+1. Following the adoption of an amendment to the Ukraine Media Law in March 2006, our partners acknowledged their obligation to restructure to permit us to hold a 60.0% interest had ripened; and in September 2006, they entered into agreements to effect a restructuring. On November 9, 2006, the arbitration proceedings were suspended by mutual consent to permit the parties to implement the restructuring. On August 30, 2007, we succeeded in registering our Ukrainian subsidiary UMS as the owner of 42.0% of Studio 1+1. Together with our 18.0% indirect interest in Studio 1+1 held through Inter-Media, we now have a 60.0% interest in Studio 1+1.

On September 4, 2007, Mr. Fuchsmann and Mr. Rodnyansky sought to file a cross action in these international arbitration proceedings to compel the transfer by us of an interest in Ukrpromptorg to Mr. Fuchsmann and Mr. Rodnyansky. They allege that they are entitled to participate on a pro rata basis in our investment in Ukrpromptorg. This claim is based on the terms of our shareholders' agreement pursuant to which we and our partners have a limited right to participate on a pro rata basis in investment opportunities in the Ukrainian media sector undertaken by the other. In our response to this cross action, we denied any breach of our shareholders' agreement and requested that the tribunal hold the cross action inadmissible in the current arbitration proceedings, whose subject matter is the restructuring, and terminate these proceedings.

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On January 31, 2008, we entered into a Framework Agreement with Mr. Fuchsmann and Mr. Rodnyansky. Pursuant to the Framework Agreement, we have agreed to (i) purchase a 30.0% interest in the Studio 1+1 Group from Mr. Fuchsmann and Mr. Rodnyansky, (ii) grant Mr. Fuchsmann and Mr. Rodnyansky a put option and CME a call option on Mr. Fuchsmann's and Mr. Rodnyansky's remaining 10.0% interest in the Studio 1+1 Group and (iii) sell to Mr. Fuchsmann and Mr. Rodnyansky 10.0% of our interest in the companies that operate KINO and CITI. Prior to the completion of these transactions, we have agreed to suspend the arbitration proceedings. Following completion of the transaction, we have agreed with Mr. Fuchsmann and Mr. Rodnyansky to terminate the arbitration proceedings described above. The transaction is expected to close by the end of the second quarter of 2008. For additional information on the Framework Agreement and related transactions, see Part II, Item 8, Note 22 "Subsequent Events – Ukraine".

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**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 26, 2008 the last reported sales price for shares of Class A Common Stock was US\$ 97.30.

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.

<b>Price Period</b>	<b>High (US\$ / Share)</b>	<b>Low (US\$ / Share)</b>
<b>2007</b>		
Fourth Quarter	123.49	93.36
Third Quarter	100.85	76.91
Second Quarter	100.74	86.85
First Quarter	88.92	70.95
<b>2006</b>		
Fourth Quarter	77.69	67.50
Third Quarter	68.47	53.62
Second Quarter	71.35	52.90
First Quarter	71.87	56.73

At February 13, 2008, there were 179 holders of record (including brokerage firms and other nominees) of shares of Class A Common Stock and 1 holder 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.

4,500,000 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**

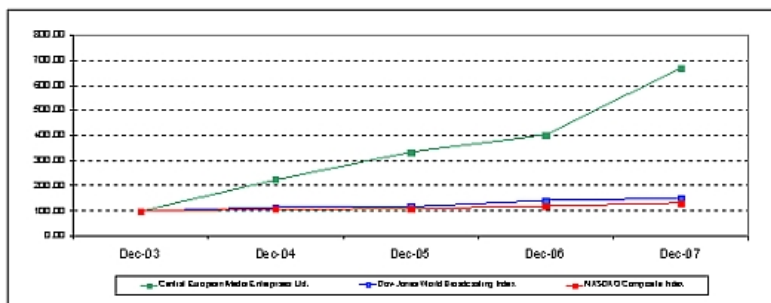
We have not declared or paid and have no present intention to declare or pay in the foreseeable future any cash dividends in respect to any class of our shares of Common Stock.

**PURCHASE OF OWN STOCK**

We did not purchase any of our own stock in 2007.

**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 total cumulative total return of the Nasdaq Composite Index and the Dow Jones World Broadcasting Index between December 31, 2003 and December 31, 2007.



Value of US\$ 100 invested at December 31, 2003 as of December 31, 2007:

Central European Media Enterprises Ltd.	\$	670.40
NASDAQ Composite Index	\$	150.37
Dow Jones World Broadcasting Index <sup>(1)</sup>	\$	132.39

<sup>(1)</sup> This index includes 69 companies, many of which are non-U.S. based. Accordingly, the Company believes that the inclusion of this index is useful in understanding the stock performance of the Company 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, 2007. The selected consolidated financial data is qualified in its entirety and should be read in conjunction with the Consolidated Financial Statements and related notes thereto set forth in Item 8 and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations". We have derived the consolidated statements of operations data for the years ended December 31, 2007, 2006 and 2005 and the consolidated balance sheet data as of December 31, 2007 and December 31, 2006 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, 2004 and 2003 and the balance sheet data as of December 31, 2005, 2004 and 2003 were derived from the consolidated audited financial statements that are not included in this Annual Report on Form 10-K.

	For the Years Ended December 31,					
	2007	2006	2005 (2)	2004	2003	
	(US\$ 000's, except per share data)					
<b>CONSOLIDATED STATEMENT OF OPERATIONS DATA:</b>						
Net revenues	\$ 839,991	\$ 603,115	\$ 400,978	\$ 182,339	\$ 124,978	
Operating income / (loss)	206,044	140,674	52,196	18,671	(4,410)	
Net income / (loss) from continuing operations	88,568	25,287	42,835	15,938	(24,201)	
(Loss) / income on discontinued operations (1)	-	(4,863)	(513)	2,524	370,213	
<b>Net income</b>	<b>\$ 88,568</b>	<b>\$ 20,424</b>	<b>\$ 42,322</b>	<b>\$ 18,462</b>	<b>\$ 346,012</b>	
<b>PER SHARE DATA:</b>						
Net income / (loss) per common share from:						
Continuing operations – basic	\$ 2.14	\$ 0.63	\$ 1.24	\$ 0.57	\$ (0.91)	
Continuing operations – diluted	2.12	0.62	1.21	0.55	(0.91)	
Discontinued operations – basic	-	(0.12)	(0.01)	0.09	13.97	
Discontinued operations – diluted	-	(0.12)	(0.01)	0.09	13.97	
Net income / (loss) – basic	2.14	0.51	1.22	0.66	13.06	
Net income / (loss) – diluted	\$ 2.12	\$ 0.50	\$ 1.19	\$ 0.63	\$ 13.06	
Weighted average common shares used in computing per share amounts (000's)						
Basic	41,384	40,027	34,664	27,871	26,492	
Diluted	41,833	40,600	35,430	29,100	26,492	
<b>CONSOLIDATED BALANCE SHEET DATA:</b>						
Current assets	\$ 529,824	\$ 413,616	\$ 286,926	\$ 265,049	\$ 266,891	
Non-current assets	1,808,611	1,405,384	1,101,924	179,590	101,861	
<b>Total assets</b>	<b>\$ 2,338,435</b>	<b>\$ 1,819,000</b>	<b>\$ 1,388,850</b>	<b>\$ 444,639</b>	<b>\$ 368,752</b>	
Current liabilities	232,770	182,961	206,961	109,745	71,116	
Non-current liabilities	682,703	574,084	488,099	18,965	23,118	
Minority interests	23,155	26,189	13,237	4,861	994	
Shareholders' equity	1,399,807	1,035,766	680,553	311,068	273,524	
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,338,435</b>	<b>\$ 1,819,000</b>	<b>\$ 1,388,850</b>	<b>\$ 444,639</b>	<b>\$ 368,752</b>	

(1) In 2003 we sold our 93.2% participation interest in CNTS, our former Czech Republic operating company, to PPF, a.s. Our financial statements present our former operations in the Czech Republic as discontinued operations for all periods.

(2) The Consolidated Balance Sheet and Consolidated Statements of Operations reflect the effect of our acquisition of the TV NOVA (Czech Republic) group in May 2005.

#### Seasonality

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



**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" and "Risk Factors" in Part I, Item 1.

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- I. Executive Summary***
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- IV. Analysis of the Results of Consolidated Operations***
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- VII. Related Party Matters***

***I. Executive Summary***

*CME's Year in Review*

The principal events of 2007 include:

- *Acquisitions:* On July 13, 2007, we acquired an additional 20.0% interest in Markiza for aggregate consideration of SKK 1.9 billion (approximately US\$ 78.5 million) and now own 100.0% of our Slovak Republic operations. On May 16, 2007, we acquired an additional 20.0% of Media Vision and on June 1, 2007 we acquired an additional 5.0% of Pro TV and MPI for aggregate consideration of US\$ 51.6 million.
- *Bank Facilities:* On August 22, 2007, we entered into a new facility with EBRD in the amount of EUR 50.0 million, while at the same time reducing the interest payable on our existing EUR 100.0 facility to EURIBOR plus 1.625% from the previous EURIBOR plus 2.75% (see V(c) "Contractual Obligations, Commitments and Off-Balance Sheet Arrangements").
- *Shareholder Investment:* On August 30, 2007, we issued 1,275,227 unregistered shares of our Class A Common Stock to Igor Kolomoisky for net cash consideration of US\$ 109.9 million. In connection with this investment, Mr. Kolomoisky was appointed to our Board of Directors.
- *Ukrainian Operations:* On August 30, 2007 we completed the registration of a 42% direct ownership interest in Studio 1+1 via a Ukrainian subsidiary company, thereby securing control over the Studio 1+1 broadcasting licenses. In addition, on January 31, 2008 we entered into a series of agreements with our partners in the Studio 1+1 Group to purchase an additional 30% interest in the Studio 1+1 Group. The transaction is expected to close by the end of the second quarter of 2008 (see Item 8, Note 22 "Subsequent Events – Ukraine").
- *New Channels:* We continued to implement our multi-channel strategy for each of our markets by launching NOVA CINEMA in the Czech Republic in December 2007. We also re-launched TV SPORT (acquired in March 2007) in Romania as SPORT.RO in April 2007 and acquired MTV ROMANIA in December 2007, bringing the total number of our Romanian channels to six (see Part I, Item 1 "Business - Operations by Country").

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- *Senior Notes Offering and Redemption:* On May 16, 2007 we redeemed our floating rate senior notes due May 2012 and issued floating rate senior notes due May 2014 in the aggregate principal amount of EUR 150.0 million, which bear interest at six-month EURIBOR plus 1.625% (see Item 8, Note 7 “Senior Notes”).
- *Debt Ratings:* On September 10, 2007, Standard & Poor’s upgraded our corporate credit rating from BB- to BB.
- *Management Appointment:* On October 17, 2007, we appointed Adrian Sarbu, general director of our Romanian operations, as our Chief Operating Officer.

*Future Trends*

*CME Strategy:* We believe over the medium term that we will see higher levels of GDP growth as well as general advertising and television advertising spending growth in our markets than in Western European or U.S. markets. The largest portion of advertising spending in our markets is on television advertising and it makes up a larger proportion than in Western European or U.S. markets. We expect this trend to continue for the foreseeable future. We believe the fastest growth in television advertising in our markets will continue to be in Ukraine and Romania, our markets with the largest populations and, currently, the lowest levels of television advertising spending per capita.

The large audience share that we enjoy in most of our markets is due both to the commercial strength of our channels and to the constraints on bandwidth that limit the number of free-to-air broadcasters in our markets. The only markets where we currently face significant competition from other distribution platforms are Romania and Slovenia, where cable penetration exceeds 50% of television households.

As our markets mature, we anticipate more intense competition for audience share and advertising spending from other incumbent terrestrial broadcasters and from cable, satellite and digital terrestrial broadcasters as the coverage of these technologies grows. The impact on our advertising share will be less significant due to the small audience rating each individual channel can attract. The advent of digital terrestrial broadcasting as well as the introduction of alternative distribution platforms for content (including additional DTH services, the internet, Internet Protocol TV, mobile television and video-on-demand services) will cause audience fragmentation and change the competitive dynamics of our operating countries in the medium term.

We believe that our leading position in our operating countries and the strength of our existing brands place us in a solid position to manage increased competition and to launch new niche channels as these new technologies develop. In the near term we intend to continue to pursue further improvements in the performance of our existing operations in order to maximize the potential for organic growth in our existing businesses.

Our priorities in this regard include:

- completing the buyout of our partners in the Studio 1+1 Group and restructuring our Ukraine operations in order to secure consistent performance and a leading position in the Ukrainian market;
- ensuring that our leading position in our operating countries is secured during the transition to digital terrestrial broadcasting and the anticipated growth of DTH offerings;
- launching or acquiring additional channels in our markets in order to expand our offerings, target niche audiences and increase our advertising inventory;

- improving margins by leveraging expertise from our best-performing operations;
- expanding our capabilities in production and the development of local content; and
- achieving cash break even in our Croatia operations by the fourth quarter of 2008.

In addition, we continue to review opportunities to develop our business and expand our footprint through strategic acquisitions, the adoption and implementation of new technologies and expansion into additional markets in Central and Eastern Europe. Internet broadband penetration is low in all of our markets in comparison to Western European and U.S. markets. As the GDP per capita of our markets grows over the medium term, we anticipate broadband penetration will increase significantly and will foster the development of significant new opportunities for generating advertising and other revenues. We believe that the strength of our brands, our news programming and locally produced content, our relationships with advertisers and the opportunities for cross promotion afforded by the large audiences of our broadcast operations put us in a strong position to achieve leading positions in these new forms of media as they develop. We intend to continue our program of investment into our non-broadcast activities in order to develop offerings and launch services on the internet and mobile platforms that complement our broadcast offerings and generate revenues.

*Digital Terrestrial Broadcasting:* The transition from analog to digital terrestrial broadcasting is beginning to accelerate in our markets. While the approach being applied is not uniform, there are certain steps that each jurisdiction appears to be following. Typically, legislation governing the transition to digital is adopted which addresses 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 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, technical restrictions on parallel broadcasting in analog and terrestrial during the transition phase.

Of our markets, the Czech Republic, the Slovak Republic and Slovenia are the furthest along in the transition to digital. All three have adopted new legislation or amendments to existing legislation. Generally, this legislation provides that incumbent analog broadcasters are entitled to receive a digital license, although broadcasters in a specific jurisdiction may be required to formally file an application in order for such a digital license to be issued.

In that regard, both of our Slovenian channels, POP TV and KANAL A, were issued digital licenses in November 2007. We anticipate that the switchover to digital in Slovenia will be completed by 2012, when the current licenses of POP TV and KANAL A expire. TV NOVA (Czech Republic) is also entitled to receive a digital license under recent amendments to the Czech Republic Media Law. The receipt of this license is subject to CET 21 agreeing to the switchover plan under the TTP, which is still under negotiation (see Part I, Item 1, "Business, Operations by Country – Czech Republic"). In the Slovak Republic, TV MARKIZA is entitled to receive a digital license under recently adopted legislation and intends to apply for one following the completion of negotiations with respect to the TTP.

Draft legislation governing the transition to digital is under discussion in Romania and Croatia. We anticipate that legislation will be adopted during 2008 that will address digital licensing and the TTP for each market in a comprehensive way. We expect that all of our channels will receive digital licenses in these markets.

The Ukrainian governmental authorities have issued generic legislation in respect of the transition to digital. In addition, the Ukraine Media Council has recently issued decisions confirming that STUDIO 1+1 would be included in one of the multiplexes to be launched in connection with the transition to digital broadcasting. No additional decisions specifically addressing the licensing regime have been issued. Moreover the Ukraine Media Council has also recently suspended a tender announced in December 2007 for licenses to additional digital frequencies that will be made available for niche channels in the switchover to digital. However, there have been no discussions or indication that a TTP is being adopted or currently contemplated in Ukraine.

We intend to apply for and obtain digital licenses that are issued in replacement of analog licenses in our operating countries and to apply for additional digital licenses and for licenses to operate digital networks where such applications are permissible and prudent.

## **II. General Market Information**

### *Emerging Markets*

Our revenue generating operations are in Croatia, the Czech Republic, Romania, the Slovak Republic, Slovenia and Ukraine. These emerging economies have adopted Western-style democratic forms of government within the last twenty years and have political systems, legal systems, systems of corporate governance and business practices that continue to evolve. The lower level of development and experience in these areas within our markets, by comparison with certain other Central and Eastern European markets and with most Western European markets, increases the relative level of our business risk.

One indicator of the rate of development and the relative level of business risk associated with economic development in a particular market is such market's Coface rating, which is an assessment of the relative risk of payment default in such market taking into account local business, financial and political factors. The table below indicates the Coface rating for each country in which we operate. For purposes of comparison with other Central and Eastern European markets and selected Western European markets, the United States and the United Kingdom were both ranked A1 in 2007, Greece and Italy were ranked A2, Hungary and Poland were ranked A3 and Russia and Turkey were ranked B.

Country	2007 Rating	Details of 2007 Rating	2006 Rating	2005 Rating	2004 Rating
Croatia	A4	A somewhat shaky political and economic outlook and a relatively volatile business environment can affect corporate payment behavior. Corporate default probability is still acceptable on average.	A4	A4	A4
Czech Republic	A2	The political and economic situation is good. A basically stable and efficient business environment nonetheless leaves room for improvement. Corporate default probability is low on average.	A2	A2	A2
Romania	A4	A somewhat shaky political and economic outlook and a relatively volatile business environment can affect corporate payment behavior. Corporate default probability is still acceptable on average.	A4	A4	B
Slovak Republic	A3	Changes in generally good but somewhat volatile political and economic environment can affect corporate payment behavior. A basically secure business environment can nonetheless give rise to occasional difficulties for companies. Corporate default probability is quite acceptable on average.	A3	A3	A3
Slovenia	A1	The political and economic situation is very good. A quality business environment has a positive influence on corporate payment behavior. Corporate default probability is very low on average.	A1	A2	A2
Ukraine	C	A very uncertain political and economic outlook and a business environment with many troublesome weaknesses can have a significant impact on corporate payment behavior. Corporate default probability is high.	C	C	C

Source: Coface USA.

#### *European Union Accession*

The Czech Republic, the Slovak Republic and Slovenia acceded to the EU in May 2004, and Romania acceded in January 2007. Croatia is currently in accession negotiations. Accession to the EU brings certain positive developments. All countries joining the EU become subject to EU legislation and we believe that the ongoing progress towards EU entry reduces the political and economic risks of operating in the emerging markets of Central and Eastern Europe. The reduction in political risk factors may encourage increased foreign investment that will support economic growth. Accession to the EU may also bring certain negative developments. The adoption of EU compliant legislation in connection with accession may result in the introduction of new standards affecting industry and employment, and compliance with such new standards may require increased spending.

#### *Television Advertising Markets*

We derive almost all of our revenue from the sale of television advertising, most of which is sold through media houses and independent agencies. Like other television operators, we experience seasonality, with advertising sales tending to be lowest during the third quarter of each calendar year due to the summer holiday period (July and August) and highest during the fourth quarter of each calendar year. For the year ended December 31, 2007, 90% of our Net Revenues came from the sale of television advertising.

The per capita GDP in our markets is lower than that of Western markets. As a result of the lower GDP and weaker domestic consumption, total advertising spending and, consequently, television advertising spending per capita, tends to be lower than in Western markets. However, as a result of television being commercialized in our markets at the same time as other media, television advertising spending tends to account for a higher proportion of total advertising spending compared to Western markets, where newspapers and magazines and radio were established as advertising media well before the advent of television advertising.

Country	Population (in millions) (1)	Per Capita GDP 2007 (1)	Total Advertising Spending per Capita 2007 (US\$) (2)	Total Advertising Spending as a % of GDP 2007 (2)	TV Advertising Spending per Capita (US\$) (2)	TV Advertising Spending as a % of Total Advertising Spending (2)
Croatia	4.6	\$ 11,272	\$ 72.1	0.64%	\$ 31.6	44%
Czech Republic	10.2	\$ 17,061	\$ 79.8	0.47%	\$ 38.3	48%
Romania	20.2	\$ 8,094	\$ 28.5	0.35%	\$ 18.7	65%
Slovak Republic	5.4	\$ 13,896	\$ 68.4	0.49%	\$ 31.4	46%
Slovenia	2.0	\$ 23,000	\$ 77.8	0.34%	\$ 45.2	58%
Ukraine	46.4	\$ 2,943	\$ 18.2	0.62%	\$ 8.5	47%

(1) Source: Global Insight Country Analysis, except for Romania's population, which is a CME estimate.

(2) Source: CME estimates.

For purposes of comparison, the following table shows the advertising market statistics for certain other Central and Eastern European markets and selected Western markets.

Country	Population (in millions) (1)	Per Capita GDP 2007 (1)	Total Advertising Spending per Capita 2007 (US\$) (2)	Total Advertising Spending as a % of GDP 2007 (2)	TV Advertising Spending per Capita (US\$) (2)	TV Advertising Spending as a % of Total Advertising Spending (2)
Greece	11.2	\$ 27,941	\$ 269.0	0.96%	\$ 85.3	32%
Hungary	10.0	\$ 13,695	\$ 85.2	0.62%	\$ 34.2	40%
Italy	59.4	\$ 35,534	\$ 170.8	0.48%	\$ 90.8	53%
Poland	38.1	\$ 11,029	\$ 54.9	0.50%	\$ 28.7	52%
Russia	142.5	\$ 8,712	\$ 59.4	0.68%	\$ 29.9	50%
Turkey	75.1	\$ 6,550	\$ 33.7	0.51%	\$ 18.1	54%
UK	61.0	\$ 45,511	\$ 339.7	0.75%	\$ 89.7	26%
USA	302.8	\$ 45,716	\$ 532.7	1.17%	\$ 193.9	36%

(1) Source: Global Insight Country Analysis.

(2) Source: CME estimates based on information from Zenith Optimedia (October 2007).

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There is no objective source for reliable information on the size of television advertising spending in our markets. The following table sets out our current estimates of the development of television advertising spending by market (in US\$ millions).

Country	2003	2004	2005	2006	2007
Croatia	*	\$ 110 - \$ 120	\$ 115 - \$ 125	\$ 120 - \$ 130	\$ 140 - \$ 150
Czech Republic	*	\$ 260 - \$ 270	\$ 285 - \$ 295	\$ 310 - \$ 320	\$ 390 - \$ 400
Romania	\$ 85 - \$ 95	\$ 110 - \$ 120	\$ 165 - \$ 175	\$ 235 - \$ 245	\$ 375 - \$ 385
Slovak Republic	\$ 60 - \$ 70	\$ 80 - \$ 90	\$ 90 - \$ 100	\$ 105 - \$ 115	\$ 165 - \$ 170
Slovenia	\$ 45 - \$ 55	\$ 55 - \$ 65	\$ 60 - \$ 70	\$ 70 - \$ 80	\$ 85 - \$ 90
Ukraine <sup>(1)</sup>	\$ 100 - \$ 115	\$ 140 - \$ 150	\$ 220 - \$ 230	\$ 290 - \$ 300	\$ 390 - \$ 400

Market sizes are quoted at average dollar exchange rates throughout each year.

\* Data unavailable

<sup>(1)</sup> Excludes political advertising and sponsorship

The following table sets out our current estimates of the local functional currency growth of television advertising spending by market.

Country	2003	2004	2005	2006	2007
Croatia	*	*	(1 - 3%)	2 - 5%	4 - 7%
Czech Republic	*	*	3 - 5%	0 - 1%	8 - 12%
Romania	45 - 55%	20 - 30%	25 - 35%	30 - 40%	50 - 60%
Slovak Republic	16 - 18%	14 - 16%	8 - 10%	5 - 7%	25 - 30%
Slovenia	(11 - 13%)	8 - 11%	9 - 11%	9 - 11%	8 - 10%
Ukraine <sup>(1)</sup>	20 - 30%	25 - 35%	45 - 55%	25 - 35%	25 - 35%

\* Data unavailable

<sup>(1)</sup> Excludes political advertising and sponsorship

*Television Advertising Sales*

*Pricing.* In the countries in which we operate, advertisers tend to allocate their television advertising budgets among channels based on each channel's audience share, audience demographic profile and pricing policy. We generally offer two different bases of pricing to our advertising customers. The first basis is cost per gross rating point ("GRP"). A GRP represents the percentage of audience (from the population over the age of four) reached by a television advertisement and the number of GRPs achieved for a defined time period is the product of the proportion of that total viewing population watching that television advertisement and the frequency that it is viewed (as measured by international measurement agencies using peplemeters). The second basis is rate-card pricing, which reflects the timing and duration of an advertisement. Whether advertising is sold on a GRP basis or a rate-card basis depends on the dynamics of a particular market and our relative audience share.

Advertising priced on a cost per GRP basis allows an advertiser to specify the number of GRPs that it wants to achieve with an advertisement within a defined period of time. We schedule the timing of the airing of the advertisements during such defined period of time in a manner that enables us both to meet the advertiser's GRP target and to maximize the use and profitability of our available advertising programming time. The price per GRP package varies depending on the demographic group that the advertisement is targeting, the flexibility given to us by advertisers in scheduling their advertisements and the rebates offered by us to advertising agencies and their clients. GRP package sales generally allow for better inventory control than rate-card pricing and optimize the net price per GRP achieved.

Advertising priced on a rate-card basis is applied to advertisements scheduled at a specific time. Consistent with industry practice, we provide an incentive rebate on rate-card prices to a number of advertising agencies and their clients. We recognize our advertising revenue at the time the relevant advertisement is broadcast net of rebates.

The majority of our advertising customers commit to annual minimum spending levels. We usually schedule specific advertisements one month in advance of their broadcasting. Prices paid by advertisers, whether they purchase advertising time on a GRP package or rate-card basis, tend to be higher during peak viewing months, particularly during the fourth quarter, than during off-peak months such as July and August.

*Audience Share and Ratings.* When describing relative performance against other competitors in attracting audience we refer to “ratings”, which represents the number of people watching a channel as a proportion of the total population, and “audience share”, which represents the share attracted by a channel as a proportion of the total audience watching television. For 2007 and 2006, we have calculated audience share by dividing the ratings generated by a given broadcaster during a particular period by the ratings generated by the audience as a whole. In previous years we calculated audience share by averaging the relevant underlying months’ audience shares. The effect of changing the method of calculation was not significant in any period presented. Audience share and ratings information is available for many differently defined audience groups, for example target audiences, and for timeframes such as all-day or prime-time. In this document we provide in tabular form national all day and prime time audience share and ratings information on a 4+ (all audience) basis. We also provide share information in respect of groups targeted by specific channels.

*Spot and Non-Spot Revenues.* For the purposes of our management’s discussion and analysis of financial condition and results of operations, total television advertising revenue net of rebates is referred to as “spot revenues”. “Non-spot revenues” refers to all other revenues, including those from sponsorship, game shows, program sales, short message service (“SMS”) messaging, cable subscriptions and barter transactions. The total of spot revenues and non-spot revenues is equal to Segment Net Revenues.

Our goal is to increase revenues from advertising in local currency year-on-year in every market through disciplined management of our advertising inventory. In any given period, revenue increases can be attributable to combinations of price increases, higher inventory sales, seasonal or time-of-day incentives, target-audience delivery of specific campaigns, introductory pricing for new clients or audience movements based on our competitors’ program schedule.

### **III. Analysis of Segment Results**

#### **OVERVIEW**

We manage our business on a country-by-country basis and review the performance of each business segment using data that reflects 100% of operating and license company results. We also consider how much of our total revenues and earnings are derived from our broadcast and non-broadcast operations. Our business segments are comprised of Croatia, the Czech Republic, Romania, the Slovak Republic, Slovenia and two Ukrainian segments.

We evaluate the performance of our business segments based on Segment Net Revenues and Segment EBITDA. Segment Net Revenues and Segment EBITDA reflect 100% of the results of each operation, regardless of our ownership interest and include our operations in the Slovak Republic which were not consolidated prior to January 23, 2006.

We acquired our Czech Republic operations on May 2, 2005; therefore, we include only limited qualified comparisons of financial results for our Czech Republic operations for the year ended December 31, 2005.



Our key performance measure of the efficiency of our business segments is EBITDA margin. We define Segment EBITDA margin as the ratio of Segment EBITDA to Segment Net Revenues.

Segment EBITDA is determined as segment net income/loss, which includes program rights amortization costs, before interest, taxes, depreciation and amortization of intangible assets. Items that are not allocated to our segments for purposes of evaluating their performance, and therefore are not included in Segment EBITDA, include:

- expenses presented as corporate operating costs in our consolidated statement of operations;
- stock-based compensation charges;
- foreign currency exchange gains and losses;
- change in fair value of derivatives; and
- certain unusual or infrequent items (e.g., extraordinary gains and losses, impairments of assets or investments, or gains on the sale of unconsolidated affiliates).

Segment EBITDA is not a term defined under U.S. GAAP, and Segment EBITDA may not be comparable to similar measures reported by other companies. Non-U.S. GAAP measures should be evaluated in conjunction with, and are not a substitute for, U.S. GAAP financial measures.

We believe Segment EBITDA 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 stations. Segment EBITDA is also used as a component in determining management bonuses.

For a full reconciliation of our Segment Net Revenues and Segment EBITDA by operation to our consolidated results for the years ended December 31, 2007, 2006 and 2005 see Item 8, Note 18, "Segment Data".

A summary of our total Segment Net Revenues, Segment EBITDA and Segment EBITDA margin showing the relative contribution of each Segment, is as follows.

	SEGMENT FINANCIAL INFORMATION					
	For the Years Ended December 31, (US\$ 000's)					
	2007	(1)	2006	(1)	2005	(1)
<b>Segment Net Revenues</b>						
Croatia (NOVA TV)	\$ 37,193	5%	\$ 22,310	4%	\$ 22,030	5%
Czech Republic (2)	279,237	33%	208,387	34%	154,010	33%
Romania (3)	215,402	26%	148,616	25%	103,321	22%
Slovak Republic (MARKIZA TV) (4)	110,539	13%	73,420	12%	64,266	14%
Slovenia (POP TV and KANAL A)	69,647	8%	54,534	9%	48,770	10%
Ukraine (STUDIO 1+1)	125,323	15%	96,413	16%	72,847	16%
Ukraine (KINO, CITI) (5)	2,650	0%	1,195	0%	-	-
<b>Total Segment Net Revenues</b>	<b>\$ 839,991</b>	<b>100%</b>	<b>\$ 604,875</b>	<b>100%</b>	<b>\$ 465,244</b>	<b>100%</b>
<b>Represented by:</b>						
Broadcast operations	\$ 836,367	100%	\$ 601,885	100%	\$ 463,030	100%
Non-broadcast operations	3,624	0%	2,990	0%	2,214	0%
<b>Total Segment Net Revenues</b>	<b>\$ 839,991</b>	<b>100%</b>	<b>\$ 604,875</b>	<b>100%</b>	<b>\$ 465,244</b>	<b>100%</b>
<b>Segment EBITDA</b>						
Croatia (NOVA TV)	\$ (13,882)	(4)%	\$ (14,413)	(7)%	\$ (15,866)	(10)%
Czech Republic (2)	156,496	49%	100,488	46%	71,544	45%
Romania (3)	93,075	29%	65,860	30%	43,803	28%
Slovak Republic (MARKIZA TV) (4)	41,532	13%	20,805	10%	17,240	11%
Slovenia (POP TV and KANAL A)	22,767	7%	19,842	9%	19,337	12%
Ukraine (STUDIO 1+1)	27,000	8%	29,973	14%	21,803	14%
Ukraine (KINO, CITI) (5)	(7,293)	(2)%	(3,713)	(2)%	-	-
<b>Total Segment EBITDA</b>	<b>\$ 319,695</b>	<b>100%</b>	<b>\$ 218,842</b>	<b>100%</b>	<b>\$ 157,861</b>	<b>100%</b>
<b>Represented by:</b>						
Broadcast operations	\$ 323,573	101%	\$ 219,128	100%	\$ 157,520	100%
Non-broadcast operations	(3,878)	(1)%	(286)	0%	341	0%
<b>Total Segment EBITDA</b>	<b>\$ 319,695</b>	<b>100%</b>	<b>\$ 218,842</b>	<b>100%</b>	<b>\$ 157,861</b>	<b>100%</b>
<b>Segment EBITDA Margin (6)</b>	<b>38%</b>		<b>36%</b>		<b>34%</b>	

- (1) Percentage of Total Segment Net Revenues / Total Segment EBITDA.
- (2) We acquired our Czech Republic operations (TV NOVA) in May 2005 and GALAXIE SPORT in September 2005. We launched NOVA CINEMA in December 2007.
- (3) Romanian networks are PRO TV, PRO CINEMA, ACASA, PRO TV INTERNATIONAL, SPORT.RO and MTV ROMANIA for the year ended December 31, 2007 and PRO TV, PRO CINEMA, ACASA, PRO TV INTERNATIONAL for the years ended December 31, 2006 and 2005.
- (4) Our Slovak Republic operations were accounted for as an equity affiliate until January 23, 2006.
- (5) We acquired our Ukraine (KINO, CITI) operations on January 11, 2006.
- (6) We define Segment EBITDA margin as the ratio of Segment EBITDA to Segment Net Revenues.

**ANALYSIS BY GEOGRAPHIC SEGMENT**

**(A) CROATIA**

**Market Background:** We estimate that the television advertising market in Croatia grew approximately 4% to 7% in local currency in 2007. We expect the television advertising market to show growth in the range of 6% to 8% during 2008.

In 2007, the national all day audience share for NOVA TV (Croatia) was 18.7%, compared to 15.3% for 2006. Our main competitors are the two channels operated by the public broadcaster, HRT1 and HRT2, with national all day audience shares for 2007 of 25.9% and 17.5%, respectively, and privately owned broadcaster RTL, with a national all day audience share in 2007 of 28.4%.

The average prime time ratings for NOVA TV (Croatia) were stable at 7.3% between 2007 and 2006, while total prime time ratings in the market declined from 43.3% in 2006 to 36.8% in 2007. Prime time audience share for NOVA TV (Croatia) grew from 17.1% in 2006 to 19.7% in 2007.

During the three months ended December 31, 2007, the prime time audience share of TV NOVA (Croatia) increased to 19.4% from 18.3% in the same period in 2006. The prime time audience share of HRT1 fell from 33.2% to 23.7% in the same periods; RTL increased from 28.1% to 33.1%, and HRT2 increased from 14.6% to 16.6%.

In July 2005 we initiated a multi-year investment plan to develop our transmission infrastructure and improve the quality of our programming, particularly locally produced content, in order to secure a larger audience share and increased revenues. We expect that Segment EBITDA will break even during the fourth quarter of 2008.

	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
Spot revenues	\$ 29,675	\$ 16,442	80.5 %	\$ 16,442	\$ 15,954	3.1 %
Non-spot revenues	7,518	5,868	28.1 %	5,868	6,076	(3.4) %
<b>Segment Net Revenues</b>	<b>\$ 37,193</b>	<b>\$ 22,310</b>	<b>66.7 %</b>	<b>\$ 22,310</b>	<b>\$ 22,030</b>	<b>1.3 %</b>
<b>Represented by</b>						
Broadcast operations	\$ 36,901	\$ 22,298	65.5 %	\$ 22,298	\$ 22,030	1.2 %
Non-broadcast operations	292	12	2,333.3 %	12	-	-
<b>Segment Net Revenues</b>	<b>\$ 37,193</b>	<b>\$ 22,310</b>	<b>66.7 %</b>	<b>\$ 22,310</b>	<b>\$ 22,030</b>	<b>1.3 %</b>
<b>Segment EBITDA</b>	<b>\$ (13,882)</b>	<b>\$ (14,413)</b>	<b>3.7 %</b>	<b>\$ (14,413)</b>	<b>\$ (15,866)</b>	<b>9.2 %</b>
<b>Represented by</b>						
Broadcast operations	\$ (13,814)	\$ (14,302)	3.4 %	\$ (14,302)	\$ (15,866)	9.9 %
Non-broadcast operations	(68)	(111)	38.7 %	(111)	-	-
<b>Segment EBITDA</b>	<b>\$ (13,882)</b>	<b>\$ (14,413)</b>	<b>3.7 %</b>	<b>\$ (14,413)</b>	<b>\$ (15,866)</b>	<b>9.2 %</b>
<b>Segment EBITDA Margin</b>	<b>(37) %</b>	<b>(65) %</b>	<b>28 %</b>	<b>(65) %</b>	<b>(72) %</b>	<b>7 %</b>

- **Segment Net Revenues** for the year ended December 31, 2007 increased by 67%, compared to 2006. In local currency, Segment Net Revenues grew by 52%. Spot revenues increased by 81% in 2007 compared to 2006 due to our stronger ratings improving our position in the market, which supported the sale of significantly higher volumes of GRPs at increased prices. Non-spot revenues increased by 28% in 2007 compared to 2006, primarily due to increased sponsorships and the revenue arising from "Nova Lova" ("Call TV"). A blog site operated by Internet Dnevnik, which we acquired on June 7, 2007, contributed more than half of non-broadcast revenues. The strengthening of the Croatian Kuna against the dollar also contributed significantly to the increase in revenues.

Segment Net Revenues for the year ended December 31, 2006 were 1% higher compared to the year ended December 31, 2005. In local currency, Segment Net Revenues also grew by 1%. The increase in revenue was attributable to increased spot sales. Spot revenues increased by 3% in 2006 compared to 2005, driven principally by price increases, which offset a decrease in volume of GRPs sold.

- **Segment EBITDA** losses for the year ended December 31, 2007 fell by 4% compared to the year ended December 31, 2006. In local currency, Segment EBITDA losses fell by 12%.

Costs charged in arriving at Segment EBITDA for the year ended December 31, 2007 increased by 39% compared to 2006. Cost of programming grew by 50% as a result of continued investment in high-quality programming to improve performance. Programming syndication grew by 46% and production expenses showed an increase of 57% due to the broadcast of popular locally produced content, such as the entertainment show 'Nad Lipom 35' ('35 Lime Street'), the crime investigation series 'Istraga' ('Investigation'), the entertainment show 'Vecernja Skola' ('Evening School') and the investigation magazine show 'Provjereno' ('Testified'). Other operating costs increased by 20%, primarily due to staff bonuses awarded due to significant improvement in results. Selling, general and administrative expenses increased by 29%. The movement of the Croatian Kuna against the dollar in 2007 also added significantly to the increase in costs in 2007 when expressed in dollars.

Segment EBITDA for the year ended December 31, 2006 increased by 9% compared to the year ended December 31, 2005. In local currency, Segment EBITDA losses fell by 11%.

Costs charged in arriving at Segment EBITDA for 2006 decreased by 3% compared to the year ended December 31, 2005 due to an increase of 6% in the cost of programming, a decrease in other operating costs of 12% and a decrease in selling, general and administrative costs of 15%.

## **(B) CZECH REPUBLIC**

**Market Background:** We acquired our Czech Republic operations on May 2, 2005. We estimate that the television advertising market in the Czech Republic grew by approximately 8% to 12% in local currency during 2007. We expect the television advertising market to show similar growth in 2008.

The national all day audience share of TV NOVA (Czech Republic) in 2007 was 39.6%, compared to 41.7% for 2006. Our main competitors are the two channels operated by the public broadcaster, CT1 and CT2, with national all day audience shares for 2007 of 22.7% and 7.9%, respectively, and privately owned broadcaster TV Prima, with a national all day audience share of 19.4%.

The average prime time ratings for TV NOVA (Czech Republic) in 2007 were 16.1%, compared to 17.4% for 2006, while total prime time ratings in the market declined from 39.1% in 2006 to 37.3% in 2007.

During the three months ended December 31, 2007, the national all day audience share of TV NOVA (Czech Republic) fell to 39.0% from 42.3% in the same period in 2006. The national all day share of TV Prima fell from 20.2% to 18.4%, while that of CT1 increased from 22.3% to 23.1%, and the share of CT2 fell from 7.7% to 7.3% in the same periods.

We implemented a new advertising sales strategy in the Czech Republic in 2006 based on our belief that growth in the television advertising market had been impeded in the past due to broadcasters focusing on obtaining an increased share of television advertising revenues rather than fostering market growth by focusing on maximizing value received from the sale of GRPs. The focus of the TV Nova (Czech Republic) group following our acquisition has been on the development of revenues through a more sophisticated pricing policy. The TV Nova (Czech Republic) group's revenues declined initially in 2006 on a comparable year-on-year basis. However, we have seen our pricing policies lead to significantly higher revenues in 2007.

**CZECH REPUBLIC SEGMENT FINANCIAL INFORMATION**

	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005 (1)	Movement
Spot revenues	\$ 254,545	\$ 181,965	39.9 %	\$ 181,965	\$ 133,250	36.6 %
Non-spot revenues	24,692	26,422	(6.5 )%	26,422	20,760	27.3 %
<b>Segment Net Revenues</b>	<b>\$ 279,237</b>	<b>\$ 208,387</b>	<b>34.0 %</b>	<b>\$ 208,387</b>	<b>\$ 154,010</b>	<b>35.3 %</b>
<b>Represented by</b>						
Broadcast operations	\$ 278,785	\$ 207,671	34.2 %	\$ 207,671	\$ 153,626	35.2 %
Non-broadcast operations	452	716	(36.9 )%	716	384	86.5 %
<b>Segment Net Revenues</b>	<b>\$ 279,237</b>	<b>\$ 208,387</b>	<b>34.0 %</b>	<b>\$ 208,387</b>	<b>\$ 154,010</b>	<b>35.3 %</b>
<b>Segment EBITDA</b>	<b>\$ 156,496</b>	<b>\$ 100,488</b>	<b>55.7 %</b>	<b>\$ 100,488</b>	<b>\$ 71,544</b>	<b>40.5 %</b>
<b>Represented by</b>						
Broadcast operations	\$ 157,362	\$ 100,724	56.2 %	\$ 100,724	\$ 71,742	40.4 %
Non-broadcast operations	(866)	(236)	(266.9 )%	(236)	(198)	(19.2 )%
<b>Segment EBITDA</b>	<b>\$ 156,496</b>	<b>\$ 100,488</b>	<b>55.7 %</b>	<b>\$ 100,488</b>	<b>\$ 71,544</b>	<b>40.5 %</b>
<b>Segment EBITDA Margin</b>	<b>56%</b>	<b>48%</b>	<b>8 %</b>	<b>48%</b>	<b>46%</b>	<b>2 %</b>

(1) 2005 results are presented from the acquisition of TV NOVA (Czech Republic) on May 2, 2005.

**Segment Net Revenue** for the year ended December 31, 2007 increased by 34% compared to the year ended December 31, 2006. In local currency, Segment Net Revenues increased by 19%. Spot revenues increased by 40% in 2007 compared to 2006 and non-spot revenue revenues fell by 7% in the same period. The increase in spot revenues was driven by price increases and by increased numbers of GRPs sold. The decrease in non-spot revenues was primarily due to lower telephone-based services revenues in a subsidiary that was sold in November 2007.

Segment Net Revenues for the year ended December 31, 2006 were US\$ 208.4 million compared to US\$ 154.0 million for the period from acquisition to December 31, 2005. We acquired the TV Nova (Czech Republic) group on May 2, 2005 and accordingly our results of operations for the year ended December 31, 2005 reflect our ownership from that date. Based on management estimates, we believe that Segment Net Revenues for the year ended December 31, 2005, including the period prior to our ownership through May 1, 2005, were approximately US\$ 235.0 million. This decrease in Segment Net Revenues can be primarily attributed to the initial reaction of advertisers to the implementation of our new sales policy, which led to a decrease in the number of GRPs sold.

- **Segment EBITDA** for the year ended December 31, 2007 increased by 56% compared to the year ended December 31, 2006, resulting in an EBITDA margin of 56% compared to 48% in 2006. In local currency, Segment EBITDA increased by 38%.

Costs charged in arriving at Segment EBITDA for the year ended December 31, 2007 increased by 14% compared to the year ended December 31, 2006 reflecting the effective implementation of cost of controls. Cost of programming grew by 16% due to the increased cost per hour of programming driven by market-wide competition. Production costs grew by 5% compared to the year ended December 31, 2006. Other operating costs increased by 16%, primarily due to higher salary costs and performance-related bonuses. Selling, general and administrative expenses increased by 5%.

Segment EBITDA for the year ended December 31, 2006 was 41% higher compared to the period from acquisition to December 31, 2005.

Costs charged in arriving at Segment EBITDA for the year ended December 31, 2006 increased by 31% compared to the period from acquisition to December 31, 2005, due to increased salary costs, programming syndication and broadcast operating expenses.

### (C) ROMANIA

**Market Background:** We estimate that the television advertising market grew by approximately 50% to 60% in dollars during 2007. We expect the television advertising market to show continued growth in the range of 20% to 30% in local currency in 2008.

The combined national all day audience share of our PRO TV, ACASA and PRO CINEMA was 22.1% in 2007 compared to 24.4% in 2006. SPORT.RO had a national all day audience share of 1.9%. MTV ROMANIA, which we acquired on December 12, 2007, had a national all day audience share of 0.4%. Our main competitors are the two channels operated by the public broadcaster, TVR1 and TVR2, with national all day audience shares in 2007 of 11.8% and 4.5%, respectively, and privately owned broadcaster Antena 1, with a national all day audience share of 11.3%.

The combined average prime time ratings of PRO TV, ACASA and PRO CINEMA in 2007 was 8.6%, compared to 10.3% for 2006. SPORT.RO had a prime time rating of 0.5% in 2007. Total prime time ratings in the market declined from 39.2% in 2006 to 36.6% in 2007.

During the three months ended December 31, 2007, the combined prime time audience share of PRO TV, ACASA and PRO CINEMA fell to 24.0% from 25.3% in the same period in 2006. The prime time audience share of TVR 1 fell from 17.8% to 12.4% in the same period and the share of Antena 1 fell from 15.9% to 12.4%.

The functional currency for our Romanian operations in 2007 was the dollar.

ROMANIA SEGMENT FINANCIAL INFORMATION

	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
Spot revenues	\$ 202,414	\$ 140,242	44.3 %	\$ 140,242	\$ 97,915	43.2 %
Non-spot revenues	12,988	8,374	55.1 %	8,374	5,406	54.9 %
<b>Segment Net Revenues</b>	<b>\$ 215,402</b>	<b>\$ 148,616</b>	<b>44.9 %</b>	<b>\$ 148,616</b>	<b>\$ 103,321</b>	<b>43.8 %</b>
<b>Represented by</b>						
Broadcast operations	\$ 214,976	\$ 148,616	44.7 %	\$ 148,616	\$ 103,321	43.8 %
Non-broadcast operations	426	-	-	-	-	-
<b>Segment Net Revenues</b>	<b>\$ 215,402</b>	<b>\$ 148,616</b>	<b>44.9 %</b>	<b>\$ 148,616</b>	<b>\$ 103,321</b>	<b>43.8 %</b>
<b>Segment EBITDA</b>	<b>\$ 93,075</b>	<b>\$ 65,860</b>	<b>41.3 %</b>	<b>\$ 65,860</b>	<b>\$ 43,803</b>	<b>50.4 %</b>
<b>Represented by</b>						
Broadcast operations	\$ 93,585	\$ 65,976	41.8 %	\$ 65,976	\$ 43,803	50.6 %
Non-broadcast operations	(510)	(116)	(339.7 %)	(116)	-	-
<b>Segment EBITDA</b>	<b>\$ 93,075</b>	<b>\$ 65,860</b>	<b>41.3 %</b>	<b>\$ 65,860</b>	<b>\$ 43,803</b>	<b>50.4 %</b>
<b>Segment EBITDA Margin</b>	<b>43%</b>	<b>44%</b>	<b>(1)%</b>	<b>44%</b>	<b>42%</b>	<b>2 %</b>

• **Segment Net Revenues** for the year ended December 31, 2007 increased by 45%, compared to the year ended December 31, 2006. Spot revenues increased by 44% and non-spot revenues increased by 55%. The increase in spot revenues was driven by increases in the average revenue per rating point sold on our Romanian channels, which more than offset a decline in the volume of GRPs sold across the channels. The increase in non-spot revenue was primarily due to increased cable tariff revenue. SPORT.RO contributed approximately US \$7.3 million to Romania's Segment Net Revenues for the year ended December 31, 2007.

Segment Net Revenues for the year ended December 31, 2006 increased by 44% compared to the year ended December 31, 2005. Spot revenues increased by 43%, and non-spot revenues increased by 55%. The increase in spot revenues was driven by double-digit advertising rate growth in PRO TV, ACASA and PRO CINEMA and by an increase in the number of GRPs sold across these channels compared to 2005. The increase in non-spot revenues was principally due to increased cable tariff revenue.

• **Segment EBITDA** for the year ended December 31, 2007 increased by 41%, compared to the year ended December 31, 2006, resulting in an EBITDA margin of 43%, compared to 44% in 2006.

Costs charged in arriving at Segment EBITDA for the year ended December 31, 2007 increased by 48% compared to the year ended December 31, 2006. Cost of programming grew 50%, reflecting increased investment to enable us to maintain our ratings in the face of increased competition. Production expenses increased by 54% as we invested more in local programming to expand the news and news-related content on PRO TV and ACASA. Programming syndication increased by 46%, primarily driven by investment in the programming schedule and also including US\$ 3.2 million of programming write-offs. Other operating costs increased by 56%, primarily due to increased salary costs as a result of the weakening of the dollar against the Romanian lei, the currency in which salaries are paid, annual pay rises and the increased headcount following the SPORT.RO acquisition. Selling, general and administrative expenses increased by 26%, primarily due to increases in marketing and research costs, office running costs and consultancy fees.

Segment EBITDA for the year ended December 31, 2006 increased by 50% compared to the year ended December 31, 2005, resulting in an EBITDA margin of 44%, compared to 42% in 2005.

Costs charged in arriving at Segment EBITDA for the year ended December 31, 2006 increased by 39% compared to the year ended December 31, 2005. Cost of programming grew by 62% due to an increase in production expenses of 75% which was partially due to the reallocation of the costs of production staff, and an increase in programming syndication of 52%. Other operating costs decreased by 7%, mainly due to the reallocation of the costs of production staff. Selling, general and administrative expenses increased by 34%, primarily due to increases in consultancy fees, office running costs and marketing and research costs.

#### **(D) SLOVAK REPUBLIC**

**Market Background:** We estimate that the television advertising market in the Slovak Republic grew by approximately 25% to 30% in local currency in 2007. We anticipate that the television advertising market will show growth of 10% to 15% in 2008.

The National all day audience share for TV MARKIZA in 2007 was 35.4% compared to 33.6% in 2006. Our principal competitor is the main channel operated by the public broadcaster, STV1, with a national all day audience share of 17.7% in 2007. The national all day audience share of TV JOJ, the only other significant privately owned channel, was 15.8% in 2007.

The average prime time rating for TV MARKIZA for 2007 was 14.8% compared to 13.7% in 2006. Total prime time ratings in the market fell from 38.1% in 2006 to 37.5 % in 2007.

During the three month period ended December 31, 2007, the prime time audience share of TV MARKIZA increased to 43.3%, from 41.0% in the same period in 2006. The prime time audience share of STV 1 fell from 18.7% to 17.0%, while TV JOJ's audience share increased from 16.3% to 16.9% in the same period.



SLOVAK REPUBLIC SEGMENT FINANCIAL INFORMATION

	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
Spot revenues	\$ 106,445	\$ 69,336	53.5 %	\$ 69,336	\$ 60,004	15.6 %
Non-spot revenues	4,094	4,084	0.2 %	4,084	4,262	(4.2) %
<b>Segment Net Revenues</b>	<b>\$ 110,539</b>	<b>\$ 73,420</b>	<b>50.6 %</b>	<b>\$ 73,420</b>	<b>\$ 64,266</b>	<b>14.2 %</b>
<b>Represented by</b>						
Broadcast operations	\$ 110,158	\$ 73,266	50.4 %	\$ 73,266	\$ 64,266	14.0 %
Non-broadcast operations	381	154	147.4 %	154	-	-
<b>Segment Net Revenues</b>	<b>\$ 110,539</b>	<b>\$ 73,420</b>	<b>50.6 %</b>	<b>\$ 73,420</b>	<b>\$ 64,266</b>	<b>14.2 %</b>
<b>Segment EBITDA</b>	<b>\$ 41,532</b>	<b>\$ 20,805</b>	<b>99.6 %</b>	<b>\$ 20,805</b>	<b>\$ 17,240</b>	<b>20.7 %</b>
<b>Represented by</b>						
Broadcast operations	\$ 41,957	\$ 20,879	101.0 %	\$ 20,879	\$ 17,240	21.1 %
Non-broadcast operations	(425)	(74)	(474.3) %	(74)	-	-
<b>Segment EBITDA</b>	<b>\$ 41,532</b>	<b>\$ 20,805</b>	<b>99.6 %</b>	<b>\$ 20,805</b>	<b>\$ 17,240</b>	<b>20.7 %</b>
<b>Segment EBITDA Margin</b>	<b>38%</b>	<b>28%</b>	<b>10 %</b>	<b>28%</b>	<b>27%</b>	<b>1 %</b>

• **Segment Net Revenues** for the year ended December 31, 2007 increased by 51% compared to the year ended December 31, 2006. In local currency, Segment Net Revenues increased by 28%. The increase in Segment Net Revenues was due to an increase of 54% in spot revenues while non-spot revenues were stable. The majority of spot revenue growth was driven by price increases, with a modest increase in GRPs sold.

Segment Net Revenues for the year ended December 31, 2006 increased by 14% compared to the year ended December 31, 2005. In local currency, Segment Net Revenues increased by 5%. The increase in Segment Net Revenues was due to an increase of 16% in spot revenues partially offset by a decline of 4% in non-spot revenues. Both the volume of advertising spots sold by TV MARKIZA and the average revenue per spot increased compared to 2005. Non-spot revenues for the year ended December 31, 2006 fell by 4% compared to the year ended December 31, 2005, due to lower revenues from sales of Markiza magazine, increased competition, and the impact of significant telephone voting sales related to the success of the reality show "The Family Mojsejovci" in 2005.

• **Segment EBITDA** for the year ended December 31, 2007 increased by 100% compared to the year ended December 31, 2006, and the EBITDA margin increased from 28% in 2006 to 38% in 2007. Local currency EBITDA increased by 56% in 2007 compared to 2006.

Costs charged in arriving at Segment EBITDA for the year ended December 31, 2007 increased by 31% compared to 2006. The cost of programming increased by 35% in 2007 compared to 2006, reflecting the level of competition for acquired programming and increased investment in local production. Other operating costs increased by 30% in 2007, compared with 10% in 2006, as a result of an increase in salaries and incentive bonus payments reflecting the station's improved performance. Selling, general and administrative costs increased by 20% primarily as a result of increased office overheads, marketing, research and consultancy costs.

Segment EBITDA for the year ended December 31, 2006 increased by 21%, compared to 2005, and the EBITDA margin increased from 27% in 2005 to 28% in 2006. Local currency EBITDA increased by 21% in 2006 compared to 2005.

Costs charged in arriving at Segment EBITDA for the year ended December 31, 2006 increased by 12%, compared to 2005. The cost of programming increased by 23%, due to an increase in the volume of higher cost local productions and write-off costs for an unsuccessful show. Other operating costs increased by 10% primarily due to increased staff costs. Selling, general and administrative expenses were lower by 9%, largely due to savings in taxes compared to 2005.

#### **(E) SLOVENIA**

**Market Background:** We estimate the television advertising market in Slovenia grew by approximately 8% to 10% in local currency during 2007. We expect the television advertising market to show lower growth in 2008, in the range of 4% to 6%.

The combined national all day audience share of our two channels, POP TV and KANAL A, decreased from 37.5% in the year ended December 31, 2006 to 37.4% in 2007. Our major competitors are the two channels operated by the public broadcaster, SLO1 and SLO2, with national all day audience shares in 2007 of 23.3% and 8.5%, respectively, and privately owned broadcaster TV3 (which was acquired by the Modern Times Group in 2006) with a national all day audience share in 2007 of 3.7%.

The combined average prime time ratings for our Slovenian channels for the year ended December 31, 2007 were 14.4%, in line with 2006. Overall total prime time ratings in the market increased from 32.7% in 2006 to 33.5% in 2007.

During the three months ended December 31, 2007, our combined prime time audience share remained stable at 43.2% compared to the same period in 2006. The prime time audience share of SLO 1 grew to 27.8% from 26.8% in the same period; SLO 2 increased from 5.6% to 6.7%; and the prime time audience share of TV3 remained stable at 3.0%.

SLOVENIA SEGMENT FINANCIAL INFORMATION

	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
Spot revenues	\$ 60,559	\$ 50,682	19.5 %	\$ 50,682	\$ 45,594	11.2 %
Non-spot revenues	9,088	3,852	135.9 %	3,852	3,176	21.3 %
<b>Segment Net Revenues</b>	<b>\$ 69,647</b>	<b>\$ 54,534</b>	<b>27.7 %</b>	<b>\$ 54,534</b>	<b>\$ 48,770</b>	<b>11.8 %</b>
<b>Represented by</b>						
Broadcast operations	\$ 67,574	\$ 52,426	28.9 %	\$ 52,426	\$ 46,940	11.7 %
Non-broadcast operations	2,073	2,108	(1.7)%	2,108	1,830	15.2 %
<b>Segment Net Revenues</b>	<b>\$ 69,647</b>	<b>\$ 54,534</b>	<b>27.7 %</b>	<b>\$ 54,534</b>	<b>\$ 48,770</b>	<b>11.8 %</b>
<b>Segment EBITDA</b>	<b>\$ 22,767</b>	<b>\$ 19,842</b>	<b>14.7 %</b>	<b>\$ 19,842</b>	<b>\$ 19,337</b>	<b>2.6 %</b>
<b>Represented by</b>						
Broadcast operations	\$ 24,249	\$ 19,518	24.2 %	\$ 19,518	\$ 18,797	3.8 %
Non-broadcast operations	(1,482)	324	(557.4)%	324	540	(40.0)%
<b>Segment EBITDA</b>	<b>\$ 22,767</b>	<b>\$ 19,842</b>	<b>14.7 %</b>	<b>\$ 19,842</b>	<b>\$ 19,337</b>	<b>2.6 %</b>
<b>Segment EBITDA Margin</b>	<b>33%</b>	<b>36%</b>	<b>(3)%</b>	<b>36%</b>	<b>40%</b>	<b>(4)%</b>

- **Segment Net Revenues** for the year ended December 31, 2007 increased by 28% compared to the year ended December 31, 2006.

Spot revenues increased by 20% in the year ended December 31, 2007 compared to the year ended December 31, 2006, driven by double-digit price increases. In 2006 sponsorship was included in the spot revenues rather than non-spot revenues. Excluding the impact of this classification, the spot revenues would have increased by 26%. Non-spot revenues increased by 136% compared to the year ended December 31, 2006. Excluding the impact of the sponsorship reclassification, non-spot revenues increased by 50%, primarily driven by telephone voting and internet revenues. Revenues were also positively affected by the Euro movement against the dollar following the introduction of the Euro in Slovenia.

Segment Net Revenues for the year ended December 31, 2006 increased by 12% compared to the year ended December 31, 2005. In local currency, Segment Net Revenues increased by 10%. Spot revenues increased by 11% in the year ended December 31, 2006 compared to the year ended December 31, 2005, as our operations benefited from a stronger ratings performance which led to an increase in GRPs sold across our two channels, particularly in the off-prime period. The World Cup in June 2006 contributed US\$ 0.9 million of this increase. The average revenue per thirty-second advertising spot was largely unchanged from 2005. Non-spot revenues increased by 21% in the year ended December 31, 2006 compared to 2005 due to an increase in short message service ("SMS") revenues, telesales and on-line related revenues.

- **Segment EBITDA** for the year ended December 31, 2007 increased by 15% compared to the year ended December 31, 2006.

Costs charged in arriving at Segment EBITDA for the year ended December 31, 2007 increased by 35% compared to the year ended December 31, 2006. Cost of programming increased by 42% due to investments in programming to maintain our leading position in the market in light of increased competition. Other operating costs increased by 25% due primarily to higher staff costs as a result of increased headcount. Selling, general and administrative expenses increased by 29% primarily due to higher marketing and research costs and broadcast equipment costs. Costs also increased due to the movement of the Euro against the dollar in 2007.

The fall in Segment EBITDA in our non-broadcast operations in the year ended December 31, 2007 compared to the year ended December 31, 2006, was the result of significant investment in our internet business unit during the year. This expenditure is expected to result in increased revenues for the Slovenia operations and synergy benefits in our non-broadcast operations across all our Segments in future periods.

Segment EBITDA for the year ended December 31, 2006 increased by 3% compared to the year ended December 31, 2005. In local currency, Segment EBITDA increased by 1%. EBITDA margin decreased from 40% in 2005 to 36% in 2006.

Costs charged in arriving at Segment EBITDA for the year ended December 31, 2006 increased by 18%. Cost of programming increased by 52%, due to the reallocation of the costs of production staff and the additional expense of airing more higher-cost local productions than in the prior year and the cost of showing the World Cup, which took place in June 2006. Other operating costs decreased by 17%, partly due to the reallocation of costs of production staff, which was offset by higher bonus accruals and higher transmitter and associated maintenance costs. Selling, general and administrative expenses increased by 11% compared to the year ended December 31, 2005 primarily due to higher marketing and promotion costs and higher office running costs.

#### **(F) UKRAINE (STUDIO 1+1)**

**Market Background:** We estimate that the television advertising market in Ukraine, where sales are denominated primarily in dollars, grew by approximately 25% to 35% in 2007 (excluding political advertising and sponsorship). We expect the television advertising market to show similar growth in 2008.

STUDIO 1+1 had a national all day audience share of 16.1% for 2007 compared to 18.4% in 2006. Our main competitors include Inter, with a national all day audience share in 2007 of 20.9%, Novy Kanal with 7.4%, ICTV with 6.9% and STB with 6.7%. The audience share of STUDIO 1+1 for 2006 reflected the outstanding success of a show called Ugly Betty, which ran in the first half of that year. In 2007, our competitor Inter has taken significant share with another outstanding show, Tatiana's Day, which will run through the first quarter of 2008.

The average prime time ratings for STUDIO 1+1 in 2007 were 6.3% compared to 8.4% in the same period in 2006. Total prime time ratings in the market decreased from 36.1% in 2006 to 34.6% in 2007.

During the three months ended December 31, 2007, the prime time audience share of STUDIO 1+1 declined to 19.6%, from 21.4% in the same period in 2006. Inter increased its prime time audience share to 28.2% from 22.8% in the same periods, ICTV's prime time share was stable at 6.1%, and Novy Kanal fell to 6.9% from 8.3%.

Our independent sales house Video International Prioritet lost many of its broadcasting clients to its major rival InterReklama, which now has approximately 70% of available advertising inventory at its disposal for advertising clients. According to Video International, in order to cover the cash costs of financial guarantees to new and existing broadcasting clients, InterReklama discounted prices dramatically in the early part of 2007. InterReklama has continued to exercise strong negotiating leverage with their significant broadcaster base. However, we saw a recovery in pricing during the last three quarters of 2007 from the heavy discounting in the first quarter.

Advertisers were cautious in spending their budgets in the second half of the year, due to continuing political uncertainties. However, the television advertising market showed a large increase in the third quarter as a result of the high volume of political advertising ahead of the parliamentary elections that took place on September 30, 2007. In the fourth quarter of 2007 there was a general increase in demand, although important local advertisers, including mobile telephone operators, continued to exercise spending restraint due to the delay in the formation of a new government until the end of the year.

**UKRAINE (STUDIO 1+1) SEGMENT FINANCIAL INFORMATION**

	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
Spot revenues	\$ 102,204	\$ 86,042	18.8 %	\$ 86,042	\$ 63,911	34.6 %
Non-spot revenues	23,119	10,371	122.9 %	10,371	8,936	16.1 %
<b>Segment Net Revenues</b>	<b>\$ 125,323</b>	<b>\$ 96,413</b>	<b>30.0 %</b>	<b>\$ 96,413</b>	<b>\$ 72,847</b>	<b>32.3 %</b>
<b>Represented by</b>						
Broadcast operations	\$ 125,323	\$ 96,413	30.0 %	\$ 96,413	\$ 72,847	32.3 %
Non-broadcast operations	-	-	-	-	-	-
<b>Segment Net Revenues</b>	<b>\$ 125,323</b>	<b>\$ 96,413</b>	<b>30.0 %</b>	<b>\$ 96,413</b>	<b>\$ 72,847</b>	<b>32.3 %</b>
<b>Segment EBITDA</b>	<b>\$ 27,000</b>	<b>\$ 29,973</b>	<b>(9.9)%</b>	<b>\$ 29,973</b>	<b>\$ 21,803</b>	<b>37.5 %</b>
<b>Represented by</b>						
Broadcast operations	\$ 27,527	\$ 30,045	(8.4)%	\$ 30,045	\$ 21,803	37.8 %
Non-broadcast operations	(527)	(72)	(631.9)%	(72)	-	-
<b>Segment EBITDA</b>	<b>\$ 27,000</b>	<b>\$ 29,973</b>	<b>(9.9)%</b>	<b>\$ 29,973</b>	<b>\$ 21,803</b>	<b>37.5 %</b>
<b>Segment EBITDA Margin</b>	<b>22%</b>	<b>31%</b>	<b>(9)%</b>	<b>31%</b>	<b>30%</b>	<b>1 %</b>

Segment Net Revenues for the year ended December 31, 2007 increased by 30% compared to the year ended December 31, 2006. Spot revenues increased by 19% due to an estimated US\$ 16.5 million of political advertising generated from the elections held on September 30, 2007. This offset a slight decline in revenues due to a decrease in the volume of GRPs sold, reflecting the uncertainty in the advertising market ahead of the parliamentary elections and our ratings decline due to the poor performance of certain series on STUDIO 1+1 and increased competition from other broadcasters. Non-spot revenues increased by 123% in 2007 compared to 2006 primarily due to the sale of surplus programming and increased sponsorship, as well as US\$ 1.5 million of political advertising revenues.

Segment Net Revenues for the year ended December 31, 2006 increased by 32% compared to the year ended December 31, 2005. Spot revenues increased by 35%, and non-spot revenues increased by 16%. The increase in spot revenues reflected the significant ongoing growth of the market. The majority of the growth reflected significantly higher average revenue per thirty-second advertising spot, partially off set by a lower volume of spots sold. Spot revenues included US\$ 8.4 million of political advertising in advance of the March 26, 2006 parliamentary elections. We believe that some of this advertising replaced normal commercial activity but that the majority was incremental revenue. We also benefited from the extraordinary ratings success of the series 'Ugly Betty', which ran until July 2006. Non-spot revenue increased by 16% for the year ended December 31, 2006 compared to the year ended December 31, 2005 due to a significant rise in program sponsorship, which increased due to more active management.

Segment EBITDA for the year ended December 31, 2007 decreased by 10% compared to the year ended December 31, 2006, resulting in an EBITDA margin of 22% compared to an EBITDA margin of 31% in the year ended December 31, 2006. Costs charged in arriving at Segment EBITDA for the year ended December 31, 2007 increased by 48% compared to the year ended December 31, 2006. Cost of programming grew by 78%, one third of which is represented by US\$ 10.4 million of value adjustments to program rights. The increase in the cost of programming reflects the continued price inflation for Russian programming, which drives strong ratings in the Ukrainian market, as well as increased investment in such programming to improve our programming schedule and boost ratings following disappointing ratings earlier in the year in comparison with unusually strong programming on Inter. Other operating costs increased by 28% due to increased salary costs and increased broadcast operating expenses. Selling, general and administrative expenses decreased by 30%, primarily due to reallocating withholding tax on programming acquisitions to cost of programming, which was partially offset by higher office running costs.

Segment EBITDA for the year ended December 31, 2006 increased by 37%, compared to the year ended December 31, 2005, resulting in an EBITDA margin of 31% compared to 30% in 2005. Costs charged in arriving at Segment EBITDA for the year ended December 31, 2006 increased by 30% compared to the year ended December 31, 2005. Cost of programming increased by 36% due to price inflation for Russian series, which are essential to maintaining strong ratings, as well as improvements to our programming schedule. Other operating costs increased by 12%, primarily due to increases in staff costs as a result of the restructuring of independent contactor arrangements. Selling, general and administrative expenses increased by 36% in 2006 compared to 2005, mainly due to higher withholding tax payments on increased programming acquisitions, higher cost of facilities and additional management and professional costs compared with 2005.

#### **(G) UKRAINE (KINO, CITI)**

On January 11, 2006 we acquired a 65.5% interest in Ukrpromtorg, owner of 92.2% of Gravis, which operated the local channels, CHANNEL 35 and CHANNEL 7. In July 2006, we relaunched CHANNEL 7 as a new entertainment channel, KINO, targeted at a younger demographic. On December 1, 2006, we relaunched CHANNEL 35 as a new youth-oriented channel, CITI, in greater Kiev.

KINO had a 15-50 all day audience share in Kiev of 2.8% for 2007 compared to 1.7% for 2006. CITI had an all day audience share in Kiev of 1.9% for 2007 compared to 0.8% for 2006.

UKRAINE (KINO, CITI) SEGMENT FINANCIAL INFORMATION

	For the Years Ended December 31, (US\$ 000's)		
	2007	2006	Movement
Spot revenues	\$ 1,341	\$ 549	144.3 %
Non-spot revenues	1,309	646	102.6 %
<b>Segment Net Revenues</b>	<b>\$ 2,650</b>	<b>\$ 1,195</b>	<b>121.8 %</b>
<b>Represented by</b>			
Broadcast operations	\$ 2,650	\$ 1,195	121.8 %
Non-broadcast operations	-	-	-
<b>Segment Net Revenues</b>	<b>\$ 2,650</b>	<b>\$ 1,195</b>	<b>121.8 %</b>
<b>Segment EBITDA</b>	<b>\$ (7,293)</b>	<b>\$ (3,713)</b>	<b>(96.4) %</b>
<b>Represented by</b>			
Broadcast operations	\$ (7,293)	\$ (3,713)	(96.4) %
Non-broadcast operations	-	-	-
<b>Segment EBITDA</b>	<b>\$ (7,293)</b>	<b>\$ (3,713)</b>	<b>(96.4) %</b>
<b>Segment EBITDA Margin</b>	<b>(275) %</b>	<b>(311) %</b>	<b>36 %</b>

- **Segment Net Revenues** for the year ended December 31, 2007 increased by 122% compared to the year ended December 31, 2006. Spot revenues increased by 144%. Non-spot revenues increased by 103%, primarily due to increased sponsorship.

Spot revenues for the period ended December 31, 2006 were US\$ 0.5 million. Non-spot revenues for the period ended December 31, 2006 were US\$ 0.6 million.

- **Segment EBITDA losses** for the year ended December 31, 2007 increased by 96% compared to the year ended December 31, 2006. Costs charged in arriving at Segment EBITDA for the year ended December 31, 2007 increased by 103% compared to the year ended December 31, 2006. Cost of programming grew by 117%, other operating costs increased by 96% and selling, general and administrative expenses increased by 69% in 2007 compared to 2006.

Segment EBITDA for the period since acquisition on January 11, 2006 to December 31 2006, was a loss of US\$ 3.7 million. Costs charged in arriving at Segment EBITDA for the period ended December 31, 2006 were US\$ 4.9 million. Cost of programming was US\$ 2.6 million, other operating costs were US\$ 1.4 million, including salary costs of US\$ 0.9 million, and selling, general and administrative expenses were US\$ 0.9 million.

## PROGRAMMING PAYMENTS AND PROGRAM AMORTIZATION

Our consolidated cost of programming for 2007, 2006, and 2005 was as follows:

	For the Years Ended December 31, (US\$ 000's)		
	2007	2006	2005
Production expenses	\$ 140,650	\$ 110,948	\$ 67,366
Program amortization	189,653	116,561	81,471
<b>Cost of programming</b>	<b>\$ 330,303</b>	<b>\$ 227,509</b>	<b>\$ 148,837</b>

Production expenses represent the cost of in-house productions and locally commissioned programming that will not be repeated, such as news, current affairs and game shows. The cost of broadcasting all other purchased programming is recorded as program amortization.

Total consolidated programming costs (including amortization of programming rights and production costs) increased by US\$ 102.8 million, or 45%, in the year ended December 31, 2007 compared to 2006 due to:

- US\$ 31.4 million of additional programming costs from our Ukraine (STUDIO 1+1) operations;
- US\$ 28.4 million of additional programming costs from our Romania operations;
- US\$ 11.4 million of additional programming costs from our Slovak Republic operations;
- US\$ 10.8 million of additional programming costs from our Croatia operations;
- US\$ 9.5 million of additional programming costs from our Czech Republic operations;
- US\$ 8.2 million of additional programming costs from our Slovenia operations; and
- US\$ 3.1 million of additional programming costs from our Ukraine (KINO, CITI) operations.

The amortization of acquired programming for each of our operations for 2007, 2006 and 2005, including our operations in the Slovak Republic for the period prior to January 23, 2006 when they were previously accounted for as an equity affiliate, is set out in the table below. For comparison the table also shows the cash paid for programming by each of our operations in the respective periods. The cash paid for programming by our operations in Croatia, the Czech Republic, Romania, Slovenia, Ukraine and the Slovak Republic (for the period from January 23, 2006) is reflected within net cash provided by continuing operating activities in our consolidated statement of cash flows.



	For the Years Ended December 31, (US\$ 000's)		
	2007	2006	2005
<b>Program amortization:</b>			
Croatia (NOVA TV)	\$ 20,784	\$ 14,237	\$ 16,373
Czech Republic (TV NOVA, GALAXIE SPORT and NOVA CINEMA)	34,992	27,170	19,154
Romania (PRO TV, ACASA, PRO CINEMA, PRO TV INTERNATIONAL, SPORT.RO and MTV ROMANIA)	44,673	30,610	20,132
Slovak Republic (TV MARKIZA) (post-acquisition)	16,326	7,539	-
Slovenia (POP TV and KANAL A)	10,289	7,164	5,517
Ukraine (STUDIO 1+1)	59,591	28,354	20,295
Ukraine (KINO, CITI)	2,998	1,487	-
	<b>189,653</b>	<b>116,561</b>	<b>81,471</b>
Slovak Republic (TV MARKIZA) (pre-acquisition)	-	1,735	6,970
	<b>\$ 189,653</b>	<b>\$ 118,296</b>	<b>\$ 88,441</b>

**Cash paid for programming:**

Croatia (NOVA TV)	\$ 22,894	\$ 17,165	\$ 16,062
Czech Republic (TV NOVA, GALAXIE SPORT, NOVA CINEMA)	27,343	28,237	26,027
Romania (PRO TV, ACASA, PRO CINEMA, PRO TV INTERNATIONAL, SPORT.RO and MTV ROMANIA)	61,271	48,277	40,279
Slovak Republic (TV MARKIZA) (from January 23, 2006)	18,273	12,598	-
Slovenia (POP TV and KANAL A)	9,751	7,067	6,200
Ukraine (STUDIO 1+1)	68,597	38,419	27,019
Ukraine (KINO, CITI)	1,890	1,096	-
	<b>210,019</b>	<b>152,859</b>	<b>115,587</b>
Slovak Republic (TV MARKIZA) (prior to January 23, 2006)	-	-	10,692
	<b>\$ 210,019</b>	<b>\$ 152,859</b>	<b>\$ 126,279</b>

**IV. Analysis of the Results of Consolidated Operations**

**OVERVIEW**

We consolidate the financial statements of entities in which we hold at least a majority voting interest and also any entities which are deemed to be a Variable Interest Entity of which we are the primary beneficiary as defined by FIN 46 (R).

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. We accounted for our operations in the Slovak Republic and Radio Pro in Romania in this manner in 2005. We disposed of our remaining investment in Radio Pro in August 2006 (see Item 8, Note 5, "Investments"). Following our acquisition of a controlling interest in our Slovak Republic operations on January 23, 2006, we have consolidated these operations (see, Item 8, Note 3, "Acquisitions and Disposals, Slovak Republic").

**IV (a) Net Revenues for the years ending December 31, 2007, 2006 and 2005:**

	Consolidated Net Revenues					
	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
Croatia	\$ 37,193	\$ 22,310	66.7 %	\$ 22,310	\$ 22,030	1.3 %
Czech Republic	279,237	208,387	34.0 %	208,387	154,010	35.3 %
Romania	215,402	148,616	44.9 %	148,616	103,321	43.8 %
Slovakia	110,539	71,660	54.3 %	71,660	-	-
Slovenia	69,647	54,534	27.7 %	54,534	48,770	11.8 %
Ukraine (STUDIO 1+1)	125,323	96,413	30.0 %	96,413	72,847	32.3 %
Ukraine (KINO, CITI)	2,650	1,195	121.8 %	1,195	-	-
<b>Total Consolidated Net Revenues</b>	<b>\$ 839,991</b>	<b>\$ 603,115</b>	<b>39.3 %</b>	<b>\$ 603,115</b>	<b>\$ 400,978</b>	<b>50.4 %</b>

Our consolidated net revenues increased by US\$ 236.9 million for the year ended December 31, 2007 compared to 2006 (see Item 7, III "Analysis of Segment Results").

Our consolidated net revenues increased by US\$ 202.1 million in 2006 compared to 2005.

**IV (b) Cost of Revenues for the years ending December 31, 2007, 2006 and 2005**

	Consolidated Cost of Revenues					
	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
Operating Costs	\$ 117,959	\$ 90,060	31.0 %	\$ 90,060	\$ 65,138	38.3 %
Cost of programming	330,303	227,509	45.2 %	227,509	148,837	52.9 %
Depreciation of station property, plant and equipment	33,294	25,795	29.1 %	25,795	16,367	57.6 %
Amortization of broadcast licenses and other intangibles	24,984	18,813	32.8 %	18,813	11,180	68.3 %
<b>Total Consolidated Cost of Revenues</b>	<b>\$ 506,540</b>	<b>\$ 362,177</b>	<b>39.9 %</b>	<b>\$ 362,177</b>	<b>\$ 241,522</b>	<b>50.0 %</b>

Total cost of revenues increased by US\$ 144.4 million in 2007 compared to 2006.

For the year ended December 31, 2006 total cost of revenues increased by US\$ 120.7 million compared to 2005.

**Operating Costs:** Total consolidated station operating costs (excluding programming costs, depreciation of station property, plant and equipment, amortization of broadcast licenses and other intangibles as well as station selling, general and administrative expenses) increased by US\$ 27.9 million in 2007 compared to 2006. Total consolidated station operating costs increased by US\$ 24.9 million in 2006 compared to 2005 (see Item 7, III "Analysis of Segment Results").

**Cost of Programming:** Total consolidated programming costs (including amortization of programming rights and production costs) increased by US\$ 102.8 million in 2007 compared to 2006. Total consolidated programming costs increased by US\$ 78.7 million in 2006 compared to 2005 (see Item 7, III "Analysis of Segment Results").

**Depreciation of Station Property, Plant and Equipment:** Total consolidated depreciation of station property, plant and equipment increased by US\$ 7.5 million in 2007 compared to 2006 primarily due to depreciation of newly acquired production equipment assets across each of our operations.

Total consolidated depreciation of station property, plant and equipment increased by US\$ 9.4 million in 2006 compared to 2005.

**Amortization of Broadcast Licenses and Other Intangibles:** Total consolidated amortization of broadcast licenses and other intangibles increased by US\$ 6.2 million in 2007 compared to 2006 primarily as a result of the amortization of the broadcast license and customer relationships of our Romania and Slovak Republic operations arising from our acquisition of increased stakes in early 2007.

Total consolidated amortization of broadcast licenses and other intangibles increased by US\$ 7.6 million in 2006 compared to 2005.

**IV (c) Station Selling, General and Administrative Expenses for the years ending December 31, 2007, 2006 and 2005**

<b>Consolidated Station Selling, General and Administrative Expenses</b>						
<b>For the Years Ended December 31, (US\$ 000's)</b>						
	<b>2007</b>	<b>2006</b>	<b>Movement</b>	<b>2006</b>	<b>2005</b>	<b>Movement</b>
Croatia	\$ 8,844	\$ 6,884	28.5 %	\$ 6,884	\$ 8,082	(14.8)%
Czech Republic	22,411	21,358	4.9 %	21,358	16,906	26.3 %
Romania	13,552	10,725	26.4 %	10,725	8,016	33.8 %
Slovakia	10,732	8,547	25.6 %	8,547	-	-
Slovenia	6,707	5,195	29.1 %	5,195	4,683	10.9 %
Ukraine (STUDIO 1+1)	8,292	11,818	(29.8)%	11,818	8,695	35.9 %
Ukraine (KINO, CITI)	1,496	885	69.0 %	885	-	-
<b>Total Consolidated Station Selling, General and Administrative Expenses</b>	<b>\$ 72,034</b>	<b>\$ 65,412</b>	<b>10.1 %</b>	<b>\$ 65,412</b>	<b>\$ 46,382</b>	<b>41.0 %</b>

Total consolidated station selling, general and administrative expenses increased by US\$ 6.6 million in 2007 compared to 2006. Total consolidated station selling, general and administrative expenses increased by US\$ 19.0 million in 2006 compared to 2005 (see Item 7, III "Analysis of Segment Results").

IV (d) Corporate operating costs (including non-cash stock-based compensation) for the years ending December 31, 2007, 2006, and 2005 were as follows:

	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
Corporate operating costs (excluding non-cash stock-based compensation)	\$ 49,639	\$ 30,529	62.6 %	\$ 30,529	\$ 22,420	36.2 %
Non-cash stock-based compensation	5,734	3,575	60.4 %	3,575	3,127	14.3 %
<b>Corporate operating costs (including non-cash stock-based compensation)</b>	<b>\$ 55,373</b>	<b>\$ 34,104</b>	<b>62.4 %</b>	<b>\$ 34,104</b>	<b>\$ 25,547</b>	<b>33.5 %</b>

The increase in corporate operating costs (excluding non-cash stock-based compensation) of US\$ 19.1 million in 2007 compared to 2006 was principally due to:

- A charge of US\$ 12.5 million in respect of the cost of settling our Croatia litigation (see Part I, Item 3, "Legal Proceedings, Croatia");
- increased accruals for performance-related bonus payments; and
- increased business development expenses incurred in researching potential acquisitions,

partly offset by:

- decreased property-related costs, as the expense incurred in 2006 included a lease exit charge of approximately US\$ 1.6 million (including additional depreciation of US\$ 0.3 million) incurred following the relocation of our London office during the first quarter of 2006; and
- decreased legal costs incurred in connection with legal proceedings in respect of our Ukraine operations.

The increase in corporate operating costs (excluding non-cash stock-based compensation) of US\$ 8.1 million in 2006 compared to 2005 was principally due to:

- an increase in legal expenses in connection with our investments in Ukraine and legal proceedings in respect of our Ukraine operations;
- professional fees incurred in reviewing our historic stock option granting practices; and
- an increase in staff-related costs caused by an increase in corporate staff as we brought in-house certain activities that had previously been outsourced.

The increase in the charge for non-cash stock-based compensation in 2007 compared to 2006 reflects an increase in the fair value of our stock options as our stock price has increased. The increase in the charge for non-cash stock-based compensation in 2006 compared to 2005 reflects an increase in the number of stock options issued during 2006 compared to 2005 as well as an increase in the fair value of our stock options as our stock price has increased (see Item 8, Note 16, "Stock-Based Compensation").

**Impairment charge:** In the year ended December 31, 2006, we recognized an impairment charge of US\$ 0.7 million with respect to our Croatia operations.

When we updated our medium-term forecast models at June 30, 2006, we determined that the forecast future cash flows of our Croatia operations had decreased compared to our previous forecast. We therefore reviewed the carrying value of the intangible assets with indefinite lives to determine whether the assets are impaired. As a result of our analysis, we recognized an impairment charge of US\$ 0.7 million to write down the carrying value of goodwill to US\$ nil.

We performed a similar review of our Croatia operations in late June 2005 and recorded an impairment charge of US\$ 35.3 million at that time, of which US\$ 18.6 million was attributable to the broadcast license, US\$ 7.0 million to trademarks and US\$ 9.7 million to goodwill. Included in the provision for income taxes for the year ended December 31, 2005 is a US\$ 5.1 million credit representing a release of deferred tax relating to the impairment charge on the license and trademark.

**IV (e) Operating Income for the years ending December 31, 2007, 2006 and 2005**

	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
<b>Operating Income</b>	\$ 206,044	\$ 140,674	46.5 %	\$ 140,674	\$ 52,196	169.5 %

Due to the foregoing, operating income increased by US\$ 65.4 million in the year ended December 31, 2007 compared to 2006. Operating margin was 25% compared to 23% in 2006.

Due to the foregoing, operating income increased by US\$ 88.5 million in the year ended December 31, 2006 compared to 2005. Operating margin was 23% compared to 13% in 2005.

**IV (f) Other expense items for the years ending December 31, 2007, 2006 and 2005**

	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
Interest income	\$ 5,728	\$ 6,365	(10.0) %	\$ 6,365	\$ 4,124	54.3 %
Interest expense	(54,999)	(44,228)	24.4 %	(44,228)	(29,387)	50.5 %
Foreign currency exchange (loss)/gain, net	(34,441)	(44,908)	(23.3) %	(44,908)	37,968	(218.3) %
Other income/(expense)	7,891	3,038	159.7 %	3,038	(4,705)	(164.6) %
Change in fair value of derivatives	(3,703)	(12,539)	(70.5) %	(12,539)	-	-
Provision for income taxes	(20,795)	(14,962)	39.0 %	(14,962)	(16,691)	(10.4) %
Minority interest in income of consolidated subsidiaries	(17,157)	(13,602)	26.1 %	(13,602)	(8,908)	52.7 %
Equity in (loss)/income of unconsolidated affiliates	-	(730)	(100.0) %	(730)	8,238	(108.9) %
Gain on sale of unconsolidated affiliate	-	6,179	(100.0) %	6,179	-	-
Discontinued operations	-	(4,863)	(100.0) %	(4,863)	(513)	848.0 %

**Interest income** for 2007 was broadly in line with 2006. Interest income increased by US\$ 2.2 million in 2006 compared to 2005 primarily as a result of our maintaining a higher average cash balance in 2006.

**Interest expense** increased by US\$ 10.8 million in 2007 compared to 2006 primarily as a result of US\$ 6.9 million of costs associated with the redemption of our EUR 125 million of floating rate senior notes due May 2012 (the "2012 Floating Rate Notes"), as well as an increase in our average borrowings. Interest expense increased by US\$ 14.8 million in 2006 compared to 2005 primarily as a result of a full year interest charge relating to our Senior Notes issued in May 2005 (see Item 8, Note 6, "Senior Notes").

**Foreign currency (loss)/gain:** During 2007, we recognized a US\$ 34.4 million loss primarily as a result of the strengthening of the Euro against the dollar over that period. Our Senior Notes are denominated in Euros, and we incurred a transaction loss of approximately US\$ 59.6 million on the Senior Notes due to movements in the spot rate between December 31, 2006 and December 31, 2007.

In 2006 we recognized a US\$ 44.9 million loss primarily as a result of the strengthening of the Euro against the dollar over that period. We incurred a transaction loss of approximately US\$ 50.8 million on the Senior Notes due to movements in the spot rate between the Euro and the dollar.

**Other income/(expense):** We recognized income of US\$ 7.9 million in 2007 and US\$ 3.0 million in 2006 following the release of provisions against certain historic tax contingencies within our Romania operations.

The expense of US\$ 4.7 million in 2005 was primarily a result of a US\$ 3.4 million fee incurred to secure bridge financing for our acquisition of the TV NOVA (Czech Republic) group in May 2005. We did not ultimately utilize this bridge financing.

**Change in fair value of derivatives:** We incurred losses of US\$ 3.7 million in 2007 and US\$ 12.5 million in 2006 as a result of the change in the fair value of the currency swaps entered into on April 27, 2006 (see Item 8, Note 13, "Financial Instruments").

**Provision for income taxes:** Provision for income taxes was US\$ 20.8 million in 2007, at an effective tax rate of 16.4%. Our effective tax rate benefitted from a deferred tax credit of US\$ 9.1 million arising from the enactment of lower tax rates for future years in the Czech Republic.

Provision for income taxes was US\$ 15.0 million in 2006 at an effective tax rate of 30.9%, compared to US\$ 16.7 million at an effective tax rate of 27.7%, in 2005. In 2006 our stations paid income taxes at rates ranging from 16.0% in Romania to 25.0% in Slovenia and Ukraine. Our effective tax rate in 2005 benefitted from a deferred tax credit of US\$ 5.1 million with respect to the impairment of our Croatia operations (see Item 8, Note 4, "Goodwill and Intangible Assets, Impairment").

**Minority interest in income of consolidated subsidiaries:** Minority interest in the income of consolidated subsidiaries was US\$ 17.2 million in 2007 compared to US\$ 13.6 million in 2006 and US\$ 8.9 million in 2005. This is as a result of higher profitability of our Romania, Slovak Republic and Ukraine operations.

**Equity in (loss)/income of unconsolidated affiliates:** Our Slovak Republic operations ceased to be accounted for as an equity affiliate on January 23, 2006, when we acquired majority control of the license company via our acquisition of ARJ (see Item 8, Note 3, "Acquisitions and Disposals, Slovak Republic"). We disposed of our Romanian equity affiliate on August 11, 2006 (see Item 8, Note 5, "Investments").

	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
Slovak Republic operations	\$ -	\$ (737)	(100.0)%	\$ (737)	\$ 8,240	(108.9)%
Romania operations	-	7	(100.0)%	7	(2)	(450.0)%
<b>Equity in (loss)/income of unconsolidated affiliates</b>	<b>\$ -</b>	<b>\$ (730)</b>	<b>(100.0)%</b>	<b>\$ (730)</b>	<b>\$ 8,238</b>	<b>(108.9)%</b>

**Gain on sale of unconsolidated affiliate:** We recognized a gain of US\$ 6.2 million on the sale of our investment in Radio Pro to Media Pro, a company controlled by Adrian Sarbu, currently our chief operating officer and general director of our Romania operations, on August 11, 2006 (see Item 8, Note 5, "Investments").

**Discontinued operations:** The amounts charged to the consolidated statements of operations in respect of discontinued operations are as follows:

	For the Years Ended December 31, (US\$ 000's)					
	2007	2006	Movement	2006	2005	Movement
Gain on disposal of discontinued operations	\$ -	\$ -	-	\$ -	\$ 164	(100.0)%
Tax on disposal of discontinued operations	-	(4,863)	(100.0)%	(4,863)	(677)	618.3%
<b>Discontinued operations</b>	<b>\$ -</b>	<b>\$ (4,863)</b>	<b>(100.0)%</b>	<b>\$ (4,863)</b>	<b>\$ (513)</b>	<b>848.0%</b>

On June 19, 2003, our Board of Directors decided to withdraw from operations in the Czech Republic. On October 23, 2003 we sold our 93.2% participation interest in CNTS, our former Czech Republic operating company, for US\$ 53.2 million.

The revenues and expenses of our former Czech Republic operations and the award income and related legal expenses have therefore all been treated as discontinued operations for each year.

The amounts charged to discontinued operations in 2006 largely represent revised estimates of additional payments we expect to make to the Dutch tax authorities pursuant to the agreement we entered into on February 9, 2004.

For additional information, see Item 8, Note 19, "Discontinued Operations".

#### IV (g) Consolidated Balance Sheet as at December 31, 2007 compared to December 31, 2006

The principal components of our Consolidated Balance Sheet at December 31, 2007 have increased compared to December 31, 2006. These increases are summarized below:

(US\$ 000's)	December 31, 2007	December 31, 2006	Movement
Current assets	\$ 529,824	\$ 413,616	28.1%
Non-current assets	1,808,611	1,405,384	28.7%
Current liabilities	232,770	182,961	27.2%
Non-current liabilities	682,703	574,084	18.9%
Minority interests in consolidated subsidiaries	23,155	26,189	(11.6)%
Shareholders' equity	\$ 1,399,807	\$ 1,035,766	35.1%

**Current assets:** Current assets have increased US\$ 116.2 million at December 31, 2007 compared to December 31, 2006, primarily as a result of increases in program rights, including prepaid programming and accounts receivable. Accounts receivable increased by US\$ 72.5 million, as all of our operations enjoyed strong growth in revenues in the last quarter of the year.

**Non-current assets:** Non-current assets have increased US\$ 403.2 million at December 31, 2007 compared to December 31, 2006, primarily as a result of the recognition of goodwill and other intangible assets following our acquisitions of MTS, Sport.ro and additional stakes in our Romania and Slovak Republic operations, as well as increased investment in station property, plant and equipment in the Czech Republic and Romania.

**Current liabilities:** Current liabilities have increased US\$ 49.8 million at December 31, 2007 compared to December 31, 2006, reflecting increases in programming liabilities, accrued staff costs and income taxes payable.

**Non-current liabilities:** Non-current liabilities have increased US\$ 108.6 million at December 31, 2007 compared to December 31, 2006, reflecting the impact of foreign exchange movements on the value of our Fixed Rate Notes and the issuance of the 2014 Floating Rate Notes, partly offset by the redemption of our 2012 Floating Rate Notes. There was also a significant increase in deferred taxes related to additional stakes acquired in our Romanian and Slovak Republic operations.

**Minority interests in consolidated subsidiaries:** Minority interests in consolidated subsidiaries have decreased US\$ 3.0 million at December 31, 2007 compared to December 31, 2006, primarily as a result of our acquisition of additional stakes in our Romania and Slovak Republic operations during 2007.

**Shareholders' equity:** Total shareholders' equity has increased US\$ 364.0 million at December 31, 2007 compared to December 31, 2006. This increase reflects net proceeds of US\$ 109.9 million from the issuance of unregistered shares of our Class A Common Stock to Igor Kolomoisky in August 2007, an increase in Other Comprehensive Income of US\$ 158.8 million and net income of US\$ 88.6 million for 2007, partially offset by the impact of the adoption of FIN 48 (US\$ 3.2 million). Included in the total shareholders' equity were proceeds from the exercise of stock options (US\$ 4.1 million) and amounts of US\$ 6.4 million related to stock-based compensation.

## V. Liquidity and Capital Resources

### V (a) Summary of cash flows:

Cash and cash equivalents decreased by US\$ 3.1 million during the year ended December 31, 2007. The change in cash and cash equivalents is summarized as follows:

(US\$ 000's)	For the Years Ended December 31,		
	2007	2006	2005
Net cash generated from continuing operating activities	\$ 102,870	\$ 73,395	\$ 3,544
Net cash used in continuing investing activities	(237,418)	(126,955)	(298,803)
Net cash received from financing activities	135,530	132,400	225,359
Net cash used in discontinued operations-operating activities	(2,164)	(1,690)	(2,000)
Impact of exchange rate fluctuations on cash	(1,896)	(2,904)	(9,010)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>\$ (3,078)</b>	<b>\$ 74,246</b>	<b>\$ (80,910)</b>

### Operating Activities

Cash generated from continuing operations in 2007 increased US\$ 29.5 million to US\$ 102.9 million. The amount of cash generated by each of our stations other than Croatia and Ukraine (KINO, CITI) increased as a result of improved operational performance with particularly strong increases in the Czech Republic, Romania and the Slovak Republic. These increases more than offset our increased investment in programming, particularly in Ukraine, which is experiencing significant price inflation for popular Russian series and additional investments in such programming to boost ratings, and in Croatia, where we are investing in higher quality programming to drive ratings growth. It is likely that the cost of acquired programming across all our markets will continue to grow in the future (see Part I, Item 1A "Risk Factors - Risks Relating to our Operations").



*Investing Activities*

Cash used in investing activities increased by US\$ 110.5 million from 2006 to US\$ 237.4 million in 2007. Our investing cash flows in 2007 were primarily comprised of:

- capital expenditure of US\$ 81.5 million;
- payments of SKK 1.9 billion (approximately US\$ 78.5 million) in connection with our acquisition of a 20% interest in our Slovak Republic operations (see Item 8, Note 3 “Acquisitions and Disposals- Slovak Republic”);
- payments of US\$ 51.6 million in connection with our acquisition of an additional 5% interest in our Romania operations and a 20% stake in our Romanian production company (see Item 8, Note 3 “Acquisitions and Disposals- Romania”);
- payments of EUR 9.4 million (approximately US\$ 13.9 million) in connection with our acquisition of 100% interest in MTS (see Item 8, Note 3 “Acquisitions and Disposals – Romania”);
- payments of EUR 6.7 million (approximately US\$ 8.4 million) in connection with our acquisition of Sport.ro (see Item 8, Note 3 “Acquisitions and Disposals - Romania); and
- payments of US\$ 3.1 million in connection with our acquisition of a 60.4% interest in each of Tor and Zhysa (see Item 8, Note 3 “Acquisitions and Disposals – Ukraine”).

In 2006, net cash used in investing activities of US\$ 127.0 million consisted primarily of the following:

- capital expenditure of US\$ 60.4 million, largely in respect of the expansion of our broadcasting facilities and equipment in Romania and the Czech Republic;
- a payment of US\$ 30.1 million in connection with our acquisition of ARJ (see Item 8, Note 3, “Acquisitions and Disposals - Slovak Republic”);
- a payment of US\$ 27.2 million in connection with our acquisition of an additional 5% interest in our Romania operations (see Item 8, Note 3, “Acquisitions and Disposals - Romania”);
- a payment of EUR 8.0 million (approximately US\$ 10.3 million) in connection with our acquisition of our 10% stake in Media Pro (see Item 8, Note 5, “Investments”); and
- a payment of a further US\$ 2.0 million following completion of our acquisition of a 65.5% stake in Ukrpromtorg (see Item 8, Note 3, “Acquisitions and Disposals - Ukraine”).

In 2005, net cash used in investing activities of US\$ 298.8 million consisted primarily of the following:

- total cash payments of US\$ 218.1 million (net of cash acquired of US\$ 35.6 million) for the acquisition of the TV Nova (Czech Republic) group in May 2005.

The remainder of the total purchase price of US\$ 909.5 million for the acquisition of TV Nova (Czech Republic), which consisted of non-cash items, including:

- the issuance of 3.5 million shares of Class A Common Stock (US\$ 120.9 million);

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- the incurrence of US\$ 491.7 million of short-term indebtedness to PPF (which was repaid in cash on May 5, 2005);
- forgiveness of a US\$ 18.5 million balance categorized as “Other Receivable” in our Consolidated Balance Sheet as at December 31, 2004; and
- the placement of US\$ 24.7 million of cash into escrow as the second and final payment to our former shareholder in the Czech Republic;
- a payment of US\$ 20.0 million in connection with the 5% increase in our holding of our Romania operations;
- a payment of US\$ 2.1 million in connection with our acquisition of Galaxie Sport;
- a payment of Euro 4.7 million (approximately US\$ 5.7 million) to acquire the remaining 3.15% interest in Pro Plus;
- advance payments of US\$ 5.1 million with respect to our acquisition of a 65.5% interest in Ukrpromtorg (see Item 8, Note 3, “Acquisitions and Disposals, Ukraine”);
- capital expenditures of approximately US\$ 26.5 million, primarily related to upgrades of broadcasting facilities and production equipment; and
- a net increase in restricted cash of US\$ 18.6 million, of which US\$ 24.6 million was a result of the acquisition of the TV Nova (Czech Republic) group, US\$ 0.7 million of other increases, and a reduction of US\$ 6.7 million being the second payment for our acquisition of our Croatia operations.

*Financing Activities*

Net cash received from financing activities increased US\$ 3.1 million from 2006 to US\$ 135.5 million in 2007. Our financing cash flows in 2007 primarily comprised net proceeds of US\$ 199.4 million from the issuance of the 2014 Floating Rate Notes and US\$ 109.9 million from the issuance of 1,275,227 unregistered shares of Class A Common Stock to Igor Kolomoisky, partially offset by payment of EUR 127.5 million (approximately US\$ 169.0 million at the date of payment) to redeem our 2012 Floating Rate Notes (see Item 8, Note 6, “Senior Notes”).

Net cash received from financing activities decreased US\$ 93.0 million from 2005 to US\$ 132.4 million in 2006. Net proceeds from financing activities in 2006 consisted primarily of the following:

- receipt of approximately US\$ 168.7 million (net of fees) from a public offering of 2,530,000 shares of our Class A Common Stock;
- receipts of US\$ 36.7 million from drawing on credit facilities in Czech Republic and Slovenia, largely to finance the acquisition of ARJ and the increased investment in our Romania operations; and
- repayment of US\$ 75.3 million of amounts drawn under the same credit facilities.

Net proceeds from financing activities of US\$ 225.4 million in 2005 consisted primarily of the following:

- net proceeds of approximately US\$ 465.1 million from the issuance of our Senior Notes (see Item 8, Note 6, “Senior Notes”). The proceeds from this loan were used to finance part of the acquisition of the TV Nova (Czech Republic) group;
- net proceeds of approximately US\$ 236.5 million from the issuance of Class A Common Stock, of which US\$ 230.6 million was raised from the issuance of 5.4 million shares of Class A Common Stock, the proceeds of which were used for our acquisition of the TV Nova (Czech Republic) group, and approximately US\$ 5.9 million from stock option exercises;
- proceeds from borrowing of our Czech Republic operations (US\$ 42.7 million) and our Slovenia operations (US\$ 23.2 million);
- repayments of indebtedness by our Czech Republic operations (US\$ 8.0 million), our Slovenia operations (US\$ 31.7 million) and our Croatia operations (US\$ 0.3 million); and
- repayments of short-term indebtedness to PPF for the purchase of the TV Nova (Czech Republic) group (US\$ 491.7 million) and Galaxie Sport (US\$ 3.0 million).

#### *Discontinued Operations*

In 2007, we paid taxes of US\$ 2.2 million to the Dutch tax authorities pursuant to the agreement we entered into with them on February 9, 2004, compared to US\$ 1.7 million in 2006 and US\$ 2.0 million in 2005.

#### **V (b) Sources and Uses of Cash**

We believe that our current cash resources are sufficient to allow us to continue our current operations for at least the next twelve months. Additional cash requirements in the near future are set out under “Contractual Obligations, Commitments and Off-Balance Sheet Arrangements” and “Cash Outlook” below.

Our ongoing source of cash at the operating stations 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, or to other shareholders 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. Except as set forth below, our voting power is sufficient to compel the making of distributions.

In the case of Nova TV (Croatia), distributions may be paid from net profits subject to a reserve of 5% of annual profits until the aggregate reserves equal 5% of the registered capital of Nova TV (Croatia). In the case of CET 21, distributions may be paid from net profits subject to a reserve of 5% of net profits until the aggregate reserves equal 10% of the registered capital of CET 21. In the case of Pro TV, distributions may be paid from the profits of Pro TV subject to a reserve of 5% of annual profits until the aggregate reserves equal 20% of Pro TV’s registered capital. A majority vote is required in order for Pro TV to make distributions and we have sufficient voting power to compel distributions of dividends. In the case of Markiza, distributions may be paid from net profits subject to an initial reserve requirement of 10% of net profits until the reserve fund equals 5% of registered capital. Subsequently, the reserve requirement is equal to 5% of net profits until the reserve fund equals 10% of registered capital. In the case of Pro Plus, distributions may be paid from the profits of Pro Plus, subject to a reserve equal to 10% of registered capital being established from accumulated profits. In the case of Studio 1+1, Inter-Media and Gravis, distributions may be paid from net profits subject to a reserve of 5% of net profits until the aggregate reserves equals 25% of its registered capital. In the case of Innova, IMS and TV Media Planet, distributions may be paid from their profits and there is no reserve requirement for these companies. Our voting power in Innova, IMS and TV Media Planet is sufficient to compel the distribution of dividends.

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Markiza, or its predecessor, made dividend distributions to us in 2006 and 2005; Pro TV made dividend distributions to us in 2007, 2006, and 2005, and Pro Plus made dividend distributions to us in 2007 and 2006. We also received payments of loan principal and interest from our operations in the Czech Republic, Romania, the Slovak Republic and Ukraine.

As at December 31, 2007 and 2006 the operations had the following unsecured intercompany balances owing to their respective holding companies which are eliminated in our consolidated balance sheet:

Operating segment (US\$ 000's)	December 31, 2007	December 31, 2006
Croatia	\$ 119,910	\$ 67,623
Czech Republic	604,474	434,897
Romania	105,540	25,620
Slovak Republic	5,164	23,670
Slovenia	39,162	-
Ukraine (STUDIO 1+1)	-	-
Ukraine (KINO, CITI)	16,040	4,621
<b>Total</b>	<b>\$ 890,290</b>	<b>\$ 556,431</b>

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

Our future contractual obligations as at December 31, 2007 are as follows:

Contractual Obligations	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	\$ 597,691	\$ 14,512	\$ 1,700	\$ 360,664	\$ 220,815
Long-Term Debt – interest (1)	222,149	44,418	87,007	70,765	19,959
Capital Lease Obligations	7,245	1,103	1,568	1,294	3,280
Operating Leases	13,021	5,439	6,411	1,171	-
Unconditional Purchase Obligations	121,924	101,247	16,298	1,924	2,455
Other Long-Term Obligations	4,177	3,177	1,000	-	-
FIN 48 Obligations	2,760	673	2,087	-	-
<b>Total Contractual Obligations</b>	<b>\$ 968,967</b>	<b>\$ 170,569</b>	<b>\$ 116,071</b>	<b>\$ 435,818</b>	<b>\$ 246,509</b>

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

*Long-Term Debt*

At December 31, 2007, we had the following debt outstanding:

		<b>December 31, 2007 (US\$ 000's)</b>
Corporate	(1) – (2)	\$ 581,479
Croatia operations	(3)	-
Czech Republic operations	(4) – (6)	13,829
Romania operations	(7)	683
Slovenia operations	(8)	-
Ukraine (KINO, CITI) operations	(9)	1,700
<b>Total</b>		<b>\$ 597,691</b>

- (1) In May 2005, we issued senior notes in the aggregate principal amount of EUR 370.0 million (approximately US\$ 544.7 million) consisting of EUR 245.0 million (approximately US\$ 360.7 million) of fixed rate notes (the “2012 Fixed Rate Notes”) and EUR 125.0 million (approximately US\$ 184.0 million) of floating rate notes, which bore interest at six-month Euro Inter-Bank Offered Rate (“EURIBOR”) plus 5.50% (the “2012 Floating Rate Notes”). On May 15, 2007, we redeemed the 2012 Floating Rate Notes.

On May 16, 2007 we issued senior floating rate notes in the aggregate principal amount of EUR 150.0 million (approximately US\$ 220.8 million), which bear interest at EURIBOR plus 1.625% (the “2014 Floating Rate Notes”, and together with the 2012 Fixed Rate Notes, the “Senior Notes”). An interest rate of 6.198% was applicable at December 31, 2007. Interest is payable on the Senior Notes semi-annually in arrears on each May 15 and November 15.

The Senior 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 two subsidiary holding companies and are secured by a pledge of shares of these subsidiaries as well as an assignment of certain contractual rights. The terms of our indebtedness 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.

In the event that (A) there is a change in control by which (i) any party other than 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 Senior 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 Senior Notes at a purchase price in cash equal to 101.0% of the principal amount of the Senior Notes plus accrued and unpaid interest to the date of purchase.

At any time prior to May 15, 2008, we may redeem up to 35.0% of the Fixed Rate Notes with the proceeds of any public equity offering at a price of 108.25% of the principal amount of such notes, plus accrued and unpaid interest, if any, to the redemption date. In addition, prior to May 15, 2009, we may redeem all or a part of the Fixed Rate Notes at a redemption price equal to 100.0% of the principal amount of such notes, plus a “make-whole” premium and accrued and unpaid interest, if any, to the redemption date.

On September 10, 2007, Standard & Poor's senior unsecured debt rating for our Senior Notes was upgraded to BB- from B+, with a corporate credit rating of BB/ (stable), up from BB- / (positive). This rating was reconfirmed on February 11, 2008. At December 31, 2007, Moody's Investors Service's rating of both our corporate credit and our Fixed Rate Notes was Ba3 stable.

- (2) On July 21, 2006, we entered into a five-year revolving loan agreement for EUR 100.0 million (approximately US\$ 147.2 million) arranged by EBRD and on August 22, 2007, we entered into a second revolving loan agreement for EUR 50.0 million (approximately US\$ 73.6 million) also arranged by EBRD (collectively the "EBRD Loan"). ING Bank N.V. ("ING") and Ceska Sportitelna, a.s. ("CS") are participating in the facility for EUR 75.0 million in aggregate.

We also entered into a supplemental agreement on August 22, 2007 to amend the interest rate payable on the initial EUR 100.0 million loan, as a result of which the EBRD Loan bears interest at a rate of three-month EURIBOR plus 1.625% on the drawn amount. A commitment charge of 0.8125% is payable on any undrawn portion of the EBRD Loan. The available amount of the EBRD Loan amortizes by 15% every six months from May 2009 to November 2010 and by 40% in May 2011. EUR 100.0 million (approximately US\$ 147.2 million) of this loan was drawn down on April 18, 2007 and repaid on June 1, 2007. There were no drawings under this facility as at December 31, 2007.

Covenants contained in the EBRD Loan are similar to those contained in our Senior Notes. In addition, the EBRD Loan's covenants restrict us from making principal repayments on other new debt of greater than US\$ 20.0 million per year for the life of the EBRD Loan. This restriction is not applicable to our existing facilities with ING or CS or to any refinancing of our Senior Notes.

The EBRD Loan is a secured senior obligation and ranks pari passu with all existing and future senior indebtedness, including the Senior Notes, and is effectively subordinated to all existing and future indebtedness of our subsidiaries. The amount drawn is guaranteed by two subsidiary holding companies and is secured by a pledge of shares of those subsidiaries as well as an assignment of certain contractual rights. The terms of the EBRD Loan 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.

- (3) On March 28, 2007, we repaid EUR 0.6 million (approximately US\$ 0.9 million), which was the total amount outstanding to our Croatia operations under two loan agreements with Hypo Alpe-Adria Bank d.d. Following this repayment, the security held by the bank was released.
- (4) CET 21 has a credit facility of CZK 1.2 billion (approximately US\$ 66.4 million) with CS. The final repayment date is December 31, 2010. This facility may, at the option of CET 21, be drawn in CZK, US\$ or EUR and bears interest at the three-month, six-month or twelve-month London Inter-Bank Offered Rate ("LIBOR"), EURIBOR or Prague Inter-Bank Offered Rate ("PRIBOR") plus 1.65%. A utilization interest of 0.25% is payable on the undrawn portion of this facility. This percentage decreases to 0.125% of the undrawn portion if more than 50% of the loan is drawn. This facility is secured by a pledge of receivables, which are also subject to a factoring arrangement with Factoring Ceska Sportitelna, a.s., a subsidiary of CS. As at December 31, 2007, there were no drawings under this facility; however on July 10, 2007, CZK 860.0 million (approximately US\$ 47.6 million) was drawn down under this facility, of which CZK 260.0 million (approximately US\$ 14.4 million) was repaid on July 31, 2007, and CZK 600.0 million (approximately US\$ 33.2 million) was repaid on September 14, 2007.
- (5) CET 21 has a credit facility of CZK 250.0 million (approximately US\$ 13.8 million) with CS. The final repayment date is December 31, 2010. This working capital facility bears interest at the three-month PRIBOR rate plus 1.65% and is secured by a pledge of receivables, which are also subject to a factoring arrangement with Factoring Ceska Sportitelna, a.s. On December 31, 2007, the full CZK 250.0 million (approximately US\$ 13.8 million) was drawn under this facility bearing interest at an aggregate 5.59% (three-month PRIBOR effective for this loan was 3.94%).

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- (6) As at December 31, 2007, there were no drawings under a CZK 300.0 million (approximately US\$ 16.6 million) factoring facility with Factoring Ceska Sportelna, a.s. This facility is available until June 30, 2011 and bears interest at the rate of one-month PRIBOR plus 1.40% for the period that actively assigned accounts receivable are outstanding.
- (7) Two loans from San Paolo IMI Bank, assumed on acquisition of MTS, were outstanding at December 31, 2007 and repaid in January 2008.
- (8) On July 29, 2005, Pro Plus entered into a revolving five-year facility for up to EUR 37.5 million (approximately US\$ 55.2 million) in aggregate principal amount with ING, Nova Ljubljanska Banka d.d., Ljubljana and Bank Austria Creditanstalt d.d., Ljubljana. The facility availability declines by 10.0% each year for four years commencing one year after signing, with 60.0% repayable after five years. This facility is secured by a pledge of the bank accounts of Pro Plus, the assignment of certain receivables, a pledge of our interest in Pro Plus and a guarantee of our wholly-owned subsidiary CME Media Enterprises B.V. Loans drawn under this facility will bear interest at a rate of EURIBOR for the period of drawing plus a margin of between 2.1% and 3.6% that varies according to the ratio of consolidated net debt to consolidated broadcasting cash flow for Pro Plus. As at December 31, 2007, EUR 30.0 million (approximately US\$ 44.2 million) was available for drawing under this revolving facility; there were no drawings outstanding.
- (9) Our Ukraine (KINO, CITI) operations have entered into a number of three-year unsecured loans with Glavred-Media, LLC, the minority shareholder in Ukrpromtorg. As at December 31, 2007, the total value of loans drawn was US\$ 1.7 million. The loans are repayable between August 2009 and December 2009 and bear interest at 9.0%.

Capital Lease Obligations

Capital lease obligations include future interest payments of US\$ 2.5 million. For more information on our capital lease obligations see Item 8, Note 12, "Credit Facilities and Obligations Under Capital Leases".

Operating Leases

For more information on our operating lease commitments see Item 8, Note 20 "Commitments and Contingencies – Operating Lease Commitments".

Unconditional Purchase Obligations

Unconditional purchase obligations largely comprise future programming commitments. At December 31, 2007, we had commitments in respect of future programming of US\$ 107.6 million (December 31, 2006: US\$ 98.0 million). This includes contracts signed with license periods starting after December 31, 2007. For more information on our programming commitments see Item 8, Note 20 "Commitments and Contingencies – Station Programming Rights Agreements".

Other Long-Term Obligations

Included in Other Long-Term Obligations are our commitments to the Dutch tax authorities of US\$ 3.3 million (see Part II, Item 8, Note 20 "Commitments and Contingencies – Other").

In addition to the amounts disclosed above, Mr. Sarbu has the right to sell his remaining shareholding in Pro TV and MPI to us under a put option agreement entered into in July 2004 at a price to be determined by an independent valuation, subject to a floor price of US\$ 1.45 million for each 1.0% interest sold. Mr. Sarbu's right to put his remaining shareholding is exercisable from November 12, 2009, provided that we have not enforced a pledge over this shareholding which Mr. Sarbu granted as security for our right to put our interest in Media Pro. As at December 31, 2007, we consider the fair value of Mr. Sarbu's put option to be approximately US\$ nil (2006: US\$ nil).

#### **V (d) Cash Outlook**

We issued EUR 370.0 million (approximately US\$ 544.7 million) Senior Notes in May 2005, consisting of EUR 245.0 million of 2012 Fixed Rate Notes and EUR 125.0 million of 2012 Floating Rate Notes. Our EUR 125.0 million 2012 Floating Rate Notes were redeemed on May 15, 2007. On May 16, 2007 we issued our 2014 Floating Rate Notes in the aggregate principal amount of EUR 150.0 million. We have significant debt service obligations in respect of the Senior Notes. The terms of our indebtedness 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. In addition, we have the EBRD Loan. EUR 100.0 million of this facility is available for general corporate purposes; and the remaining EUR 50.0 million, once fully drawn for permitted projects, can be used for general corporate purposes, which further increases our financing flexibility and will reduce our average cost of debt. As at December 31, 2007, there were no drawings under these facilities. We also raised net proceeds of US\$ 109.9 million from the issuance of approximately 1.275 million unregistered shares of our Class A Common Stock to Igor Kolomoisky in August 2007.

Our future cash needs will depend on our overall financial performance, debt service requirements under the Senior Notes, the EBRD Loan as well as under other indebtedness incurred by us as well as any future acquisition, investment and development decisions. Our ability to raise further funds through external debt facilities depends on our satisfaction of leverage ratios under the Senior Notes, which are also incorporated into the drawing conditions of the EBRD Loan. In the short-term, subject to compliance with the covenants of our other indebtedness, we are able to fund our operations and committed investments from cash generated from operations, our current cash and cash equivalents (approximately US\$ 142.8 million, at December 31, 2007) and available undrawn credit facilities (US\$ 348.0 million, at December 31, 2007), plus an unutilized, uncommitted EUR 10.0 million (approximately US\$ 14.7 million) overdraft facility from ING. In order to use cash held in our operating companies more effectively, we have also entered into a cash pooling arrangement with Bank Mendes Gans ("BMG"), a subsidiary of ING. When implemented this arrangement will enable us to receive credit at the corporate level in respect of cash balances which our subsidiaries in the Czech Republic, Romania, the Slovak Republic and Slovenia deposit with BMG.

We expect to invest up to US\$ 125.0 million on capital expenditure in 2008 across our broadcast and non-broadcast operations and approximately US\$ 10.0-15.0 million in operating expenditure in our non-broadcast operations.

Our Croatia operations continue to require funding to improve their performance. We expect the funding required to support Nova TV (Croatia) to be in excess of US\$ 25.0 million during 2008. Our Ukraine (KINO, CITI) operations continue to require funding in order to achieve improved ratings and market share. We expect the funding required to support KINO and CITI to be approximately US\$ 10.0 million during 2008.

On January 31, 2008 we entered into agreements with Boris Fuchsmann and Alexander Rodnyansky to acquire their interests in the Studio 1+1 Group of companies. Upon completion of the initial sale transaction, we will own 90.0% of Studio 1+1 and Messrs. Fuchsmann and Rodnyansky will have the right to put to us, and we will have the right to call from them, their remaining 10.0% interest. We currently hold 60.0% of the Studio 1+1 Group.

The total consideration payable on completion of the purchase of the 30.0% interest will be approximately US\$ 219.6 million. Up to US\$ 140.0 million of this consideration may in certain circumstances be satisfied in shares of our Class A common stock at the option of the transferor. The put option has an initial minimum price of US\$ 95.4 million in the first year, US\$ 102.3 during the second year and thereafter US\$ 109.1 million or an independent valuation, whichever is the greater. The call price is set at US\$ 109.1 million from closing. After a year, the call price will be based on an independent valuation with a minimum price of US\$ 109.1 million. If we exercise our call rights, our partners have the right to receive consideration in cash or Class A Common Stock of CME (see Item 8, Note 22, "Subsequent Events – Ukraine").



We are able to fund the transaction from cash, cash equivalents and current credit facilities. The initial sale transaction to acquire a 30% interest in the Studio 1+1 Group is expected to close by the end of the second quarter of 2008 following the receipt of certain regulatory approvals. This acquisition will reduce our immediate ability to fund other major projects until extra facilities are put in place. Our remaining facilities, following the acquisition, taken together with internally generated cash flow, should nevertheless result in us having adequate financial resources to meet our debt service and other existing financial obligations for the next twelve months. Additional financing options are being actively considered with a number of financial institutions. We have significant flexibility in the phasing of our capital expenditure and other possible acquisitions should it be necessary to conserve our cash, cash equivalents and current credit facilities.

#### **V (e) Tax Inspections**

Pro Plus has been the subject of an income tax inspection by the Republic of Slovenia tax authorities for the years 1995 to 1998. As a result of these inspections the Slovenian tax authorities had levied an assessment seeking unpaid income taxes, customs duties and interest charges of an amount equivalent to EUR 4.5 million (approximately US\$ 6.6 million). The Slovenian authorities have asserted that capital contributions and loans made by us to Pro Plus in 1995 and 1996 should be extraordinary revenue to Pro Plus. On this basis, the Slovenian authorities claim that Pro Plus made a profit in 1995 and 1996 for which it owes income taxes and interest. Additionally, the Slovenian tax authorities claim that the fixed assets imported as capital contributions were subject to customs duties, which were not paid. On February 9, 2001, the Slovenian tax authorities concluded that the cash capital contributions for 1995 and 1996 were not extraordinary income. This has reduced the assessment to an amount equivalent to EUR 2.7 million (approximately US\$ 4.0 million) in aggregate principal amount. Pro Plus appealed this decision to the Administrative Court in Ljubljana and requested the tax authorities to defer the demand for payment until a final judgment has been issued, and the tax authorities have so agreed. On April 18, 2005, the Administrative Court issued a decision in favor of Pro Plus and dismissed the claims of the tax authorities. The tax authorities filed an appeal with the Slovenian Supreme Court in May 2005, which was denied the appeal in June 2007. The Slovenian Supreme Court remanded the case back to the Slovenian tax authorities, who withdrew the assessment.

#### **V (f) Off-Balance Sheet Arrangements**

None.

#### **VI. 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 are believed to be reasonable under the circumstances, the results of which form the basis of making 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 produced locally and forms 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. Program rights are amortized on a systematic basis over their expected useful lives. Both films and series are amortized as shown 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 and for those with a three-run license, we amortize 60% on the first run, 30% on the second run and 10% on the third run. The program library is evaluated at least annually 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.

*Goodwill and intangible assets*

In accordance with FASB Statement No. 141, "Business Combinations," 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 had made different estimates and assumptions, the valuations of identifiable intangible assets could have changed, and the amount of purchase price attributable to these assets could have changed, and led to a 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 assess the carrying value of intangible assets with indefinite lives and goodwill 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 operating segments or changes in projected results, changes in the manner of utilization of the asset, 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 are performed at the reporting unit level. If potential for goodwill impairment exists, 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. Determination of a reporting unit requires judgment, and if we were to change our business structure we could change the number and nature of the reporting units we use to assess potential impairment. An impairment loss is recognized for any excess of the carrying value of the reporting unit's goodwill over the implied fair value.

The fair value of goodwill is determined using an income methodology estimating projected future cash flows related to each reporting unit, which we determine to be our business segments (Croatia, Czech Republic, Romania, Slovak Republic, Slovenia, Ukraine (Studio 1+1) and Ukraine (Kino and Citi)). These projected future cash flows are discounted back to the valuation date. Significant assumptions inherent in the methodology employed 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.

A change in these assumptions resulting in an hypothetical 10% decrease to the fair values of each reporting unit would not result in any of our reporting units having a fair value that is less than the carrying value of the reporting unit on our balance sheet in 2007. If fair value were less than carrying value, we would be required to record a charge for the impairment of goodwill related to the impaired reporting unit. We recognized impairment losses during 2006 and 2005 in our Croatia operations.

#### *Impairment or disposal of long-lived assets*

Long-lived assets, such as property, plant and equipment and intangible assets subject to amortization, including customer relationships and certain broadcast licenses, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Factors that are considered important which could trigger an impairment review include the following: significant underperformance relative to expected historical or projected future operating results, significant changes in the nature, manner or use of the acquired assets or the strategy for the overall business, and significant negative industry or economic trends.

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.

Assets to be disposed are required to be separately presented in the Consolidated Balance Sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held-for-sale are required to be presented separately in the appropriate asset and liability sections of the Consolidated Balance Sheets.

Reviewing long-lived assets for impairment requires considerable judgment. Estimating the future cash flows requires significant judgment. 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.

#### *Revenue Recognition*

Net revenues primarily comprise revenues from the sale of advertising time less discounts and agency commissions. 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. 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 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 periodically review the accounts receivable balances 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.

The realization of our deferred tax assets is primarily dependent on future earnings. 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.

*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 operations in Romania and Ukraine, which account for approximately 41% of our 2007 consolidated revenues, and 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 recognized a transaction gain of US\$ 38.0 million in 2005 and transaction losses of US\$ 44.9 and US\$ 34.4 million in 2006 and 2007 respectively, largely as a result of the change in the dollar value of our Euro-denominated Senior Notes.

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 Shareholders' Equity.

Determination of the functional currency of an entity requires considerable management judgment, which is essential and paramount in 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.

On May 2, 2005, we made a loan of US\$ 465.5 million to a 100% wholly-owned subsidiary holding our operations in the Czech Republic. This loan was converted to CZK 11,425 million during the second quarter of 2005 and CZK 738 million (US\$ 30.5 million at the date of conversion) of this balance was capitalized as equity on August 25, 2005. The loan has a balance of CZK 10,687 million (US\$ 591.2 million) as at December 31, 2007.

During the year ended December 31, 2007, a foreign exchange adjustment of US\$ 79.2 million arose on inter-company foreign currency transactions, primarily consisting of this inter-company loan. As these transactions are long-term in nature as contemplated by FASB Statement No. 52 "Foreign Currency Translation" paragraph 20(b), the foreign exchange adjustments are reported in the same manner as translation adjustments in "Other Comprehensive Income", a separate component of equity. Foreign exchange adjustments on inter-company transactions that are not long-term in nature are included in our determination of net income, and accordingly if we determined that the loan was no longer long-term in nature we would be required to record subsequent foreign exchange adjustments as income or expense in our Consolidated Statement of Operations.

#### *Contingencies*

We are currently involved in certain legal proceeding and, as required, accrue our estimate of the probable costs for the resolution for these claims. These estimates have been 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 20, "Commitments and Contingencies" for more detailed information on litigation exposure.

#### *Recent Accounting Pronouncements*

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 addresses the need for increased consistency in fair value measurements, defining fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a framework for measuring fair value and expands disclosure requirements.

FAS 157 was to be effective in its entirety for fiscal years beginning after November 15, 2008, however in February 2008, the FASB issued FASB Staff Position No. FSP FAS 157-2 "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2") which deferred the effective date of certain elements of FAS 157 to fiscal years beginning November 15, 2008. Under FSP FAS 157-2, application of FAS 157 may be deferred until fiscal years beginning after November 15, 2008 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. We do not expect that the adoption of those parts of FAS 157 not deferred by FSP FAS 157-2 will result in a material impact on our financial position and results of operations.

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159"). FAS 159 gives entities the option to prospectively measure many financial instruments and certain other items at fair value in the balance sheet with changes in the fair value recognized in the income statement. FAS 159 is effective for fiscal years beginning after November 15, 2008, although entities may elect to adopt the statement early. We do not currently expect to elect to use the fair value option for any currently recognized assets or liabilities and therefore we do not expect that the adoption of FAS 159 will result in a material impact on our financial position and results of operations.

In December 2007, the FASB issued FASB Statement No. 141(R), "Business Combinations" ("FAS 141(R)"), which establishes principles and requirements for how the acquirer: (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141(R) requires contingent consideration to be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value to be recognized in earnings until settled. FAS 141(R) also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as part of the cost of the acquisition. FAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We are currently evaluating the impact this statement will have on our financial position and results of operations.

In December 2007, the FASB issued FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51" ("FAS 160"), which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. FAS 160 also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. FAS 160 also provides guidance when a subsidiary is deconsolidated and requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. FAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We are currently evaluating the impact this statement will have on our financial position and results of operations.

In December 2007, the SEC issued Staff Accounting Bulletin No. 110 Section D.2 of Topic 14 "Year-End Help for Expensing Employee Stock Options." SAB 110 allows the continued use of the "simplified" method in developing an estimate of the expected term of "plain vanilla" stock options beyond December 31, 2007 and is effective from January 1, 2008. We have continued to use the simplified method and therefore we do not expect the adoption of SAB 110 will result in any impact on our financial position or results of operations.

## ***VII. Related party matters***

### ***Overview***

There is a limited local market for many specialist television services in the countries in which we operate, many of which are provided by parties known to be connected to our local shareholders. As stated in FAS 57 "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 will 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 in which we are aware of a 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 21 "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 effects of changes in foreign currency, exchange rates and interest rates. We do not regularly engage in speculative transactions, nor do we regularly hold or issue financial instruments for trading purposes.

**Foreign Currency Exchange Risk Management**

We conduct business in a number of foreign currencies and our Senior Notes are denominated in Euros. 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 certain 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 and therefore may continue to experience significant gains and losses on the translation of the Senior Notes into dollars due to movements in exchange rates between the Euro and the dollar.

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\$ 591.9 million), payable on July 15, October 15, January 15, and April 15, to the termination date of April 15, 2012, for a fixed annual coupon interest rate (of 9.0%) on EUR 375.9 million (approximately US\$ 553.4 million) receivable on July 15, October 15, January 15, and April 15, to the termination date of April 15, 2012.

The fair value of these financial instruments as at December 31, 2007 was a liability of US\$ 16.2 million (2006: US\$ 12.5 million).

These currency swap agreements reduce our exposure to movements in foreign exchange rates on a part of the CZK-denominated cash flows generated by our Czech Republic operations that is approximately equivalent in value to the EUR-denominated interest payments on our Senior Notes (see Item 8, Note 6, "Senior Notes"). They are financial instruments that 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 as defined under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", and so changes in their fair value are recorded in the consolidated statement of operations and in the consolidated balance sheet in other non-current liabilities.

**Interest Rate Risk Management**

As at December 31, 2007, we have four tranches of debt that provide for interest at a spread above a base rate of EURIBOR or PRIBOR, and four tranches of debt, which were maintained with a fixed interest rate. A significant rise in the EURIBOR or PRIBOR base rate would have an adverse effect on our business and results of operations.

Interest Rate Table as at December 31, 2007

Expected Maturity Dates	2008	2009	2010	2011	2012	Thereafter
<i>Total Debt in Euro (000's)</i>						
Fixed Rate	-	-	-	-	245,000	-
Average Interest Rate	-	-	-	-	8.25%	-
Variable Rate	479	-	-	-	-	150,000
Average Interest Rate	9.04%	-	-	-	-	6.20%
<i>Total Debt in US\$ (000's)</i>						
Fixed Rate	-	1,700	-	-	-	-
Average Interest Rate	-	9.00%	-	-	-	-
<i>Total Debt in CZK (000's)</i>						
Variable Rate	250,000	-	-	-	-	-
Average Interest Rate	5.59%	-	-	-	-	-

Variable Interest Rate Sensitivity as at December 31, 2007

Value of Debt as at December 31, 2007 (US\$ 000's)	Interest Rate as at December 31, 2007	Yearly Interest Charge (US\$ 000's)	Yearly interest charge if interest rates increase by (US\$ 000s):				
			1%	2%	3%	4%	5%
221,498 (EUR 150.5 million)	6.20%	13,733	15,948	18,163	20,378	22,593	24,808
13,829 (CZK 250.0 million)	5.59%	773	911	1,050	1,188	1,326	1,464
<b>Total</b>		<b>14,506</b>	<b>16,859</b>	<b>19,213</b>	<b>21,566</b>	<b>23,919</b>	<b>26,272</b>



**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, 2007 and 2006, and the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. 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, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, 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, present 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, 2007, 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 28, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

London, United Kingdom

February 28, 2008

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**(US\$ 000's)**

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 142,826	\$ 145,904
Restricted cash (Note 7)	1,286	4,954
Accounts receivable (net of allowance) (Note 8)	225,037	152,505
Income taxes receivable	1,234	3,053
Program rights, net	77,112	59,645
Other current assets (Note 9)	82,329	47,555
<b>Total current assets</b>	<b>529,824</b>	<b>413,616</b>
<b>Non-current assets</b>		
Investments (Note 5)	16,559	19,214
Property, plant and equipment, net (Note 10)	180,311	115,805
Program rights, net	108,362	76,638
Goodwill (Note 4)	1,114,347	905,580
Broadcast licenses, net (Note 4)	237,926	198,730
Other intangible assets, net (Note 4)	135,732	71,942
Other non-current assets (Note 9)	15,374	17,475
<b>Total non-current assets</b>	<b>1,808,611</b>	<b>1,405,384</b>
<b>Total assets</b>	<b>\$ 2,338,435</b>	<b>\$ 1,819,000</b>

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

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**  
**CONSOLIDATED BALANCE SHEETS (continued)**  
**(US\$ 000's)**

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	\$ 156,324	\$ 119,717
Duties and other taxes payable	29,945	31,707
Income taxes payable	27,705	12,434
Credit facilities and obligations under capital leases (Note 12)	15,090	13,057
Dividends payable to minority shareholders in subsidiaries	1,226	-
Deferred consideration – Croatia	-	4,010
Deferred consideration – Ukraine	-	200
Deferred consideration – Romania	2,208	-
Deferred tax	272	1,836
<b>Total current liabilities</b>	<b>232,770</b>	<b>182,961</b>
<b>Non-current liabilities</b>		
Credit facilities and obligations under capital leases (Note 12)	5,862	6,359
Senior Notes (Note 6)	581,479	487,291
Income taxes payable	2,495	3,000
Deferred tax	73,340	58,092
Other non-current liabilities	19,527	19,342
<b>Total non-current liabilities</b>	<b>682,703</b>	<b>574,084</b>
Commitments and contingencies (Note 20)		
<b>Minority interests in consolidated subsidiaries</b>	<b>23,155</b>	<b>26,189</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Nil shares of Preferred Stock of US\$ 0.08 each (December 31, 2006 – nil)	-	-
36,003,198 shares of Class A Common Stock of US\$ 0.08 each (December 31, 2006 – 34,412,138)	2,880	2,753
6,312,839 shares of Class B Common Stock of US\$ 0.08 each (December 31, 2006 – 6,312,839)	505	505
Additional paid-in capital	1,051,336	931,108
Retained Earnings / (Accumulated deficit)	53,619	(31,730)
Accumulated other comprehensive income	291,467	133,130
<b>Total shareholders' equity</b>	<b>1,399,807</b>	<b>1,035,766</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,338,435</b>	<b>\$ 1,819,000</b>

*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 Ended December 31,		
	2007	2006	2005
<b>Net revenues</b>	<b>\$ 839,991</b>	<b>\$ 603,115</b>	<b>\$ 400,978</b>
Operating costs	117,959	90,060	65,138
Cost of programming	330,303	227,509	148,837
Depreciation of station property, plant & equipment	33,294	25,795	16,367
Amortization of broadcast licenses and other intangibles (Note 4)	24,984	18,813	11,180
<b>Cost of revenues</b>	<b>506,540</b>	<b>362,177</b>	<b>241,522</b>
Station selling, general and administrative expenses	72,034	65,412	46,382
Corporate operating costs	55,373	34,104	25,547
Impairment charge (Note 4)	-	748	35,331
<b>Operating income</b>	<b>206,044</b>	<b>140,674</b>	<b>52,196</b>
Interest income	5,728	6,365	4,124
Interest expense	(54,999)	(44,228)	(29,387)
Foreign currency exchange (loss) / gain, net	(34,441)	(44,908)	37,968
Change in fair value of derivatives	(3,703)	(12,539)	-
Other income / (expense)	7,891	3,038	(4,705)
<b>Income before provision for income taxes, minority interest, equity in income of unconsolidated affiliates and discontinued operations</b>	<b>126,520</b>	<b>48,402</b>	<b>60,196</b>
Provision for income taxes (Note 15)	(20,795)	(14,962)	(16,691)
<b>Income before minority interest, equity in income of unconsolidated affiliates and discontinued operations</b>	<b>105,725</b>	<b>33,440</b>	<b>43,505</b>
Minority interest in income of consolidated subsidiaries	(17,157)	(13,602)	(8,908)
Equity in (loss) / income of unconsolidated affiliates (Note 5)	-	(730)	8,238
Gain on sale of unconsolidated affiliate (Note 5)	-	6,179	-
<b>Net income from continuing operations</b>	<b>88,568</b>	<b>25,287</b>	<b>42,835</b>
<b>Discontinued operations (Note 19):</b>			
Pre-tax income from discontinued operations (Czech Republic)	-	-	164
Tax on disposal of discontinued operations (Czech Republic)	-	(4,863)	(677)
<b>Net loss from discontinued operations</b>	<b>-</b>	<b>(4,863)</b>	<b>(513)</b>
<b>Net income</b>	<b>\$ 88,568</b>	<b>\$ 20,424</b>	<b>\$ 42,322</b>
Currency translation adjustment, net	158,825	157,524	(33,354)
Obligation to repurchase shares (Note 13)	(488)	-	-
<b>Total comprehensive income</b>	<b>\$ 246,905</b>	<b>\$ 177,948</b>	<b>\$ 8,968</b>

*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)**

	<b>For the Years Ended December 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>PER SHARE DATA (Note 17):</b>			
<i>Net income / (loss) per share:</i>			
Continuing operations – Basic	\$ 2.14	\$ 0.63	\$ 1.24
Continuing operations – Diluted	2.12	0.62	1.21
Discontinued operations – Basic	-	(0.12)	(0.01)
Discontinued operations – Diluted	-	(0.12)	(0.01)
Net income – Basic	2.14	0.51	1.22
Net income – Diluted	\$ 2.12	\$ 0.50	\$ 1.19
<i>Weighted average common shares used in computing per share amounts (000's):</i>			
Basic	41,384	40,027	34,664
Diluted	41,833	40,600	35,430

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

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**(US\$ 000's)**

	<u>Class A Common Stock</u>		<u>Class B Common Stock</u>		Additional Paid-In Capital	Retained Earnings / (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
	Number of shares	Par value	Number of shares	Par value				
<b>BALANCE, January 1, 2005</b>	<b>21,049,400</b>	<b>\$ 1,684</b>	<b>7,334,768</b>	<b>\$ 587</b>	<b>\$ 394,313</b>	<b>\$ (94,476)</b>	<b>\$ 8,960</b>	<b>\$ 311,068</b>
Stock-based Compensation	-	-	-	-	3,127	-	-	3,127
Shares issued to PPF	3,500,000	280	-	-	120,603	-	-	120,883
Shares issued, net of fees	5,405,000	432	-	-	230,172	-	-	230,604
Stock options exercised	710,359	57	-	-	5,846	-	-	5,903
Conversion of Class B to Class A Common Stock	368,235	29	(368,235)	(29)	-	-	-	-
Net income	-	-	-	-	-	42,322	-	42,322
Currency translation adjustment	-	-	-	-	-	-	(33,354)	(33,354)
<b>BALANCE, December 31, 2005</b>	<b>31,032,994</b>	<b>\$ 2,482</b>	<b>6,966,533</b>	<b>\$ 558</b>	<b>\$ 754,061</b>	<b>\$ (52,154)</b>	<b>\$ (24,394)</b>	<b>\$ 680,553</b>
Stock-based Compensation	-	-	-	-	4,898	-	-	4,898
Shares issued, net of fees	2,530,000	202	-	-	168,452	-	-	168,654
Stock options exercised	95,450	8	100,000	8	3,697	-	-	3,713
Conversion of Class B to Class A Common Stock	753,694	61	(753,694)	(61)	-	-	-	-
Net income	-	-	-	-	-	20,424	-	20,424
Currency translation adjustment	-	-	-	-	-	-	157,524	157,524
<b>BALANCE, December 31, 2006</b>	<b>34,412,138</b>	<b>\$ 2,753</b>	<b>6,312,839</b>	<b>\$ 505</b>	<b>\$ 931,108</b>	<b>\$ (31,730)</b>	<b>\$ 133,130</b>	<b>\$ 1,035,766</b>
Impact of adoption of FIN 48	-	-	-	-	-	(3,219)	-	(3,219)
<b>BALANCE, upon the adoption of FIN 48</b>	<b>34,412,138</b>	<b>\$ 2,753</b>	<b>6,312,839</b>	<b>\$ 505</b>	<b>\$ 931,108</b>	<b>\$ (34,949)</b>	<b>\$ 133,130</b>	<b>\$ 1,032,547</b>
Stock-based compensation	-	-	-	-	6,402	-	-	6,402
Shares issued, net of fees	1,275,227	102	-	-	109,751	-	-	109,853
Stock options exercised	315,833	25	-	-	4,075	-	-	4,100
Net income	-	-	-	-	-	88,568	-	88,568
Currency translation adjustment	-	-	-	-	-	-	158,825	158,825
Obligation to repurchase shares (Note 13)	-	-	-	-	-	-	(488)	(488)
<b>BALANCE, December 31, 2007</b>	<b>36,003,198</b>	<b>\$ 2,880</b>	<b>6,312,839</b>	<b>\$ 505</b>	<b>\$ 1,051,336</b>	<b>\$ 53,619</b>	<b>\$ 291,467</b>	<b>\$ 1,399,807</b>

*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)**

	<b>For the Years Ended December 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Net income</b>	<b>\$ 88,568</b>	<b>\$ 20,424</b>	<b>\$ 42,322</b>
Adjustments to reconcile net income to net cash generated from operating activities:			
Loss from discontinued operations (Note 19)	-	4,863	513
Equity in income of unconsolidated affiliates, net of dividends received	-	730	3,454
Gain on sale of unconsolidated affiliate (Note 5)	-	(6,179)	-
Depreciation and amortization	255,118	164,479	110,846
Impairment charge (Note 4)	-	748	35,331
Loss on disposal of fixed assets	-	1,292	685
Stock-based compensation (Note 16)	5,734	3,575	3,127
Minority interest in income of consolidated subsidiaries	17,157	13,602	8,908
Change in fair value of derivative instruments (Note 13)	3,703	12,539	-
Foreign currency exchange loss / (gain), net	34,441	44,908	(37,968)
Net change in (net of effects of acquisitions and disposals of businesses):			
Accounts receivable	(57,270)	(42,270)	1,693
Program rights	(255,147)	(173,345)	(110,364)
Other assets	(4,495)	(6,417)	11,989
Other accounts payable and accrued liabilities	7,882	16,908	(55,248)
Income taxes payable	15,423	(1,697)	9,597
Deferred taxes	(2,303)	9,705	(17,271)
VAT and other taxes payable	(5,941)	9,530	(4,070)
<b>Net cash generated from continuing operating activities</b>	<b>102,870</b>	<b>73,395</b>	<b>3,544</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>			
Net change in restricted cash	(440)	5,516	(19,521)
Purchase of property, plant and equipment	(81,463)	(60,387)	(26,548)
Proceeds from disposal of property, plant and equipment	570	19	125
Investments in subsidiaries and unconsolidated affiliates	(156,535)	(72,603)	(35,305)
Partial consideration for acquisition of TV Nova (Czech Republic) group	-	-	(218,054)
Repayment of loans and advances to related parties	450	500	500
<b>Net cash used in continuing investing activities</b>	<b>(237,418)</b>	<b>(126,955)</b>	<b>(298,803)</b>

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

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

	<b>For the Years Ended December 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net proceeds from issuance of Senior Notes	199,400	-	465,120
Proceeds from credit facilities	177,515	36,681	65,902
Payment of credit facilities and capital leases	(182,391)	(75,263)	(41,243)
Redemption of Senior Notes	(169,010)	-	-
Repayment of loans from unconsolidated affiliates	-	-	(5,827)
Repayment of notes for acquisition of TV Nova (Czech Republic) group	-	-	(491,703)
Repayment of liabilities on acquisition of Galaxie Sport	-	-	(3,000)
Excess tax benefits from share-based payment arrangements	668	-	-
Proceeds from exercise of stock options	4,100	3,713	5,903
Issuance of Class A Common Stock	109,853	168,654	230,604
Dividends paid to minority shareholders	(4,605)	(1,385)	(397)
<b>Net cash received from financing activities</b>	<b>135,530</b>	<b>132,400</b>	<b>225,359</b>
<b>NET CASH USED IN DISCONTINUED OPERATIONS-OPERATING</b>	<b>(2,164)</b>	<b>(1,690)</b>	<b>(2,000)</b>
<b>Impact of exchange rate fluctuations on cash</b>	<b>(1,896)</b>	<b>(2,904)</b>	<b>(9,010)</b>
Net (decrease) / increase in cash and cash equivalents	(3,078)	74,246	(80,910)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>145,904</b>	<b>71,658</b>	<b>152,568</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 142,826</b>	<b>\$ 145,904</b>	<b>\$ 71,658</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid for interest	\$ 46,313	\$ 41,038	\$ 19,402
Cash paid for income taxes (net of refunds)	\$ 40,903	\$ 35,831	\$ 10,066
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:</b>			
Exchange of 3.5 million shares of Class A Common Stock to acquire the TV Nova (Czech Republic) group	-	\$ -	\$ 120,883
Notes taken out to acquire TV Nova (Czech Republic) group	-	\$ -	\$ 491,703
Exchange of Other receivable in connection with acquiring the TV Nova (Czech Republic) group	-	\$ -	\$ 18,541
Purchase of Krsak interest in the TV Nova (Czech Republic) group financed with payable	-	\$ 27,591	\$ 24,683
Acquisition of property, plant and equipment under capital lease	\$ 136	\$ 702	\$ 4,967

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



**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Tabular amounts in US\$ 000's, except share data)**

**1. ORGANIZATION AND BUSINESS**

Central European Media Enterprises Ltd., a Bermuda corporation, was formed in June 1994. Our assets are held through a series of Dutch and Netherlands Antilles holding companies. We invest in, develop and operate national and regional commercial television stations and channels in Central and Eastern Europe. At December 31, 2007, we have operations in Croatia, the Czech Republic, Romania, the Slovak Republic, Slovenia and Ukraine.

Our principal subsidiaries, equity-accounted affiliates and cost investments as at December 31, 2007 were:

<b>Company Name</b>	<b>Effective Voting Interest</b>	<b>Jurisdiction of Organization</b>	<b>Type of Affiliate (1)</b>
Nova TV d.d. ("Nova TV (Croatia)")	100.0%	Croatia	Subsidiary
Operativna Kompanija d.o.o. ("OK")	100.0%	Croatia	Subsidiary
Media House d.o.o.	100.0%	Croatia	Subsidiary
Internet Dnevnik d.o.o.	76.0%	Croatia	Subsidiary
CME Media Investments s r.o.	100.0%	Czech Republic	Subsidiary
VILJA a.s. ("Vilja")	100.0%	Czech Republic	Subsidiary
CET 21 spol. s r.o. ("CET 21")	100.0%	Czech Republic	Subsidiary
MEDIA CAPITOL, a.s.	100.0%	Czech Republic	Subsidiary
HARTIC a.s.	100.0%	Czech Republic	Subsidiary
Galaxie sport, s r.o. ("Galaxie Sport")	100.0%	Czech Republic	Subsidiary
CME Slovak Holdings B.V.	100.0%	Netherlands	Subsidiary
CME Romania B.V.	100.0%	Netherlands	Subsidiary
Media Pro International S.A. ("MPI")	95.0%	Romania	Subsidiary
Media Vision SRL ("Media Vision")	95.0%	Romania	Subsidiary
MPI Romania B.V.	95.0%	Netherlands	Subsidiary
Pro TV S.A. ("Pro TV")	95.0%	Romania	Subsidiary
Sport Radio TV Media SRL ("Sport.ro")	95.0%	Romania	Subsidiary
Media Pro Management S.A.	8.7%	Romania	Cost investment
Media Pro B.V.	10.0%	Netherlands	Cost investment
Music Television System S.R.L. ("MTS")	95.0%	Romania	Subsidiary
A.R.J., a.s. ("ARJ")	100.0%	Slovak Republic	Subsidiary
Markiza-Slovakia spol. s r.o. ("Markiza")	100.0%	Slovak Republic	Subsidiary
GAMATEX spol. s r.o.	100.0%	Slovak Republic	Subsidiary (in liquidation)
A.D.A.M. a.s.	100.0%	Slovak Republic	Subsidiary (in liquidation)
Media Invest, spol s.r.o. ("Media Invest")	100.0%	Slovak Republic	Subsidiary

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Tabular amounts in US\$ 000's, except share data)**

Company Name	Effective Voting Interest	Jurisdiction of Organization	Type of Affiliate (1)
MMTV 1 d.o.o.	100.0%	Slovenia	Subsidiary
Produkcija Plus d.o.o. ("Pro Plus")	100.0%	Slovenia	Subsidiary
POP TV d.o.o. ("Pop TV")	100.0%	Slovenia	Subsidiary
Kanal A d.o.o. ("Kanal A")	100.0%	Slovenia	Subsidiary
Euro 3 TV d.o.o.	42.0%	Slovenia	Equity-Accounted Affiliate
Fit & Fun d.o.o.	100.0%	Slovenia	Subsidiary
International Media Services Ltd. ("IMS")	60.0%	Bermuda	Subsidiary
CME Ukraine Holding GmbH	100.0%	Austria	Subsidiary
Innova Film GmbH ("Innova")	60.0%	Germany	Subsidiary
CME Cyprus Holding Ltd.	100.0%	Cyprus	Subsidiary
TV Media Planet Ltd. ("TV Media Planet")	60.0%	Cyprus	Subsidiary
Foreign Enterprise "Inter-Media" ("Inter-Media")	60.0%	Ukraine	Subsidiary
Studio 1+1 LLC ("Studio 1+1")	60.0%	Ukraine	Subsidiary
Ukrainian Media Services LLC	99.9%	Ukraine	Subsidiary
Ukpromtorg-2003 LLC ("Ukpromtorg")	65.5%	Ukraine	Subsidiary
Gravis LLC ("Gravis")	60.4%	Ukraine	Subsidiary
Delta JSC	60.4%	Ukraine	Subsidiary
Nart LLC	65.5%	Ukraine	Subsidiary
TV Stimul LLC	49.1%	Ukraine	Equity-Accounted Affiliate
Tor LLC ("Tor")	60.4%	Ukraine	Subsidiary
Zhysa LLC ("Zhysa")	60.4%	Ukraine	Subsidiary
Central European Media Enterprises N.V.	100.0%	Netherlands Antilles	Subsidiary
Central European Media Enterprises II B.V.	100.0%	Netherlands Antilles	Subsidiary
CME Media Enterprises B.V.	100.0%	Netherlands	Subsidiary
CME Development Corporation	100.0%	Delaware (USA)	Subsidiary
CME SR d.o.o.	100.0%	Serbia	Subsidiary
CME Czech Republic II B.V.	100.0%	Netherlands	Subsidiary

(1) All subsidiaries have been consolidated in our Consolidated Financial Statements. All equity-accounted affiliates have been accounted for using the equity method. All cost investments have been accounted for using the cost method.

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tabular amounts in US\$ 000's, except share data)**

**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.

The significant accounting policies are summarized as follows:

**Basis of Presentation**

The consolidated financial statements include the accounts of Central European Media Enterprises Ltd. and our subsidiaries, after the elimination of intercompany accounts and transactions. We consolidate the financial statements of entities in which we hold at least a majority voting interest and also those entities which are deemed to be a Variable Interest Entity of which we are the primary beneficiary as defined by FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN 46 (R)"). 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.

**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.

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 certain 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.

*Subscription revenues*

Subscriber fees receivable 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.

*Program distribution revenue*

Program distribution revenue is recognized when the relevant agreement has been entered into, the product is available for delivery, collectability of the cash is reasonably assured and all of our contractual obligations have been satisfied.

*Barter transactions*

Barter transactions represent advertising time exchanged for non-cash goods and/or services, such as promotional items, advertising, supplies, equipment and services. Revenue from barter transactions is recognized as income when advertisements are broadcast. 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\$ 5.1 million, US\$ 8.2 million and US\$ 7.0 million for the years ending December 31, 2007, 2006 and 2005, respectively.

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tabular amounts in US\$ 000's, except share data)**

**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:

<b>Asset category</b>	<b>Estimated useful life</b>
Land	Indefinite
Buildings	25 years
Station 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 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.

In accordance with FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"), 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.

No impairment has been recognized for any long-lived assets in 2007, 2006, or 2005.

**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.

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Tabular amounts in US\$ 000's, except share data)**

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.

Program rights are amortized on a systematic basis over their expected useful lives, depending on their categorization. The appropriateness of the amortization profiles are reviewed regularly and are as follows:

Type of programming	Amortization %				
	Run 1	Run 2	Run 3	Run 4	Run 5
Special blockbuster	30%	25%	20%	15%	10%
Films and series, 2 runs	65%	35%	-	-	-
Films and series, 3 runs	60%	30%	10%	-	-
Long-run series, Ukraine	85%	15%	-	-	-
Concerts, documentaries, film about film, etc.	100%	-	-	-	-

A "special blockbuster" must meet specific requirements to be classified as such, while the number of runs in other films and series is generally described in the license agreement.

During the fourth quarter of 2007, we conducted a comprehensive examination of the appropriateness of our program rights policy. This review included a comprehensive review of the relative value generated by all runs in past periods. We concluded that the existing allocation for films and series of 65% on showing the first run and 35% on showing the second run was still appropriate with one exception. Past performance showed that locally-produced series with more than 60 episodes in Ukraine generated less value on the second run. Consequently, from October 1, 2007 these titles were amortized 85% on showing the first run and 15% on showing the second run. The impact on this change is a higher amortization charge of approximately US\$ 6.1 million for the year 2007. Had we continued with our policy to amortize long-run series in Ukraine by 65% on the first run and 35% on the second run from October 1, 2007 to December 31, 2007 our net income, basic net income per common share and diluted net income per common share would have increased to US\$ 94.6 million, US\$ 2.29 and US\$ 2.26 respectively.

***Produced program rights***

Program rights that are produced by us are stated at the lower of cost less accumulated amortization or net realizable value. The amortization charge is based on the ratio of the current period's gross revenues to estimated remaining total gross revenues from such programs. 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.

Produced program rights are classified as current or non-current assets based on anticipated usage.

**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. In accordance with FASB Statement No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"), the carrying value of goodwill is evaluated for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. We evaluate 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. Potential impairment is identified when the carrying value of a reporting unit (including its goodwill), exceeds its fair value. Goodwill impairment is measured as the excess of the carrying value of goodwill over its implied fair value. In accordance with FAS 142, we have determined that our reporting units are the same as our operating segments.

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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;
- 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;
- we have not experienced any historical evidence of a compelling challenge to our holding these licenses; and
- we do not foresee that the technology used to exploit these licenses will undergo significant changes in the foreseeable future.

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. Under FAS 142, an impairment loss is recognized if the carrying value of an indefinite-lived intangible asset exceeds its fair value.

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.

**Income Taxes**

We account for income taxes under the asset and liability method as set out in FASB Statement No. 109, "Accounting for Income Taxes." 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. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more likely than not to be realized.

On January 1, 2007, we adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in tax positions. The evaluation of a tax position under FIN 48 is a two-step process. The first step is recognition: Tax positions taken or expected to be taken in a tax return should be recognized only if those positions are more likely than not to be sustained upon examination, based on the technical merits of the position. In evaluating whether a tax position has met the more likely than not recognition threshold, it should be presumed that the position will be examined by the relevant taxing authority and that they would have full knowledge of all relevant information. The second step is measurement: Tax positions that meet the recognition criteria are measured at the largest amount of benefit that is greater than 50 percent likely of being recognized upon ultimate settlement.

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**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 Shareholders' Equity. Translation adjustments arising from intercompany financing that is a long-term investment in nature is accounted for in a similar manner. At December 31, 2007, a translation gain of US\$ 79.2 million (December 31, 2006: a gain of US\$ 77.3 million) related to intercompany financing that is a long-term investment in nature is included in Accumulated Other Comprehensive Income.

*Transactions in foreign currencies*

Gains and losses from foreign currency transactions are included in Foreign currency exchange (loss)/gain, in the Consolidated Statement of Operations in the period during which they arise.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**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 charged to expense on a straight-line basis.

**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 Notes is included in Note 6, "Senior Notes".

*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.

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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.

*Put options and obligations to repurchase shares*

Put options written on the stock of a consolidated subsidiary which do not provide net settlement and obligations to repurchase our shares by transferring assets are accounted for in accordance with FASB Statement No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FAS 150") and EITF No. 00-6 "Accounting for Freestanding Derivative Financial Instruments Indexed to, and Potentially Settled in the Stock of a Consolidated Subsidiary" where applicable. These instruments are recorded in the Consolidated Balance Sheet at fair value. At December 31, 2007 the fair value of put options are considered to be US\$ nil (2006: US\$ nil) and the fair value of obligations to repurchase shares is US\$ 0.5 million (2006: US\$ nil). See Note 13 "Financial Instruments".

**Stock-Based Compensation**

On January 1, 2006, we adopted FASB Statement No. 123(R), "Share-Based Payment" ("FAS 123(R)"), which requires the recognition of stock-based compensation at fair value, using the modified prospective transition method. Under that method, we recognized compensation cost for the requisite service rendered in the year ended December 31, 2006, for (a) awards granted prior to, but not vested as of, January 1, 2006, based on the grant-date fair value of those awards as calculated for either recognition or pro forma disclosures under FAS 123, Accounting for Stock-Based Compensation ("FAS 123") and (b) awards granted after January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of FAS 123(R). We did not restate prior periods. Our adoption of FAS 123(R) did not have a material impact on our Consolidated Statements of Operations or Cash Flows because we had previously adopted the fair value recognition provisions of FAS 123 prospectively for employee stock option awards granted, modified, or settled beginning January 1, 2003, as contemplated by FAS 148, "Accounting for Stock-Based Compensation - Transition & Disclosure". Prior to January 1, 2003, we used the intrinsic method of accounting as defined in APB 25, "Accounting for Stock Issued to Employees".

**Pro Forma Disclosures**

Had compensation costs for employee stock option awards granted, modified or settled prior to January 1, 2003 been determined consistent with the fair value approach required by FAS 123(R) for the year ended December 31, 2005, using the Black-Scholes option pricing model with the assumptions as estimated on the date of each grant, our net income and net income per common share would change on a pro forma basis as follows:



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		<b>For the year ended December, 31 2005</b>
<b>Net income</b>	<b>As Reported</b>	<b>\$ 42,322</b>
Add: Stock-based compensation expense included in reported net income, net of related tax effects	As Reported	3,127
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	Pro Forma Expense	(3,196)
<b>Net income</b>	<b>Pro Forma</b>	<b>\$ 42,253</b>
Net income per share – Basic:	As Reported	\$ 1.22
	Pro Forma	\$ 1.22
Net income per share - Diluted:	As Reported	\$ 1.19
	Pro Forma	\$ 1.19

### Contingencies

Contingencies are recorded in accordance with FASB Statement No. 5, "Accounting for 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.

### 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. 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.

During 2003, we disposed of our former operations in the Czech Republic; all results of this disposal have been treated as discontinued operations (see Note 19, "Discontinued Operations").

### Advertising Costs

Advertising costs are expensed as incurred. Advertising expense incurred for the years ending December 31, 2007, 2006 and 2005 totaled US\$ 11.8 million, US\$ 10.2 million and US\$ 6.6 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.

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**Recent Accounting Pronouncements**

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 addresses the need for increased consistency in fair value measurements, defining fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a framework for measuring fair value and expands disclosure requirements.

FAS 157 was to be effective in its entirety for fiscal years beginning after November 15, 2008, however in February 2008, the FASB issued FASB Staff Position No. FSP FAS 157-2 "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2") which deferred the effective date of certain elements of FAS 157 to fiscal years beginning November 15, 2008. Under FSP FAS 157-2, application of FAS 157 may be deferred until fiscal years beginning after November 15, 2008 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. We do not expect that the adoption of those parts of FAS 157 not deferred by FSP FAS 157-2 will result in a material impact on our financial position and results of operations.

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159"). FAS 159 gives entities the option to prospectively measure many financial instruments and certain other items at fair value in the balance sheet with changes in the fair value recognized in the income statement. FAS 159 is effective for fiscal years beginning after November 15, 2008, although entities may elect to adopt the statement early. We do not currently expect to elect to use the fair value option for any currently recognized assets or liabilities, therefore we do not expect that the adoption of FAS 159 will result in a material impact on our financial position and results of operations.

In December 2007, the FASB issued FASB Statement No. 141(R), "Business Combinations" ("FAS 141(R)"), which establishes principles and requirements for how the acquirer: (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141(R) requires contingent consideration to be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value to be recognized in earnings until settled. FAS 141(R) also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as part of the cost of the acquisition. FAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We are currently evaluating the impact this statement will have on our financial position and results of operations.

In December 2007, the FASB issued FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51" ("FAS 160"), which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. FAS 160 also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. FAS 160 also provides guidance when a subsidiary is deconsolidated and requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. FAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We are currently evaluating the impact this statement will have on our financial position and results of operations.

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In December 2007, the SEC issued Staff Accounting Bulletin No. 110 Section D.2 of Topic 14 "Year-End Help for Expensing Employee Stock Options." SAB 110 allows the continued use of the "simplified" method in developing an estimate of the expected term of "plain vanilla" stock options beyond December 31, 2007 and is effective from January 1, 2008. We have continued to use the simplified method and therefore we do not expect the adoption of SAB 110 will result in any impact on our financial position or results of operations.

### **3. ACQUISITIONS AND DISPOSALS**

#### **Croatia**

##### *Acquisition - Internet Dnevnik*

On June 6, 2007, we purchased 76.0% of Internet Dnevnik d.o.o from Zeljko Anderlon and Dario Markus for cash consideration of EUR 0.5 million (approximately US\$ 0.7 million). Internet Dnevnik d.o.o operates the largest blogging website in Croatia, Blog.hr.

#### **Czech Republic**

##### *2006 Acquisition – CET 21*

On April 3, 2006, the Czech Republic Media Council approved the transfer of the 1.25% interest in CET 21 held by Ceska Sportelna, a.s. to Vilja and the transfer of the 1.25% interest in CET 21 held by CEDC to PPF (Cyprus) Ltd. ("PPF"). On May 5, 2006, the Czech Republic Media Council approved the transfer of the PPF interest to Vilja and on May 16, 2006, Vilja acquired such interest after fulfillment of all conditions precedent set forth in the relevant transfer agreement. As a result of these transactions, we have a voting and economic interest in CET 21 of 100%. Both of these transactions took place for nominal consideration.

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**Romania**

*Acquisition – MTS*

In order to further our multi-channel strategy and strengthen our position in a fragmenting market, we acquired 100% of MTS on December 12, 2007 from companies owned or controlled by Adrian Anghel. In connection with this acquisition, we entered into an agreement with MTV Networks Europe (“MTV NE”) to license the trademark of MTV in Romania, an internationally recognized music television brand, as well as programming and other content. Total consideration for this acquisition was EUR 10.9 million (approximately US\$ 16.1 million), of which EUR 9.4 million (approximately US\$ 13.9 million) was paid in December 2007 and the remaining EUR 1.5 million (approximately US\$ 2.2 million) will be payable by December 2008.

We performed a preliminary fair value exercise to allocate the purchase price to the acquired assets and liabilities, and identified separately identifiable assets as at December 12, 2007. The exercise is complete subject to the finalization of a detailed review of the tax position of MTS and the valuation of certain other assets. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the date of acquisition:

	<b>Fair Value on Acquisition</b>
Property, plant and equipment	\$ 410
Intangible assets subject to amortization (1)	1,709
Other assets	827
Goodwill	17,253
Deferred tax liability	(273)
Other liabilities	(3,417)
<b>Total purchase price (2)</b>	<b>\$ 16,509</b>

(1) The intangible assets subject to amortization is a Trademark and Programming Agreement with MTV NE which allows MTS access to MTV programming and to broadcast using the MTV name. This agreement is being amortized over 4.3 years.

(2) Includes acquisition costs of approximately US\$ 0.4 million.

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*Acquisition of additional interest – Sport.ro*

On December 14, 2006, we acquired 20.0% of Sport.ro from Silviu Prigoana for cash consideration of EUR 2.0 million (approximately US\$ 2.6 million at the date of acquisition). Sport.ro operates a sports channel focusing on local and international football, international boxing and a number of local Romanian sports.

On February 20, 2007, we acquired control of Sport.ro by acquiring an additional 50.0% interest from Nolsom Limited for cash consideration of EUR 4.2 million (approximately US\$ 5.3 million at the date of acquisition). We also acquired the remaining 30.0% of Sport.ro from Nolsom Limited on March 15, 2007 for cash consideration of EUR 2.5 million (approximately US\$ 3.1 million at the date of acquisition).

We performed a fair value exercise to allocate the purchase price to the acquired assets and liabilities and identified separately identifiable assets. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

	<b>Fair Value on Acquisition</b>
Property, plant and equipment	\$ 35
Intangible assets subject to amortization (1)	4,784
Intangible assets not subject to amortization (2)	8,974
Other assets	2,904
Goodwill	2,311
Deferred tax liability	(1,575)
Other liabilities	(6,398)
<b>Total purchase price</b>	<b>\$ 11,035</b>

(1) The intangible assets subject to amortization comprise customer relationships, which are being amortized over one to twenty years (weighted average: 15.5 years) and trademarks, which are being amortized over two years.

(2) Intangible assets not subject to amortization represent television broadcast licenses.

*2007 Acquisition of additional interest - Media Vision, MPI and Pro TV*

On May 16, 2007, we acquired an additional 20.0% of Media Vision and on June 1, 2007 we acquired an additional 5.0% of Pro TV and MPI from companies owned by, or individuals associated with, Adrian Sarbu, the general director of our Romanian operations and now our Chief Operating Officer, for aggregate consideration of US\$ 51.6 million, including acquisition costs. We now own 95.0% voting and economic interests in Pro TV, MPI and Media Vision. We performed a fair value exercise to allocate the purchase price to the acquired assets and liabilities, and identified separately identifiable assets. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

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	<b>Fair Value on Acquisition</b>
Intangible assets subject to amortization (1)	\$ 4,517
Intangible assets not subject to amortization (2)	23,597
Goodwill	23,974
Deferred tax liability	(4,498)
Minority interests	4,029
<b>Total purchase price</b>	<b>\$ 51,619</b>

(1) The intangible assets subject to amortization comprise customer relationships, which are being amortized over one to ten years (weighted average: 8.3 years).

(2) Intangible assets not subject to amortization comprise approximately US\$ 9.2 million in trademarks and US\$ 14.4 million relating to television broadcast licenses.

Mr. Sarbu has the right to sell the remaining shareholding in Pro TV and MPI that he holds personally to us under a put option agreement entered into in July 2004 at a price to be determined by an independent valuation, subject to a floor price of US\$ 1.45 million for each 1.0% interest sold. Mr. Sarbu's right to put his remaining shareholding to us is exercisable from November 12, 2009, provided, that we have not enforced a pledge over this shareholding which Mr. Sarbu granted as security for our right to put to him our shareholding in Media Pro. As at December 31, 2007, we consider the fair value of Mr. Sarbu's put option to be approximately US\$ nil.

*2006 Acquisition of additional interest - Pro TV, MPI and Media Vision*

On February 17, 2006, we purchased 5.0% of Pro TV, MPI and Media Vision from Mr. Sarbu for consideration of US\$ 27.2 million. We completed a fair value exercise to allocate the purchase price to the acquired assets and liabilities and identified separately identifiable assets. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

	<b>Fair Value on Acquisition</b>
Intangible assets subject to amortization (1)	\$ 4,655
Intangible assets not subject to amortization (2)	12,947
Goodwill	11,376
Deferred tax liability	(2,816)
Minority interest	1,038
<b>Total purchase price</b>	<b>\$ 27,200</b>

(1) The intangible assets subject to amortization comprise customer relationships, which are being amortized over one to ten years (weighted average: 8.3 years).

(2) Intangible assets not subject to amortization comprise approximately US\$ 6.5 million in trademarks and US\$ 6.5 million relating to television broadcast licenses.

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**Slovak Republic**

*Acquisition – Media Invest*

On July 13, 2007, we purchased 100% of Media Invest from Jan Kovacik for cash consideration of SKK 1.9 billion (approximately US\$ 78.5 million). Media Invest owns a 20.0% voting and economic interest in Markiza. Following this acquisition, we now have a 100.0% voting and economic interest in Markiza.

We performed a fair value exercise to allocate the purchase price to the acquired assets and liabilities, and identified separately identifiable assets as at July 13, 2007. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

	<b>Fair Value on Acquisition</b>
Property Plant and Equipment	\$ 2,425
Intangible assets subject to amortization (1)	46,906
Intangible assets not subject to amortization (2)	2,405
Goodwill	26,757
Deferred tax liability	(9,761)
Minority interest	10,268
Other liabilities	(357)
<b>Total purchase price (3)</b>	<b>\$ 78,643</b>

(1) The intangible assets subject to amortization comprises US\$ 8.7 million relating to television broadcasting licenses, which are being amortized over 13 years and US\$ 37.9 million in customer relationships, which are being amortized over one to fourteen years (weighted average: 13.8 years).

(2) Intangible assets not subject to amortization comprise trademarks.

(3) Total purchase price includes US\$ 0.1 million of capitalized acquisition costs.

*2006 Acquisition - ARJ*

On January 23, 2006, we completed the acquisition of a controlling interest in Markiza by purchasing 100.0% of the share capital of ARJ. ARJ owns 46.0% of the voting rights in Markiza.

This acquisition consisted of our acquiring a 34.0% interest in ARJ from Pavol Rusko for total consideration of SKK 575.0 million (approximately US\$ 18.5 million at the date of acquisition) of which SKK 494.0 million (US\$ 15.9 million at the date of acquisition) was paid on closing and SKK 81.0 million (US\$ 2.6 million at the date of acquisition) was paid on April 25, 2006. In addition, we acquired the remaining 66.0% in ARJ from Media Partners s.r.o. and Salis s.r.o. for consideration of approximately US\$ 11.0 million, of which EUR 7.0 million (approximately US\$ 8.5 million at the date of acquisition) was paid on closing and SKK 78.0 million (approximately US\$ 2.5 million at the date of acquisition) was paid on May 2, 2006.

As of January 23, 2006, we held an 80.0% voting interest in Markiza and an 89.8% voting interest in STS and increased our economic interest in our Slovak Republic operations from 70.0% to 80.0%. The remaining minority interests in Markiza were held by our partners Jan Kovacik and Milan Fil'o through Media Invest. Markiza and STS were consolidated from the date of acquisition of ARJ. STS was merged into Markiza on January 1, 2007.

We performed a fair value exercise to allocate the purchase price to the acquired assets and liabilities and identified separately identifiable assets. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

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	<b>Fair Value on Acquisition</b>
Property, plant and equipment	\$ 870
Program library	185
Other assets	733
Intangible assets subject to amortization (1)	8,128
Intangible assets not subject to amortization (2)	530
Goodwill	21,288
Deferred tax liability	(1,893)
<b>Total purchase price (3)</b>	<b>\$ 29,841</b>

(1) The intangible assets subject to amortization comprise approximately US\$ 7.2 million in customer relationships, which are being amortized over three to fourteen years (weighted average: 13.8 years), and US\$ 0.9 million relating to television broadcast licenses, which are being amortized over fourteen years.

(2) Intangible assets not subject to amortization comprise trademarks.

(3) Total purchase price includes US\$ 0.3 million of capitalized acquisition costs.

**Ukraine**

*Acquisition - Tor and Zhysa*

On June 21, 2007, we completed the acquisition of a 60.4% interest in each of Tor and Zhysa from Dertus Finance Group Limited for total consideration of US\$ 3.1 million, including acquisition costs. Zhysa and Tor are regional broadcasters in Ukraine.

We have completed our fair value exercise to allocate the purchase price to the acquired assets and liabilities and have allocated US\$ 0.3 million to broadcast licenses and US\$ 2.9 million to goodwill.

*2006 Acquisition - Ukrpromptorg*

On January 11, 2006, we completed the acquisition of a 65.5% interest in Ukrpromptorg, which owns 92.2% of Gravis, the operator of the KINO and CITI television channels, for consideration of approximately US\$ 7.4 million, including acquisition costs. US\$ 5.1 million of the consideration was paid in 2005 and reported as acquisition costs on the consolidated balance sheet as at December 31, 2005, US\$ 2.0 million was paid during 2006 and the remainder of the purchase price was paid during 2007.

We completed a fair value exercise to allocate the purchase price to the acquired assets and liabilities and identified separately identifiable assets. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:



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	<b>Fair Value on Acquisition</b>
Property, plant and equipment	\$ 2,615
Intangible assets subject to amortization (1)	968
Other assets	239
Goodwill	4,627
Deferred tax liability	(724)
Other liabilities	(373)
<b>Total purchase price (2)</b>	<b>\$ 7,352</b>

(1) The intangible assets subject to amortization comprise approximately US\$ 0.6 million relating to television broadcast licenses, which are being amortized over nine years, approximately US\$ 0.3 million relating to a favorable lease contract, which is being amortized over 19 years, and approximately US\$ 0.1 million relating to order backlog, which was amortized during the year.

(2) Total purchase price includes US\$ 0.4 million of capitalized acquisition costs.

**4. GOODWILL AND INTANGIBLE ASSETS**

Our goodwill and intangible asset additions are the result of acquisitions in Croatia, the Czech Republic, Romania, the Slovak Republic, Slovenia and Ukraine (see Note 3, "Acquisitions and Disposals"). No goodwill is expected to be deductible for tax purposes.

*Goodwill:*

Goodwill by operating segment as at December 31, 2007, 2006, and 2005 is summarized as follows:

	<b>Balance Dec 31, 2005</b>	<b>Additions</b>	<b>Allocation / Adjustment</b>	<b>Impairment charge</b>	<b>Foreign currency movement</b>	<b>Balance Dec 31, 2006</b>
Croatia	\$ 695	\$ -	\$ -	\$ (748)	\$ 53	\$ -
Czech Republic	706,950	-	(7,580)	-	124,416	823,786
Romania	19,754	11,376	-	-	-	31,130
Slovak Republic	-	21,288	-	-	4,195	25,483
Slovenia	15,088	-	-	-	1,370	16,458
Ukraine (STUDIO 1+1)	4,096	-	-	-	-	4,096
Ukraine (KINO, CITI)	-	4,627	-	-	-	4,627
<b>Total</b>	<b>\$ 746,583</b>	<b>\$ 37,291</b>	<b>\$ (7,580)</b>	<b>\$ (748)</b>	<b>\$ 130,034</b>	<b>\$ 905,580</b>

	<b>Balance Dec 31, 2006</b>	<b>Additions</b>	<b>Allocation / Adjustment</b>	<b>Impairment charge</b>	<b>Foreign currency movement</b>	<b>Balance Dec 31, 2007</b>
Croatia	\$ -	\$ 712	\$ -	\$ -	\$ 61	\$ 773
Czech Republic	823,786	-	-	-	127,500	951,286
Romania	31,130	43,537	-	-	-	74,667
Slovak Republic	25,483	26,757	-	-	5,395	57,635
Slovenia	16,458	-	-	-	1,935	18,393
Ukraine (STUDIO 1+1)	4,096	-	-	-	-	4,096
Ukraine (KINO, CITI)	4,627	2,870	-	-	-	7,497
<b>Total</b>	<b>\$ 905,580</b>	<b>\$ 73,876</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 134,891</b>	<b>\$ 1,114,347</b>

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*Broadcast licenses:*

The net book value of our broadcast licenses as at December 31, 2007, 2006, and 2005 is summarized as follows:

	Indefinite-lived broadcast licenses	Amortized broadcast licenses	Total
<b>Balance, December 31, 2005</b>	<b>\$ 18,936</b>	<b>\$ 152,655</b>	<b>\$ 171,591</b>
Additions	6,475	9,033	15,508
Amortization	-	(15,758)	(15,758)
Foreign currency movements	933	26,456	27,389
<b>Balance, December 31, 2006</b>	<b>\$ 26,344</b>	<b>\$ 172,386</b>	<b>\$ 198,730</b>
Additions	23,321	8,974	32,295
Amortization	-	(18,960)	(18,960)
Foreign currency movements	1,083	24,778	25,861
<b>Balance, December 31, 2007</b>	<b>\$ 50,748</b>	<b>\$ 187,178</b>	<b>\$ 237,926</b>

Our broadcast licenses in Croatia, Romania and Slovenia have indefinite lives because we expect the cash flows generated by those assets to continue indefinitely. These licenses are subject to annual impairment reviews. Our licenses in Ukraine have economic useful lives of, and are amortized on a straight-line basis over, between two and ten years. Our license in the Czech Republic has an economic useful life of, and is amortized on a straight-line basis over, twelve years. Our license in the Slovak Republic has an economic life of, and is amortized on a straight-line basis over, thirteen years.

The gross value and accumulated amortization of amortized broadcast licenses was as follows at December 31, 2007 and 2006:

	December 31, 2007	December 31, 2006
Gross value	\$ 241,100	\$ 201,994
Accumulated amortization	(53,922)	(29,608)
<b>Total net book value</b>	<b>\$ 187,178</b>	<b>\$ 172,386</b>

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*Other intangible assets:*

The net book value of our other intangible assets as at December 31, 2007, 2006 and 2005 is summarized as follows:

	<b>Trademarks</b>	<b>Customer relationships</b>	<b>Other</b>	<b>Total</b>
<b>Balance, December 31, 2005</b>	<b>\$ 32,560</b>	<b>\$ 15,098</b>	<b>\$ -</b>	<b>\$ 47,658</b>
Additions	7,695	11,975	817	20,487
Amortization	-	(2,941)	(114)	(3,055)
Foreign currency movements	3,771	3,081	-	6,852
<b>Balance, December 31, 2006</b>	<b>\$ 44,026</b>	<b>\$ 27,213</b>	<b>\$ 703</b>	<b>\$ 71,942</b>
Additions	12,192	46,554	2,126	60,872
Amortization	(265)	(5,244)	(515)	(6,024)
Foreign currency movements	4,131	4,744	67	8,942
<b>Balance, December 31, 2007</b>	<b>\$ 60,084</b>	<b>\$ 73,267</b>	<b>\$ 2,381</b>	<b>\$ 135,732</b>

Customer relationships are deemed to have an economic useful life of, and are amortized on a straight-line basis over between one and fourteen years. Other than the trademark acquired with Sport.ro, which has an economic life of, and is being amortized over, two years, trademarks have an indefinite life.

The gross value and accumulated amortization of other intangible assets was as follows at:

	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Gross value	\$ 147,514	\$ 76,869
Accumulated amortization	(11,782)	(4,927)
<b>Total net book value</b>	<b>\$ 135,732</b>	<b>\$ 71,942</b>

The estimated total annual amortization expense for our existing amortized broadcast licenses and other intangible assets will be approximately US\$ 30.0 million for 2008 and for each of the years 2009 - 2012.

*Impairment*

In the year ended December 31, 2006, we recognized an impairment charge of US\$ 0.7 million with respect to our Croatia operations.

When we updated our medium-term forecast models at June 30, 2006, we determined that the forecast future cash flows of our Croatia operations had decreased compared to our previous forecast. We therefore reviewed the carrying value of the intangible assets with indefinite lives to determine whether the assets are impaired. As a result of our analysis, we recognized an impairment charge of US\$ 0.7 million to write down the carrying value of goodwill to US\$ nil.

We performed a similar review of our Croatia operations in late June 2005 and recorded an impairment charge of US\$ 35.3 million at that time, of which US\$ 18.6 million was attributable to the broadcast license, US\$ 7.0 million to trademarks and US\$ 9.7 million to goodwill. Included in the provision for income taxes for the year ended December 31, 2005 is a US\$ 5.1 million credit representing a release of deferred tax relating to the impairment charge on the license and trademark.

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**5. INVESTMENTS**

We hold the following investments in unconsolidated affiliates:

	Type of Affiliate	Effective Voting interest	Carrying value	
			December 31, 2007	December 31, 2006
Media Pro	Cost Method Investment	8.7%	\$ 16,559	\$ 16,559
Sport.ro	Equity-Accounted Affiliate	95.0% (1)	-	2,645
Other	Equity-Accounted Affiliate	Various	-	10
			<b>\$ 16,559</b>	<b>\$ 19,214</b>

(1) Our effective voting interest at December 31, 2006, when Sport.ro was accounted for as an affiliate, was 18.0%.

*Media Pro*

Until March 29, 2004, we held a 44.0% interest in Radio Pro, a radio broadcaster in Romania. In order to comply with Romanian Media Council regulations following our acquisition of an additional 14.0% interest in MPI and Pro TV, it was necessary to reduce our holding in Radio Pro to 20.0%, which we achieved by selling 24.0% of our stake to Mr. Sarbu for consideration of US\$ 0.04 million with a resulting loss on disposal of US\$ 0.02 million.

On August 11, 2006, we acquired a 10.0% interest in Media Pro and following capital calls in which we did not participate, at December 31, 2007 we own 8.7%, which is accounted for using the cost method. The remaining interests in Media Pro are held by Mr. Sarbu.

In consideration for the purchase of this interest, we paid EUR 8.0 million (approximately US\$ 10.1 million at the date of acquisition) in cash and transferred our remaining 20.0% investment in Radio Pro. As a result of this transaction, we recorded a gain of US\$ 6.2 million on disposal.

We have the right to put our investment in Media Pro to Mr. Sarbu for a three-month period from August 12, 2009 at a price equal to the greater of EUR 13.0 million (approximately US\$ 16.5 million) and the value of our investment, as determined by an independent valuation at exercise. This put option is secured by a pledge of a 4.79% shareholding in Pro TV held by Mr. Sarbu (see Note 3, "Acquisitions and Disposals, Romania"). On acquisition, we determined the fair value of this put option to be US\$ nil.

*Sport.ro*

On December 14, 2006, our Romania operations acquired 20.0% of Sport.ro from Silviu Prigoana for cash consideration of Euro 2.0 million (approximately US\$ 2.6 million at the date of acquisition). Subsequently, on February 20, 2007 we acquired control of the company and from then began to consolidate Sport.ro (see Note 3, "Acquisitions and Disposals – Romania").

*STS*

On January 23, 2006, we acquired control of STS, the predecessor of Markiza, through our purchase of ARJ and consequently STS has been accounted for as a consolidated subsidiary from that date. STS was merged into Markiza on January 1, 2007.

Our share of income from Unconsolidated Affiliates in respect of STS (TV MARKIZA) was US\$ (0.7) million and US\$ 8.2 million for the years ended December 31, 2006 and 2005, respectively. In the years ended December 31, 2006 and 2005 we received dividends of US\$ 11.8 million and US\$ 11.7 million, respectively, from STS (TV MARKIZA).

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The following is a summary of significant income statement items of STS (TV MARKIZA) for the year ending December 31, 2005:

		<b>For the Year Ended December 31, 2005</b>
Net revenues	\$	64,266
Operating income		14,641
Net income		11,771
Currency translation adjustment	\$	(3,226)

## 6. SENIOR NOTES

Our Senior Notes consist of the following:

	<u>Carrying Value</u>		<u>Fair Value</u>	
	<u>December 31, 2007</u>	<u>December 31, 2006</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>
EUR 245.0 million 8.25% Senior Notes	\$ 360,664	\$ 322,666	\$ 366,976	\$ 353,722
EUR 125.0 million Floating Rate Senior Notes	-	164,625	-	170,181
EUR 150.0 million Floating Rate Senior Notes	220,815	-	204,806	-
	<b>\$ 581,479</b>	<b>\$ 487,291</b>	<b>\$ 571,782</b>	<b>\$ 523,903</b>

On May 5, 2005, we issued senior notes in the aggregate principal amount of EUR 370.0 million consisting of EUR 245.0 million of 8.25% Senior Notes due May 2012 (the "Fixed Rate Notes") and EUR 125.0 million of floating rate senior notes due May 2012 (the "2012 Floating Rate Notes"), which bore interest at six-month Euro Inter-Bank Offered Rate ("EURIBOR") plus 5.50%.

On May 15, 2007 we redeemed the 2012 Floating Rate Notes. Upon redemption we recorded a loss of US\$ 6.9 million within interest expense comprising US\$ 3.4 million of redemption premium and US\$ 3.5 million to write off unamortized debt costs.

On May 16, 2007 we issued floating rate senior notes due May 2014 (the "2014 Floating Rate Notes", and collectively with the Fixed Rate Notes, the "Senior Notes") in the aggregate principal amount of EUR 150.0 million, which bear interest at six-month EURIBOR plus 1.625% (6.198% was applicable at December 31, 2007).

### Fixed Rate Notes

Interest is payable semi-annually in arrears on each May 15 and November 15. The fair value of the Fixed Rate Notes as at December 31, 2007 was calculated by multiplying the outstanding debt by the traded market price.

The 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 two subsidiary holding companies and are secured by a pledge of shares of those subsidiaries as well as an assignment of certain contractual rights. The terms of our indebtedness 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.

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In the event that (A) there is a change in control by which (i) any party other than 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 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 Fixed Rate Notes at a purchase price in cash equal to 101.0% of the principal amount of the Fixed Rate Notes plus accrued and unpaid interest to the date of purchase.

The Fixed Rate Notes are redeemable at our option, in whole or in part, at the redemption prices set forth below:

<b>From:</b>	<b>Fixed Rate Notes Redemption Price</b>
May 15, 2009 to May 14, 2010	104.125%
May 15, 2010 to May 14, 2011	102.063%
May 15, 2011 and thereafter	100.000%

At any time prior to May 15, 2008, we may redeem up to 35.0% of the Fixed Rate Notes with the proceeds of any public equity offering at a price of 108.250% of the principal amount of such notes, plus accrued and unpaid interest, if any, to the redemption date.

In addition, prior to May 15, 2009, we may redeem all or a part of the Fixed Rate Notes at a redemption price equal to 100.0% of the principal amount of such notes, plus a "make-whole" premium and accrued and unpaid interest to the redemption date.

Certain derivative instruments, including redemption call options and change of control and asset disposition put options, have been identified as being embedded in the Fixed Rate Notes; but as they are considered clearly and closely related to those notes, they are not accounted for separately.

**2014 Floating Rate Notes**

Interest 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, 2007 was calculated by multiplying the outstanding debt 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 two subsidiary holding companies and are secured by a pledge of shares of those subsidiaries as well as an assignment of certain contractual rights. The terms of our indebtedness 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.

In the event that (A) there is a change in control by which (i) any party other than 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.

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The 2014 Floating Rate Notes are redeemable at our option, in whole or in part, at the redemption prices set forth below:

<b>From:</b>	<b>2014 Floating Rate Notes Redemption Price</b>
November 15, 2007 to May 14, 2008	102.000%
May 15, 2008 to May 14, 2009	101.000%
May 15, 2009 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 2014 Floating Rate Notes; but as they are considered clearly and closely related to those notes, they are not accounted for separately.

**7. RESTRICTED CASH**

Restricted cash consists of the following at December 31, 2007 and 2006:

	<b>December 31, 2007</b>		<b>December 31, 2006</b>	
Croatia	\$	424	\$	4,183
Slovenia		810		724
Ukraine		52		47
<b>Total restricted cash</b>	<b>\$</b>	<b>1,286</b>	<b>\$</b>	<b>4,954</b>

The balances in Slovenia represent minimum balances required to be kept in our accounts with ING Bank N.V. ("ING") pursuant to the terms of our revolving facility (see Note 12, "Credit Facilities and Obligations under Capital Leases"). The restricted cash balance in Croatia at December 31, 2006 represented residual amounts held in escrow that were payable to certain former owners of our. These amounts were paid on May 11, 2007.

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**8. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at December 31, 2007 and 2006:

	<b>December 31, 2007</b>	<b>December 31, 2006</b>
<b>Trading:</b>		
Third-party customers	\$ 231,467	\$ 156,701
Less allowance for bad debts and credit notes	(13,908)	(11,472)
Related parties	7,978	7,655
Less allowance for bad debts and credit notes	(656)	(798)
<b>Total trading</b>	<b>\$ 224,881</b>	<b>\$ 152,086</b>
<b>Other:</b>		
Third-party customers	\$ 57	\$ 359
Less allowance for bad debts and credit notes	(27)	(103)
Related parties	187	454
Less allowance for bad debts and credit notes	(61)	(291)
<b>Total other</b>	<b>\$ 156</b>	<b>\$ 419</b>
<b>Total accounts receivable</b>	<b>\$ 225,037</b>	<b>\$ 152,505</b>

Bad debt expense for the years ending December 31, 2007, 2006 and 2005 was US\$ 1.9 million, US\$ 2.0 million and US\$ 1.8 million, respectively.

At December 31, 2007, CZK nil (2006: CZK 600.0 million, approximately US\$ 33.2 million) of receivables in the Czech Republic were pledged as collateral subject to a factoring agreement (see Note 12, "Credit Facilities and Obligations Under Capital Leases").



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**9. OTHER ASSETS**

Other current and non-current assets consist of the following at December 31, 2007 and 2006:

	<b>December 31, 2007</b>	<b>December 31, 2006</b>
<b>Current:</b>		
Prepaid programming	\$ 50,914	\$ 23,072
Other prepaid expenses	11,785	13,177
Deferred tax (Note 15)	3,652	2,124
VAT recoverable	4,520	2,562
Loan to related party (Note 21)	1,924	600
Capitalized debt costs	3,104	2,908
Other	6,430	3,112
<b>Total other current assets</b>	<b>\$ 82,329</b>	<b>\$ 47,555</b>
<b>Non-current:</b>		
Capitalized debt costs	\$ 10,310	\$ 11,264
Loan to related party (Note 21)	-	1,603
Deferred tax (Note 15)	2,147	3,443
Other	2,917	1,165
<b>Total other non-current assets</b>	<b>\$ 15,374</b>	<b>\$ 17,475</b>

Capitalized debt costs primarily comprise the costs incurred in connection with the issuance of our Senior Notes (see Note 6, "Senior Notes"), and are being amortized over the terms of the Senior Notes using the effective interest method.

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**10. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consists of the following at December 31, 2007 and 2006:

	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Land and buildings	\$ 84,515	\$ 56,212
Station machinery, fixtures and equipment	173,123	115,238
Other equipment	31,512	21,980
Software licenses	21,517	15,495
Construction in progress	11,406	4,070
<b>Total cost</b>	<b>322,073</b>	<b>212,995</b>
Less: Accumulated depreciation	(141,762)	(97,190)
<b>Total net book value</b>	<b>\$ 180,311</b>	<b>\$ 115,805</b>
<b>Assets held under capital leases (included in the above)</b>		
Land and buildings	\$ 6,193	\$ 5,541
Station machinery, fixtures and equipment	800	2,330
<b>Total cost</b>	<b>6,993</b>	<b>7,871</b>
Less: Accumulated depreciation	(1,368)	(1,877)
<b>Net book value</b>	<b>\$ 5,625</b>	<b>\$ 5,994</b>

For further information on capital leases, see Note 12, "Credit Facilities and Obligations under Capital Leases".

Depreciation expense for the years ending December 31, 2007, 2006 and 2005 was US\$ 34.1 million, US\$ 26.6 million and US\$ 16.7 million, respectively. This includes corporate depreciation expense for the years ending December 31, 2007, 2006 and 2005 of US\$ 0.8 million, US\$ 0.8 million and US\$ 0.4 million, respectively, which are included in corporate operating costs.

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**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of the following at December 31, 2007 and 2006:

	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Accounts payable	\$ 37,977	\$ 47,447
Programming liabilities	49,457	32,316
Deferred income	7,126	3,212
Accrued staff costs	29,202	12,947
Accrued production costs	4,982	7,435
Accrued interest payable	5,930	5,375
Accrued legal costs	2,475	3,619
Accrued rent costs	999	1,163
Authors' rights	5,522	943
Onerous contracts	2,832	-
Obligation to repurchase shares (Note 13)	488	-
Other accrued liabilities	9,334	5,260
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 156,324</b>	<b>\$ 119,717</b>

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## 12. CREDIT FACILITIES AND OBLIGATIONS UNDER CAPITAL LEASES

Group loan obligations and overdraft facilities consist of the following at December 31, 2007 and December 31, 2006:

		<b>December 31, 2007</b>	<b>December 31, 2006</b>
Credit facilities:			
Corporate	(a)	\$ -	\$ -
Croatia	(b)	-	847
Czech Republic	(c) – (e)	13,829	11,975
Romania	(f)	683	-
Slovenia	(g)	-	-
Ukraine (KINO, CITI)	(h)	1,700	1,703
<b>Total credit facilities</b>		<b>\$ 16,212</b>	<b>\$ 14,525</b>
Capital leases:			
Croatia operations, net of interest		\$ -	\$ 19
Romania operations, net of interest		242	495
Slovak Republic operations, net of interest		86	154
Slovenia operations, net of interest		4,412	4,223
<b>Total capital leases</b>		<b>\$ 4,740</b>	<b>\$ 4,891</b>
<b>Total credit facilities and capital leases</b>		<b>\$ 20,952</b>	<b>\$ 19,416</b>
Less current maturities		( 15,090)	(13,057)
<b>Total non-current maturities</b>		<b>\$ 5,862</b>	<b>\$ 6,359</b>

### Corporate

(a) On July 21, 2006, we entered into a five-year revolving loan agreement for EUR 100.0 million (approximately US\$ 147.2 million) arranged by the European Bank for Reconstruction and Development (“EBRD”) and on August 22, 2007, we entered into a second revolving loan agreement for EUR 50.0 million (approximately US\$ 73.6 million) also arranged by EBRD (together with the EUR 100.0 million facility, the “EBRD Loan”). ING and Ceska Sporitelna, a.s. (“CS”) are participating in the EBRD Loan for EUR 75.0 million (approximately US\$ 110.4 million) in aggregate.

We also entered into a supplemental agreement with EBRD on August 22, 2007 to amend the interest rate payable on the initial EUR 100.0 million loan, as a result of which the EBRD Loan bears interest at a rate of three-month EURIBOR plus 1.625% on the drawn amount. A commitment charge of 0.8125% is payable on any undrawn portion of the EBRD Loan. The available amount of the EBRD Loan amortizes by 15.0% every six months from May 2009 to November 2010 and by 40.0% in May 2011.

Covenants contained in the EBRD Loan are similar to those contained in our Senior Notes (see below and Note 6 “Senior Notes”). In addition, the EBRD Loan’s covenants restrict us from making principal repayments on other new debt of greater than US\$ 20.0 million per year for the life of the EBRD Loan. This restriction is not applicable to our existing facilities with ING or CS or to any refinancing of our Senior Notes.

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The EBRD Loan is a secured senior obligation and ranks pari passu with all existing and future senior indebtedness, including the Senior Notes, and is effectively subordinated to all existing and future indebtedness of our subsidiaries. The amount drawn is guaranteed by two subsidiary holding companies and is secured by a pledge of shares of those subsidiaries as well as an assignment of certain contractual rights. The terms of the EBRD Loan 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. EUR 100.0 million (approximately US\$ 147.2 million) of this loan was drawn down on April 18, 2007 and repaid on June 1, 2007. There were no drawings under this facility as at December 31, 2006 or December 31, 2007.

**Croatia**

(b) On March 28, 2007, we repaid EUR 0.6 million (approximately US\$ 0.9 million) which was the total amount outstanding to our Croatia operations under two loan agreements with Hypo Alpe-Adria Bank d.d. Following repayment of this loan, the security held by the bank was released.

**Czech Republic**

(c) As at December 31, 2007, there were no drawings by CET 21 under a credit facility of CZK 1.2 billion (approximately US\$ 66.4 million) available until December 31, 2010 with CS. This facility may, at the option of CET 21, be drawn in CZK, US\$ or EUR and bears interest at the three-month, six-month or twelve-month London Inter-Bank Offered Rate ("LIBOR"), EURIBOR or Prague Inter-Bank Offered Rate ("PRIBOR") rate plus 1.65%. A utilization interest of 0.25% is payable on the undrawn portion of this facility. This percentage decreases to 0.125% of the undrawn portion if more than 50% of the loan is drawn. This facility is secured by a pledge of receivables, which are also subject to a factoring arrangement with Factoring Ceska Sportelna, a.s., a subsidiary of CS. On July 10, 2007, CZK 860.0 million (approximately US\$ 47.6 million) was drawn down under this facility, of which CZK 260.0 million (approximately US\$ 14.4 million) was repaid on July 31, 2007, and CZK 600.0 million (approximately US\$ 33.2 million) was repaid on September 14, 2007.

(d) As at December 31, 2007, CZK 250.0 million (approximately US\$ 13.8 million), the full amount of the facility, had been drawn by CET 21 under a working capital facility agreement with CS with a maturity date of December 31, 2010. The facility bears interest at three-month PRIBOR plus 1.65% (three-month PRIBOR relevant to drawings under this facility at December 31, 2007 was 3.94%). This facility is secured by a pledge of receivables, which are also subject to a factoring arrangement with Factoring Ceska Sportelna, a.s..

(e) As at December 31, 2007, there were no drawings under a CZK 300.0 million (approximately US\$ 16.6 million) factoring facility with Factoring Ceska Sportelna, a.s. available until June 30, 2011. The facility bears interest at one-month PRIBOR plus 1.40% for the period that actively assigned accounts receivable are outstanding.

**Romania**

(f) Two loans from San Paolo IMI Bank, assumed on acquisition of MTS, were outstanding as at December 31, 2007 and repaid in January 2008.

**Slovenia**

(g) On July 29, 2005, Pro Plus entered into a revolving facility agreement for up to EUR 37.5 million (approximately US\$ 55.2 million) in aggregate principal amount with ING, Nova Ljubljanska Banka d.d., Ljubljana and Bank Austria Creditanstalt d.d., Ljubljana. The facility amortizes by 10.0% each year for four years commencing one year after signing, with 60.0% repayable after five years. This facility is secured by a pledge of the bank accounts of Pro Plus, the assignment of certain receivables, a pledge of our interest in Pro Plus and a guarantee of our wholly-owned subsidiary CME Media Enterprises B.V. Loans drawn under this facility will bear interest at a rate of EURIBOR for the period of drawing plus a margin of between 2.1% and 3.6% that varies according to the ratio of consolidated net debt to consolidated broadcasting cash flow for Pro Plus. As at December 31, 2007, EUR 30.0 million (approximately US\$ 44.2 million) was available for drawing under this revolving facility and there were no drawings outstanding.

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**Ukraine (KINO, CITI)**

(h) Our Ukraine (KINO, CITI) operations have entered into a number of three-year unsecured loans with Glavred-Media, LLC, the minority shareholder in Ukrpromptorg. As at December 31, 2007, the total value of loans drawn was US\$ 1.7 million. The loans are repayable between August 2009 and December 2009 and bear interest at 9.0%.

**Total Group**

At December 31, 2007, the maturity of our debt (including our Senior Notes) is as follows:

2008	\$	14,512
2009		1,700
2010		-
2011		-
2012		360,664
2013 and thereafter		220,815
<b>Total</b>	<b>\$</b>	<b>597,691</b>

*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 from continuing operations, by year and in the aggregate, under capital leases with initial or remaining non-cancelable lease terms in excess of one year, consisted of the following at December 31, 2007:

2008	\$	1,102
2009		1,038
2010		530
2011		497
2012		797
2013 and thereafter		3,281
	<b>\$</b>	<b>7,245</b>
Less: amount representing interest		(2,505)
<b>Present value of net minimum lease payments</b>	<b>\$</b>	<b>4,740</b>

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**13. FINANCIAL INSTRUMENTS**

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\$ 591.9 million), payable on July 15, October 15, January 15, and April 15, 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\$ 553.4 million) receivable on July 15, October 15, January 15, and April 15, to the termination date of April 15, 2012.

The fair value of these financial instruments as at December 31, 2007 was a US\$ 16.2 million liability.

These currency swap agreements reduce our exposure to movements in foreign exchange rates on a part of the CZK-denominated cash flows generated by our Czech Republic operations that is approximately equivalent in value to the Euro-denominated interest payments on our Senior Notes (see Note 6 "Senior Notes"). They are financial instruments that 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 as defined under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", and so changes in their fair value are recorded in the consolidated statement of operations and in the consolidated balance sheet in other non-current liabilities.

On October 30, 2007, we entered into a purchase agreement with Igor Kolomoisky and certain parties related to him in order to allow us to acquire a 21.665% interest in each of IMS and Innova and a 15.164% interest in Studio 1+1 (collectively, the "Optioned Interests").

Under the purchase agreement, we agreed to acquire 100% of Torcensta Holding Ltd ("Torcensta") following its becoming the owner of the Optioned Interests and the satisfaction of other conditions to closing. In the event we exercise such option, the consideration shall be an amount equal to the lesser of (i) US\$ 140.0 million and (ii) 4% of the number of our outstanding shares of Class A Common Stock at the time the Optioned Interests are acquired by Torcensta (using a weighted average trading price), provided, that in the event the lesser amount is US\$ 140.0 million, Mr. Kolomoisky will have the option of receiving his consideration in cash or shares of our Class A Common Stock (using the weighted average trading price).

We consider that these interests constitute an obligation to repurchase our equity shares by transferring assets that is within the scope of FAS 150. Pursuant to paragraphs 23 and 24 of that standard we have accounted for this obligation by initially recording a liability equal to the fair value of the instrument, with an offsetting amount reducing equity, and subsequently recognizing any change in fair value in earnings.

At December 31, 2007 the fair value of the liability recognized was US\$ 0.5 million and US\$ nil had been recognized in earnings.

Under the terms specified in the contracts, if settlement was to occur at December 31, 2007, no payments of cash or shares would be due to Mr Kolomoisky and this will be the case until he is able to cause Torcensta to become the beneficial owner of the Optioned Interests.

In the event Mr Kolomoisky is able to cause the transfer of the Optioned interest, the amount, or number of shares he will receive will vary based on (a) the value of our shares, (b) the number of class A shares outstanding and (c) US\$ 140.0 million. The maximum we would be obligated to pay to Mr. Kolomoisky would be US\$ 140.0 million or shares to that value. The purchase agreement has been terminated by an assignment agreement entered into on January 31, 2008 by us, Mr. Kolomoisky and certain parties related to him (see Note 22, "Subsequent Events – Ukraine").

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**14. SHAREHOLDERS' EQUITY**

*Preferred Stock*

5,000,000 shares of Preferred Stock, with a \$ 0.08 par value, were authorized as at December 31, 2007 and 2006. None were issued and outstanding as at December 31, 2007 and 2006.

*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, 2007 and 2006. 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. Class B Common Stock is convertible into 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 August 30, 2007, we issued 1,275,227 unregistered shares of our Class A Common Stock to Igor Kolomoisky for net proceeds of US\$ 109.9 million.

On March 29, 2006, we sold 2,530,000 shares of our Class A Common Stock in a public offering and received net proceeds of approximately US\$ 168.7 million.

On May 3, 2006, EL/RSLG Media Inc. converted 336,000 shares of Class B Common Stock, on May 9, 2006, Leonard A. Lauder converted 140,000 and LWG Family Partners L.P. converted 215,000 shares of Class B Common Stock, on May 11, 2006, EL/RSLG Media Inc. converted 4,895 shares of Class B Common Stock, and on June 23, 2006, Ronald Lauder converted 57,799 shares of Class B Common Stock into a combined total of 753,694 shares of Class A Common Stock.

On August 28, 2006, Ronald Lauder exercised options over 100,000 shares of Class B Common Stock.



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## 15. 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.

*Income before provision for income taxes, minority interest, equity in income of unconsolidated affiliates and discontinued operations:*

The Netherlands and non-Netherlands components of income from continuing operations before income taxes are:

	For the Years Ended December 31,		
	2007	2006	2005
Domestic	\$ (102,532)	\$ (43,777)	\$ (2,270)
Foreign	229,052	92,179	62,466
	<b>\$ 126,520</b>	<b>\$ 48,402</b>	<b>\$ 60,196</b>

Total tax charge for the years ended December 31, 2007, 2006 and 2005 was allocated as follows:

	For the Years Ended December 31,		
	2007	2006	2005
Income tax expense from continuing operations	\$ 20,795	\$ 14,962	\$ 16,691
Income tax expense from discontinued operations	-	4,863	677
Currency translation adjustment in accumulated other comprehensive income	20,202	22,878	(3,266)
<b>Total tax charge</b>	<b>\$ 40,997</b>	<b>\$ 42,703</b>	<b>\$ 14,102</b>

*Income Tax Provision:*

The Netherlands and non-Netherlands components of the provision for income taxes from continuing operations consists of:

	For the Years Ended December 31,		
	2007	2006	2005
Current income tax expense:			
Domestic	\$ (20,046)	\$ (22,745)	\$ 186
Foreign	51,815	36,009	25,512
	<b>\$ 31,769</b>	<b>\$ 13,264</b>	<b>\$ 25,698</b>
Deferred tax expense / (benefit):			
Domestic	\$ -	1,467	\$ (1,467)
Foreign	\$ (10,974)	231	(7,540)
	<b>\$ (10,974)</b>	<b>\$ 1,698</b>	<b>\$ (9,007)</b>
<b>Provision for income taxes</b>	<b>\$ 20,795</b>	<b>\$ 14,962</b>	<b>\$ 16,691</b>

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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, 2007, 2006 and 2005:

	<b>For the Years Ended December 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Income taxes at Netherlands rates (2007: 25.5%; 2006: 29.6%, 2005: 31.5%)	\$ 32,259	\$ 14,326	\$ 18,961
Jurisdictional differences in tax rates	(17,227)	(10,432)	(15,685)
Tax effect of Croatian goodwill impairment	-	149	1,983
Effect of change in tax law relating to investment allowances claimed in previous years	-	(2,065)	-
Interest expense disallowed	4,347	7,365	-
Tax effect of other permanent differences	2,597	(656)	4,921
Effect of change in tax rates	(9,271)	89	620
Change in valuation allowance	12,182	6,107	5,115
Other	(4,092)	79	776
<b>Provision for income taxes</b>	<b>\$ 20,795</b>	<b>\$ 14,962</b>	<b>\$ 16,691</b>

The amount included in 2007 for effect of changes in tax rates includes US\$ 9.1 million arising from the enactment of lower tax rates for future years in the Czech Republic.

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*Components of Deferred Tax Assets and Liabilities*

The following table shows the significant components included in deferred income taxes as at December 31, 2007 and 2006:

	<b>December 31, 2007</b>	<b>December 31, 2006</b>
<b>Assets:</b>		
Tax benefit of loss carry-forwards and other tax credits	\$ 30,798	\$ 16,880
Programming rights	3,734	4,098
Property, plant and equipment	1,607	995
Accrued expense	5,476	4,205
Other	1,524	691
<b>Gross deferred tax assets:</b>	<b>\$ 43,139</b>	<b>\$ 26,869</b>
Valuation allowance	(31,964)	(16,574)
<b>Net deferred tax assets</b>	<b>\$ 11,175</b>	<b>\$ 10,295</b>
<b>Liabilities:</b>		
Broadcast licenses, trademarks and customer relationships	\$ (67,606)	\$ (57,036)
Property, plant and equipment	(3,688)	(2,936)
Temporary difference due to timing	(7,694)	(4,684)
<b>Total deferred tax liabilities</b>	<b>\$ (78,988)</b>	<b>\$ (64,656)</b>
<b>Net deferred income tax liability:</b>	<b>\$ (67,813)</b>	<b>\$ (54,361)</b>

Deferred tax is recognized on the Consolidated Balance Sheet as follows:

	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Current deferred tax assets	\$ 3,652	\$ 2,124
Non-current deferred tax assets	2,147	3,443
	<b>\$ 5,799</b>	<b>\$ 5,567</b>
Current deferred tax liabilities	(272)	(1,836)
Non-current deferred tax liabilities	(73,340)	(58,092)
	<b>\$ (73,612)</b>	<b>\$ (59,928)</b>
<b>Net deferred income tax liability</b>	<b>\$ (67,813)</b>	<b>\$ (54,361)</b>

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We provided a valuation allowance against potential deferred tax assets of US\$ 32.0 million and US\$ 16.6 million as at December 31, 2007 and 2006, 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. Of the valuation allowance recorded at December 31, 2007, US\$ 0.8 million would reverse through goodwill.

During 2007, we had the following movements on valuation allowances:

<b>Balance at December 31, 2006</b>	<b>\$ 16,574</b>
Charged to costs and expenses	12,182
Charged to other accounts	2,000
Foreign exchange	1,208
<b>Balance at December 31, 2007</b>	<b>\$ 31,964</b>

As of December 31, 2007 we have operating loss carry-forwards that will expire in the following periods:

Year	2008	2009	2010	2011	2012	Indefinite
Austria						12,328
Croatia			463	9,759	27,062	
Czech Republic	24	1,656	3,108	31	49	
Slovenia						12,385
Ukraine						10,203
Cyprus						185
Romania					533	
<b>Total</b>	<b>\$ 24</b>	<b>\$ 1,656</b>	<b>\$ 3,571</b>	<b>\$ 9,790</b>	<b>\$ 27,644</b>	<b>\$ 35,101</b>

In addition there is a ruling deficit in The Netherlands of US\$ 54.6 million which is available to offset future taxable profits in excess of the minimum amounts agreed with the Netherlands tax authorities. The ruling deficit includes tax losses of US\$ 28.2 million which will be subject to a nine-year statute of limitations.

The losses and ruling deficit are subject to examination by the tax authorities and to restriction on their utilization. In particular the losses and ruling deficit can only be utilized against profits arising in the legal entity in which they arose. We have provided 100.0% valuation allowances against the operating loss carry-forwards arising in Austria, Croatia, Czech Republic, Slovenia, Ukraine, Romania and the ruling deficit in The Netherlands as we consider it more likely than not that we will fail to utilize these tax benefits.

We have not provided income taxes or withholding taxes on US\$ 354.2 million (2006: US\$ 227.0 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.

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On January 1, 2007, we adopted FIN 48, which clarifies the accounting for uncertainty in tax positions. As a result of the implementation of FIN 48, we recognized an additional liability of approximately US\$ 1.7 million for unrecognized tax benefits, which was accounted for as an increase to our retained deficit as at January 1, 2007.

We recognize accrued interest and penalties related to unrecognized tax benefits within the provision for income taxes. At January 1, 2007 we had an accrual of US\$ 1.8 million in respect of interest and penalties, of which US\$ 1.5 million was accounted for as an increase to our retained deficit at that date. The liability for accrued interest and penalties at December 31, 2007 is US\$ 1.0 million. The net decrease for the year of US\$ 0.8 million arose primarily as a result of statute of limitations expiring and this amount was recognized in the income statement.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<b>Balance, January 1, 2007</b>	<b>\$ 3,575</b>
Decreases for tax positions taken during a prior period	(1,279)
Increases for tax positions taken during the current period	34
Decreases resulting from the expiry of the statute of limitations	(1,122)
Other	515
<b>Balance, December 31, 2007</b>	<b>\$ 1,723</b>

The total amount of unrecognized benefits that, if recognized, would affect the effective tax rate amounts to US\$ 1.4 million. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by approximately US\$ 0.6 million 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, 2007, analysed by major tax jurisdictions, the Company's subsidiaries are generally no longer subject to income tax examinations for years before:

<b>Country</b>	<b>Year</b>
Croatia	2004
Czech Republic	2003
Germany	2005
Netherlands	2006
Romania	2003
Slovak Republic	2002
Slovenia	2002
Ukraine	2004
United States.	2001

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**16. STOCK-BASED COMPENSATION**

4,500,000 shares have been authorized for issuance in respect of equity awards under a stock-based compensation 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. Grants of options allow the holders to purchase shares of Class A or Class B 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.

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 2007, the maximum contractual life of options issued was 10 years. Upon providing the appropriate written notification, holders pay the exercise price and receive the stock. Stock delivered under the Plan comes from the issuance of new shares. For the year ended December 31, 2007, US\$ 4.1 million was received on exercise of options under the Plan. The intrinsic value of awards exercised during 2007 was US\$ 23.3 million (2006: US\$ 8.2 million, 2005: US\$ 24.7 million) and the income tax benefits realized thereon was US\$ 1.1 million (2006: US\$ 1.3 million, 2005 US\$ nil).

The charge for stock-based compensation in our Consolidated Statements of Operations is as follows:

	For the Years Ended December 31,		
	2007	2006	2005
Stock-based compensation charged under FIN 44	\$ -	\$ -	\$ 918
Stock-based compensation charged under FAS 123(R) (2005 FAS 123)	5,734	3,575	2,209
<b>Total stock-based compensation</b>	<b>\$ 5,734</b>	<b>\$ 3,575</b>	<b>\$ 3,127</b>

We recognized an income tax benefit of US\$ 0.5 million in respect of the compensation cost recognized in our Consolidated Statement of Operations (2006: US\$ 0.5 million, 2005: US\$ nil). The charge for stock-based compensation cost related to awards that are not yet exercisable, and which have not yet been recognized in our Consolidated Statement of Operations at December 31, 2007 was US\$ 17.8 million and the weighted average period over which it will be recognized is 1.8 years.

*Stock-based compensation under FIN 44*

For certain options issued in 1998 and 2000, our stock-based compensation charge was calculated according to FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN 44"). This requires that compensation costs for modified or variable awards are adjusted for increases and decreases in the intrinsic value in subsequent periods until that award is exercised, forfeited or expires unexercised, subject to a minimum of the original intrinsic value at the original measurement date. The last of these options were exercised on December 15, 2005.

*Stock-based compensation under FAS 123(R)*

Under the provisions of FAS 123(R), 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.* FAS 123(R) 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.

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- *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 preceeding period corresponding to the options' expected life.
- *Expected term.* The expected term of options granted has been calculated following the "shortcut" method as outlined in section D 2, question 6 of SEC Staff Accounting Bulletin No. 107 "Share Based Compensation" 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 SAB 110.

The weighted average assumptions used in the Black-Scholes model for grants made in the years ending December 31, 2007, 2006 and 2005 were as follows:

	<b>For the Years Ended December 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Risk-free interest rate	3.62%	4.76%	4.00%
Expected term (years)	4.93	5.89	6.25
Expected volatility	36.15%	43.44%	50.56%
Dividend yield	0%	0%	0%
Weighted-average fair value	\$ 40.48	\$ 31.67	\$ 26.29

The following table summarizes information about stock option activity during 2007, 2006, and 2005:

	<b>2007</b>		<b>2006</b>		<b>2005</b>	
	<b>Shares</b>	<b>Weighted Average Exercise Price (US\$)</b>	<b>Shares</b>	<b>Weighted Average Exercise Price (US\$)</b>	<b>Shares</b>	<b>Weighted Average Exercise Price (US\$)</b>
<b>Outstanding at beginning of year</b>	<b>1,288,575</b>	<b>\$ 35.51</b>	<b>1,118,275</b>	<b>\$ 22.23</b>	<b>1,705,017</b>	<b>\$ 12.89</b>
Awards granted	246,000	108.48	388,500	65.19	194,500	49.23
Awards exercised	(315,833)	12.98	(195,450)	18.54	(685,359)	8.08
Awards expired	(20,000)	23.00	-	-	-	-
Awards forfeited	(22,625)	51.79	(22,750)	40.38	(95,883)	11.90
<b>Outstanding at end of year</b>	<b>1,176,117</b>	<b>\$ 56.72</b>	<b>1,288,575</b>	<b>\$ 35.51</b>	<b>1,118,275</b>	<b>\$ 22.23</b>

In addition to the amounts shown above, 25,000 options for shares of Class A Common Stock granted to a former director in August 1995 outside of our stock option plans were exercised in 2005.

The exercise of stock options is expected to generate a net operating loss carryforward in our Delaware subsidiary of US\$ 11.6 million. No tax benefit has been recognized in respect of this loss, which will be recorded as an additional paid-in capital when it reduces income tax payable.

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The following table summarizes information about stock options outstanding at December 31, 2007:

Range of exercise prices	Options outstanding			
	Shares	Average remaining contractual life (years)	Aggregate intrinsic value (US\$)	Weighted average exercise price (US\$)
I.				
\$ 0.01 - 20.00	264,200	5.79	\$ 26,396	\$ 16.07
\$ 20.01 - 40.00	131,042	6.61	11,739	26.40
\$ 40.01 - 60.00	265,875	7.93	16,832	52.67
\$ 60.01 - 80.00	269,000	7.24	12,882	68.09
\$ 80.01 - 100.00	52,500	5.58	1,376	89.77
\$ 100.01 - 120.00	193,500	7.93	468	113.56
<b>Total</b>	<b>1,176,117</b>	<b>7.04</b>	<b>\$ 69,693</b>	<b>\$ 56.72</b>
Expected to vest	<b>1,086,820</b>	<b>6.98</b>	<b>\$ 65,489</b>	<b>\$ 55.71</b>

The following table summarizes information about stock options exercisable at December 31, 2007:

Range of exercise prices	Options exercisable			
	Shares	Average remaining contractual life (years)	Aggregate intrinsic value (US\$)	Weighted average exercise price (US\$)
II.				
\$ 0.01 - 20.00	208,200	5.76	\$ 20,801	\$ 15.80
\$ 20.01 - 40.00	89,417	6.62	8,010	26.71
\$ 40.01 - 60.00	96,375	7.80	6,101	51.04
\$ 60.01 - 80.00	47,250	8.90	2,263	71.25
\$ 80.01 - 100.00	-	-	-	-
\$ 100.01 - 120.00	-	-	-	-
<b>Total</b>	<b>441,242</b>	<b>6.72</b>	<b>\$ 37,175</b>	<b>\$ 31.65</b>

**17. EARNINGS PER SHARE**

The components of basic and diluted earnings per share are as follows:

	For the Years Ended December 31,		
	2007	2006	2005
Net income available for common shareholders	\$ 88,568	\$ 20,424	\$ 42,322
Weighted average outstanding shares of common stock (000's)	41,384	40,027	34,664
Dilutive effect of employee stock options (000's)	449	573	766
Common stock and common stock equivalents	41,833	40,600	35,430
Earnings per share:			
Basic	\$ 2.14	\$ 0.51	\$ 1.22
Diluted	\$ 2.12	\$ 0.50	\$ 1.19



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At December 31, 2007, 206,000 (2006: 319,435, 2005: 194,500) stock options were antidilutive to income from continuing operations and excluded from the calculation of earnings per share. These may become dilutive in the future.

**18. SEGMENT DATA**

We manage our business on a country-by-country basis and review the performance of each business segment using data that reflects 100% of operating and license company results. Our business segments are comprised of Croatia, the Czech Republic, Romania, the Slovak Republic, Slovenia and our two businesses in Ukraine.

We evaluate the performance of our business segments based on Segment Net Revenues and Segment EBITDA. Segment Net Revenues and Segment EBITDA for each year include our operations in the Slovak Republic which were not consolidated prior to January 23, 2006.

We acquired our Czech Republic operations on May 2, 2005; therefore, 2005 results are from the date of acquisition.

Our key performance measure of the efficiency of our business segments is EBITDA margin. We define Segment EBITDA margin as the ratio of Segment EBITDA to Segment Net Revenue.

Segment EBITDA is determined as segment net income/loss, which includes program rights amortization costs, before interest, taxes, depreciation and amortization of intangible assets. Items that are not allocated to our business segments for purposes of evaluating their performance and therefore are not included in Segment EBITDA, include:

- expenses presented as corporate operating costs in our consolidated statements of operations ;
- stock-based compensation charges;
- foreign currency exchange gains and losses;
- change in fair value of derivatives; and
- certain unusual or infrequent items (e.g., extraordinary gains and losses, impairments on assets or investments or gains on sale of unconsolidated affiliates).

Below are tables showing our Segment Net Revenues, Segment EBITDA, segment depreciation and segment asset information by operation, including a reconciliation of these amounts to our consolidated results for the years ending December 31, 2007, 2006 and 2005 for our consolidated statement of operations data and as at December 31, 2007 and 2006 for balance sheet data:

SEGMENT FINANCIAL INFORMATION

Country	For the Years Ended December 31,					
	Segment Net Revenues (1)			Segment EBITDA		
	2007	2006	2005	2007	2006	2005
Croatia (NOVA TV)	\$ 37,193	\$ 22,310	\$ 22,030	\$ (13,882)	\$ (14,413)	\$ (15,866)
Czech Republic (2)	279,237	208,387	154,010	156,496	100,488	71,544
Romania (3)	215,402	148,616	103,321	93,075	65,860	43,803
Slovak Republic (TV MARKIZA)	110,539	73,420	64,266	41,532	20,805	17,240
Slovenia (POP TV and KANAL A)	69,647	54,534	48,770	22,767	19,842	19,337
Ukraine (STUDIO 1+1)	125,323	96,413	72,847	27,000	29,973	21,803
Ukraine (KINO, CITI) (4)	2,650	1,195	-	(7,293)	(3,713)	-
<b>Total Segment Data</b>	<b>\$ 839,991</b>	<b>\$ 604,875</b>	<b>\$ 465,244</b>	<b>\$ 319,695</b>	<b>\$ 218,842</b>	<b>\$ 157,861</b>
<b>Reconciliation to Consolidated Statement of Operations and Comprehensive Income:</b>						
<b>Consolidated Net Revenues / Income before provision for income taxes, minority interest, equity in income of unconsolidated affiliates and discontinued operations</b>	<b>\$ 839,991</b>	<b>\$ 603,115</b>	<b>\$ 400,978</b>	<b>\$ 126,520</b>	<b>\$ 48,402</b>	<b>\$ 60,196</b>
Corporate operating costs	-	-	-	55,373	34,104	25,547
Impairment charge	-	-	-	-	748	35,331
Unconsolidated equity affiliates (5)	-	1,760	64,266	-	(1,292)	17,240
Depreciation of station property, plant & equipment	-	-	-	33,294	25,795	16,367
Amortization of broadcast licenses and other intangibles	-	-	-	24,984	18,813	11,180
Interest income	-	-	-	(5,728)	(6,365)	(4,124)
Interest expense	-	-	-	54,999	44,228	29,387
Change in fair value of derivatives	-	-	-	3,703	12,539	-
Foreign currency exchange loss / (gain), net	-	-	-	34,441	44,908	(37,968)
Other (income) / expense	-	-	-	(7,891)	(3,038)	4,705
<b>Total Segment Data</b>	<b>\$ 839,991</b>	<b>\$ 604,875</b>	<b>\$ 465,244</b>	<b>\$ 319,695</b>	<b>\$ 218,842</b>	<b>\$ 157,861</b>

(1) All net revenues are derived from external customers. There are no inter-segmental revenues.

(2) We acquired TV NOVA (Czech Republic) in May 2005 and GALAXIE SPORT in September 2005. We launched NOVA CINEMA in December 2007.

(3) Romanian networks are PRO TV, PRO CINEMA, ACASA, SPORT.RO, MTV ROMANIA and PRO TV INTERNATIONAL for the year ended December 31, 2007. SPORT.RO was acquired on February 20, 2007 and MTV ROMANIA was acquired on December 12, 2007. For the years ended December 31, 2006 and 2005 Romanian networks were PRO TV, PRO CINEMA, ACASA and PRO TV INTERNATIONAL.

(4) We acquired our Ukraine (KINO, CITI) operations in January 2006.

(5) Unconsolidated equity affiliates were STS and Markiza in the Slovak Republic.

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Depreciation of station property, plant & equipment and amortization of broadcast licenses and other intangibles:	For the Years Ended December 31,		
	2007	2006	2005
Croatia	\$ 3,630	\$ 2,920	\$ 2,951
Czech Republic	28,810	24,274	15,960
Romania	10,511	5,811	3,829
Slovak Republic	6,784	4,070	2,599
Slovenia	4,650	4,004	2,947
Ukraine (STUDIO 1+1)	3,148	3,216	1,860
Ukraine (KINO, CITI)	745	490	-
<b>Total</b>	<b>\$ 58,278</b>	<b>\$ 44,785</b>	<b>\$ 30,146</b>
<b>Reconciliation to Consolidated Statement of Operations:</b>			
Unconsolidated equity affiliates	-	(177)	(2,599)
<b>Total consolidated depreciation and amortization</b>	<b>\$ 58,278</b>	<b>\$ 44,608</b>	<b>\$ 27,547</b>
Represented as follows:			
Depreciation of station property, plant & equipment	33,294	25,795	16,367
Amortization of broadcast licenses and other intangibles	24,984	18,813	11,180

Capital expenditure:	For the Years Ended December 31,		
	2007	2006	2005
Corporate	\$ 185	\$ 1,990	\$ 427
Croatia	6,836	2,114	4,342
Czech Republic	35,903	16,608	5,121
Romania	16,981	24,363	7,280
Slovak Republic	8,954	6,777	-
Slovenia	8,492	2,506	3,842
Ukraine (STUDIO 1+1)	2,592	6,029	5,536
Ukraine (KINO, CITI)	1,520	-	-
<b>Total</b>	<b>\$ 81,463</b>	<b>\$ 60,387</b>	<b>\$ 26,548</b>

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Total assets (1):	As at December 31,	
	2007	2006
Croatia	\$ 44,787	\$ 30,394
Czech Republic	1,429,256	1,200,894
Romania	360,144	206,850
Slovak Republic	203,302	86,872
Slovenia	89,984	67,919
Ukraine (STUDIO 1+1)	90,064	75,020
Ukraine (KINO, CITI)	17,854	13,293
<b>Total segment assets</b>	<b>\$ 2,235,391</b>	<b>\$ 1,681,242</b>
<b>Reconciliation to Consolidated Balance Sheet:</b>		
Corporate	103,044	137,758
<b>Total assets</b>	<b>\$ 2,338,435</b>	<b>\$ 1,819,000</b>

Long-lived assets (1):	As at December 31,	
	2007	2006
Croatia	\$ 12,144	\$ 6,804
Czech Republic	58,809	28,002
Romania	44,808	32,312
Slovak Republic	29,345	19,498
Slovenia	21,524	15,595
Ukraine (STUDIO 1+1)	7,380	7,965
Ukraine (KINO, CITI)	5,003	3,674
<b>Total long-lived assets</b>	<b>\$ 179,013</b>	<b>\$ 113,850</b>
<b>Reconciliation to Consolidated Balance Sheet:</b>		
Corporate	1,298	1,955
<b>Total Long-lived assets</b>	<b>\$ 180,311</b>	<b>\$ 115,805</b>

(1) Segment assets exclude any inter-company investments, loans, payables and receivables

We do not rely on any single major customer or group of major customers. No customer accounts for more than 10% of revenues.

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**19. DISCONTINUED OPERATIONS**

	<b>For the Years Ended December 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Arbitration-related costs	\$ -	\$ -	\$ 164
<b>Income on disposal of discontinued operations</b>	-	-	<b>164</b>
Tax on disposal of discontinued operations	-	(4,863)	(677)
<b>Net loss from discontinued operations</b>	<b>\$ -</b>	<b>\$ (4,863)</b>	<b>\$ (513)</b>

On May 19, 2003, we received US\$ 358.6 million from the Czech Republic in final settlement of our UNCITRAL arbitration in respect of our former operations in the Czech Republic.

On June 19, 2003, our Board of Directors decided to withdraw from operations in the Czech Republic. The revenues and expenses of our former Czech Republic operations and the award income and related legal expenses have therefore all been accounted for as discontinued operations for all periods presented.

On October 23, 2003 we sold our 93.2% participation interest in CNTS, our former Czech Republic operating company, to PPF for US\$ 53.2 million.

A total of US\$ 15.0 million was received during October 2003 and a further US\$ 20.3 million was received on July 14, 2004. The remainder of the sales price was offset against our payment obligations to PPF in connection with the acquisition of the TV Nova (Czech Republic) group.

On February 9, 2004, we entered into an agreement with the Dutch tax authorities to settle all tax liabilities outstanding for the years up to and including 2003, including receipts in respect of our 2003 award in the arbitration against the Czech Republic, for a payment of US\$ 9.0 million. We expected to continue to pay tax in The Netherlands of between US\$ 1.0 and US\$ 2.5 million for the foreseeable future and therefore agreed to a minimum payment of US\$ 2.0 million per year for the years 2004 - 2008 and US\$ 1.0 million for 2009.

We have re-evaluated our forecasts of the amount of taxable income we expect to earn in The Netherlands in the period to 2009. As the tax payable on this income is lower than the minimum amounts agreed with the Dutch tax authorities, we have provided for the shortfall. In our condensed consolidated statement of operations, we recognized a charge of US\$ nil (2006: US\$ 4.9 million, 2005: US\$ 0.7 million) through discontinued operations.

The settlement with the Dutch tax authorities also provides that if any decision is issued at any time prior to December 31, 2008 exempting awards under Bilateral Investment Treaties from taxation in The Netherlands, we will be allowed to recover losses previously used against the 2003 arbitration award, which could be up to US\$ 195.0 million, to offset other income within the applicable carry forward rules. This would not reduce the minimum amount of tax agreed payable under the settlement agreement. At this time there is no indication that the Dutch tax authorities will issue such a decision.

The settlement with the Dutch tax authorities has also resulted in a deductible temporary difference in the form of a ruling deficit against which a full valuation allowance has been recorded.

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**20. COMMITMENTS AND CONTINGENCIES**

*Commitments*

a) *Station Programming Rights Agreements*

At December 31, 2007, we had the following commitments in respect of future programming, including contracts signed with license periods starting after the balance sheet date:

	<b>December 31, 2007</b>
Croatia	\$ 12,212
Czech Republic	39,067
Romania	21,987
Slovak Republic	14,244
Slovenia	7,255
Ukraine (STUDIO 1+1)	12,671
Ukraine (KINO, CITI)	190
<b>Total</b>	<b>\$ 107,626</b>

Of the US\$ 107.6 million in the table above, US\$ 87.2 million is payable within one year.

b) *Operating Lease Commitments*

For the fiscal years ended December 31, 2007, 2006, and 2005 we incurred aggregate rent on all facilities of US\$ 11.8 million, US\$ 9.7 million and US\$ 5.9 million. Future minimum operating lease payments at December 31, 2007 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:

	<b>December 31, 2007</b>
2008	\$ 5,439
2009	5,098
2010	1,312
2011	866
2012	306
2013 and thereafter	-
<b>Total</b>	<b>\$ 13,021</b>

c) *Acquisition of minority shareholdings*

Mr. Sarbu has the right to sell to us the remaining shareholding in Pro TV and MPI that he holds personally under a put option agreement entered into in July 2004 at a price to be determined by an independent valuation, subject to a floor price of US\$ 1.45 million for each 1.0% interest sold. Mr. Sarbu's right to put his remaining shareholding to us is exercisable from November 12, 2009, provided that we have not enforced a pledge over this shareholding which Mr. Sarbu granted as security for our right to put to him our shareholding in Media Pro. As at December 31, 2007, we consider the fair value of Mr. Sarbu's put option to be approximately US\$ nil.

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d) *Other*

*Dutch Tax*

On February 9, 2004 we entered into an agreement with the Dutch tax authorities to settle all tax liabilities outstanding for the period through 2003, including receipts in respect of our 2003 award in the arbitration against the Czech Republic, for a payment of US\$ 9.0 million. We expected to continue to pay tax in the Netherlands of between US\$ 1.0 and US\$ 2.5 million for the foreseeable future and therefore also agreed to a minimum tax payable of US\$ 2.0 million per year for the years 2004 - 2008 and US\$ 1.0 million for 2009. Should the Dutch Ministry of Finance rule that arbitration awards such as the one we received are not taxable, we will be entitled to claim a tax loss, which can be offset against other taxable income but will not reduce our minimum payment commitments.

As at December 31, 2007 we provided US\$ 3.3 million (US\$ 1.0 million in non-current liabilities and US\$ 2.3 million in current liabilities) and as at December 31, 2006 we provided US\$ 5.5 million (US\$ 3.0 million in non-current liabilities and US\$ 2.5 million in current liabilities) of tax in The Netherlands as the difference between our obligation under this agreement and our estimate of tax in the Netherlands that may fall due over this period from business operations, based on current business structures and economic conditions, and recognized a charge of US\$ nil (2006: US\$ 4.9 million, 2005 US\$ 0.7 million) through discontinued operations in our Consolidated Statement of Operations for the year ended December 31, 2007.

*Czech Republic - Factoring of Trade Receivables*

CET 21 has a working capital credit facility of CZK 250 million (approximately US\$ 13.8 million) with CS. This facility is secured by a pledge of receivables under the factoring agreement with Factoring Ceska Sporteina.

The transfer of the receivables is accounted for as a secured borrowing under FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, 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*

We are, from time to time, a party to litigation that arises in the normal course of our business operations. Other than those claims discussed below, we are not presently a party to any such litigation which could reasonably be expected to have a material adverse effect on our business or operations. Unless otherwise disclosed, no provision has been made against any potential losses that could arise.

We present below a summary of our more significant proceedings by country.

*Croatia*

*Global Communications Disputes*

On October 29, 2004, Operativna Kompanija d.o.o. ("OK"), our former operating company in Croatia, filed suit against Global Communications d.o.o. ("Global Communications") claiming approximately HRK 53.0 million (approximately US\$ 10.3 million) in damages. Global Communications is a company controlled by Ivan Caleta, who had previously operated Nova TV (Croatia) through OK. Global Communications, together with GRP Media d.o.o. ("GRP Media"), another company controlled by Mr. Caleta, had provided certain goods and services to OK and Nova TV (Croatia) in exchange for advertising time pursuant to an agreement dated April 10, 2001 (the "Global Agreement"). Global Communications and GRP Media were functionally managing the advertising inventory of Nova TV (Croatia). On December 31, 2003, Global Communications entered into a reconciliation agreement by which OK acknowledged that Global Communications was entitled to approximately 375,000 seconds of advertising time for goods and services previously provided. Following our acquisition of Nova TV (Croatia) and OK in July 2004, OK concluded that Global Communications had used all of its seconds by June 2004 based on a substantial discrepancy discovered between the utilization of advertising time recorded by Global Communications and that recorded by AGB Puls ("AGB"), an independent television audience measurement service operating in Croatia. In the course of its investigation of the usage of seconds by Global Communications, OK discovered that computer records of advertising seconds kept for OK may have been altered. OK brought a suit to recover amounts for advertising time used by Global Communications in excess of the 375,000 seconds agreed. Global Communications filed a counterclaim in January 2005 for HRK 68.0 million (approximately US\$ 13.2 million), claiming that the AGB data is unreliable and that it is entitled to additional seconds under the previous agreement. The lower commercial court issued a judgment on July 12, 2006 in favor of Global Communications for the full amount of the counterclaim, and we appealed this decision on the basis of false and inadequate disclosure, wrongful application of substantive law and procedural error. Global Communications separately brought a claim against Nova TV (Croatia), on the same basis as the OK counterclaim. Both Global Communications and Nova TV (Croatia) requested the court to join this claim with the OK counterclaim but this request was denied. The lower commercial court issued a judgment on August 1, 2006 in favor of Global Communications for the full amount of the claim, after having denied submission of evidence supporting our defense. We also appealed this decision.

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On January 25, 2007, Nova TV (Croatia) filed suit against Global Communications. The facts underlying the claim are substantially the same as those of the abovementioned claims, but Nova TV (Croatia) claimed that the Global Agreement and the two reconciliation agreements dated April 30, 2004 and June 30, 2004 (the "Reconciliation Agreements"), by which OK acknowledged the number of seconds of advertising time to which Global Communications was purportedly entitled, should be declared null and void under Article 141 of the Croatian Obligations Act. This provision is intended to protect a contractual party which has entered into unfair bargaining terms due to its dependency on the other contractual party. Global Communications, OK and Nova TV (Croatia) were all related parties (controlled by Ivan Caleta) and the contractual terms provided for the provision of 1,340,280 seconds by OK to Global Communications in exchange for certain transmitters. These seconds were valued at an aggregate of DEM 5 million (or DEM 3.73 per second; HRK 3.91 per second at the time) whereas the rate card price was DEM 97.18 or HRK 380.00 per second (i.e. a price that was 26 times higher). Other clients (unrelated parties) sampled from this period were paying between 382.50 HRK to 491.85 HRK per second. Nova TV (Croatia) argued for voidance of this contract because of its unconscionable terms which were detrimental to OK and Nova TV (Croatia) and beneficial solely to Global Communications (which, in its capacity as an advertising agency, on-sold these seconds to its clients at market rates, thereby reaping an extraordinary profit). Nova TV (Croatia) further claimed restitution for advertising seconds appropriated by Global Communications under the Global Agreement. The restitution amount was HRK 586.5 million (approximately US\$ 114.2 million). The first hearing was held on September 24, 2007, and the judge denied the claim without permitting any arguments, evidence or witnesses.

*Former Shareholder Dispute*

On July 21, 2005, Narval A.M. d.o.o. (a company wholly-owned by Ivan Caleta), Studio Millenium d.o.o. and Richard Anthony Sheldon, three of the former shareholders of OK, filed suit against Nova TV (Croatia) for rescission of the sale and purchase contract pursuant to which they sold 75% of OK to Nova TV (Croatia) in July 2004 (the "OK Sale Contract"). Nova TV (Croatia) acquired OK immediately prior to our acquiring Nova TV (Croatia). The provisions of the OK Sale Contract required Nova TV (Croatia) to make payment to the four shareholders of OK by September 1, 2004, upon receipt of appropriate invoices and bank account details. The fourth shareholder, Pitos d.o.o., issued an invoice that was duly received by Nova TV (Croatia) and payment was made thereunder. The other three shareholders claim that they hand-delivered a joint invoice to one of the former directors of Nova TV (Croatia), but we disputed this. Under the Croatian Obligations Act, one party to a contract who has performed may unilaterally rescind a contract if the other party fails to perform after receipt of a written warning. On May 24, 2006, the lower commercial court decided in favor of the plaintiffs to rescind the OK Sale Contract and ordered the defendant to pay court costs. We appealed the decision on the basis that evidence supporting our position was not allowed to be presented to the court and we challenged the validity of the power of attorney purportedly issued by Richard Anthony Sheldon (a resident of the United Kingdom) to legal counsel representing the other plaintiffs.



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On August 28, 2006, we received a lower court decision of an injunction against us (decided without a hearing) that, inter alia, prohibited a sale or encumbrance of 75% of the shares of OK. Although we appealed this decision, the appellate commercial court upheld the lower court's judgment on November 21, 2006. On November 6, 2006, we were notified of a request for a further injunction that would, inter alia, prohibit us from taking any actions to decrease the value of OK and require the management of OK to report to a delegate of the former shareholders. We unsuccessfully sought the removal of the presiding judge, Raul Dubravec (who also presided over the Global Communications lawsuit against Nova TV (Croatia)). Mr. Dubravec ruled against us on December 18, 2006, requiring imposition of a temporary director for OK, which is not a remedy available under Croatian law under the facts of this action. Further, the temporary director who was appointed is one of the former directors of OK who countersigned the Reconciliation Agreements and is an associate of Ivan Caleta. Our appeal against this decision was denied on May 8, 2007.

*Settlement Agreements*

On November 26, 2007, Nova TV (Croatia) and OK entered into a settlement agreement with Global Communications and the former shareholders of OK to settle all outstanding litigation between the parties and release Nova TV (Croatia) and OK from claims relating to such litigation. In consideration of Global Communications withdrawing its claims, Nova TV (Croatia) agreed to withdraw its claims and pay Global Communications EUR 7.5 million (approximately US\$ 11.0 million) and provide advertising seconds to Global Communications over a two-year period with an aggregate value of EUR 2.0 million (approximately US\$ 3.0 million). The advertising time is being provided to Global Communications pursuant to a separate advertising sales agreement that was signed on the same date. In the event of certain breaches by Global Communications, Nova TV (Croatia) may terminate this agreement and pay Global Communications an amount in cash equal to sixty-five percent of the value of the unused advertising time at the date of such termination.

On November 26, 2007, Nova TV (Croatia) entered into settlement agreements with Narval A.M. d.o.o., Studio Millenium d.o.o. and Richard Anthony Sheldon to settle all outstanding litigation between the parties. In consideration of Narval A.M. d.o.o., Studio Millenium d.o.o. and Richard Anthony Sheldon withdrawing their claims, Nova TV (Croatia) has agreed to pay each of the parties HRK 111,700 (approximately US\$ 23,000) due to them for their shares of OK under the OK Sale Contract.

*Czech Republic*

There are no significant outstanding legal actions that relate to our business in the Czech Republic.

*Romania*

There are no significant outstanding legal actions that relate to our business in Romania.

*Slovenia*

On November 20, 2002, we received notice of a claim filed by Mrs. Zdenka Meglic, the founder and a former shareholder of MMTV 1 d.o.o ("MMTV"), against MMTV, a subsidiary of CME Media Enterprises B.V. In her claim against MMTV, Mrs. Meglic is seeking an amount equal to EUR 0.8 million (approximately US\$ 1.2 million) for repayment of monies advanced to MMTV from 1992 to 1994 (in the amount of approximately EUR 0.1 million (approximately US\$ 0.1 million)) plus accrued interest. On September 9, 2004, the court of first instance found against MMTV and issued a judgment requiring MMTV to pay an amount equal to EUR 0.8 million (approximately US\$ 1.2 million) plus interest as well as costs. On September 24, 2004, MMTV filed an appeal against the judgment. On December 15, 2004, the appellate court vacated the judgment of the lower court and returned the case for further proceedings. At a hearing on September 4, 2007, the lower court denied the claim of Mrs. Meglic and ordered her to pay MMTV's costs of litigation. Mrs. Meglic filed an appeal on September 24, 2007, which was rejected by the Court of Appeal on December 12, 2007. The Court of Appeal also confirmed the judgment of September 4, 2007. Mrs. Meglic filed an appeal with the Slovenian Supreme Court on February 13, 2008, to vacate the decision of the lower court. We do not believe Mrs. Meglic will prevail and we will file a response with the Supreme Court. We expect the Supreme Court to issue an *in camera* decision in connection with the appeal, which may take up to 15 months to be issued.

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*Slovak Republic*

There are no significant outstanding legal actions that relate to our business in the Slovak Republic.

*Ukraine*

On December 23, 2005, we initiated international arbitration proceedings against our partners Alexander Rodnyansky and Boris Fuchsmann to enforce our contractual rights and compel a restructuring of the ownership of Studio 1+1 in order to permit us to hold a 60.0% interest in Studio 1+1. Following the adoption of an amendment to the Ukraine Media Law in March 2006, our partners acknowledged their obligation to restructure to permit us to hold a 60.0% interest had ripened; and in September 2006, they entered into agreements to effect a restructuring. On November 9, 2006, the arbitration proceedings were suspended by mutual consent to permit the parties to implement the restructuring. On August 30, 2007, we succeeded in registering our Ukrainian subsidiary UMS as the owner of 42.0% of Studio 1+1. Together with our 18.0% indirect interest in Studio 1+1 held through Inter-Media, we now have a 60.0% interest in Studio 1+1.

On September 4, 2007, Mr. Fuchsmann and Mr. Rodnyansky sought to file a cross action in these international arbitration proceedings to compel the transfer by us of an interest in Ukrpromtorg to Mr. Fuchsmann and Mr. Rodnyansky. They allege that they are entitled to participate on a pro rata basis in our investment in Ukrpromtorg. This claim is based on the terms of our shareholders' agreement pursuant to which we and our partners have a limited right to participate on a pro rata basis in investment opportunities in the Ukrainian media sector undertaken by the other. In our response to this cross action, we denied any breach of our shareholders' agreement and requested that the tribunal hold the cross action inadmissible in the current arbitration proceedings, whose subject matter is the restructuring, and terminate these proceedings.

On January 31, 2008, we entered into a Framework Agreement with Mr. Fuchsmann and Mr. Rodnyansky. Pursuant to the Framework Agreement, we have agreed to (i) purchase a 30.0% interest in the Studio 1+1 Group from Mr. Fuchsmann and Mr. Rodnyansky, (ii) grant Mr. Fuchsmann and Mr. Rodnyansky a put option and CME a call option on Mr. Fuchsmann's and Mr. Rodnyansky's remaining 10.0% interest in the Studio 1+1 Group and (iii) sell to Mr. Fuchsmann and Mr. Rodnyansky 10.0% of our interest in the companies that operate KINO and CITI. Prior to the completion of these transactions, we have agreed to suspend the arbitration proceedings. Following completion of the transaction, we have agreed with Mr. Fuchsmann and Mr. Rodnyansky to terminate the arbitration proceedings described above. The transaction is expected to close by the end of the second quarter of 2008. For additional information on the Framework Agreement and related transactions, see Note 22 "Subsequent Events – Ukraine".

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**  
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*b) Licenses*

Regulatory bodies in each country in which we operate control access to available frequencies through licensing regimes. The analogue licenses to operate our terrestrial broadcast operations are effective for the following periods:

Croatia	The license of NOVA TV (Croatia) expires in April 2010.
Czech Republic	The license of TV NOVA (Czech Republic) expires in January 2017. The NOVA CINEMA license expires in November 2019. The GALAXIE SPORT license expires in March 2014.
Romania	Licenses expire on dates ranging from November 2008 to February 2016.
Slovak Republic	The license of MARKIZA TV in the Slovak Republic expires in September 2019.
Slovenia	The licenses of POP TV and KANAL A expire in August 2012.
Ukraine	The 15-hour prime time and off prime time license of STUDIO 1+1 expires in December 2016. The license to broadcast for the remaining nine hours in off prime expires in August 2014. Licenses held for Kino and Citi expire on dates ranging from November 2008 to July 2016.

We believe that the licenses for our license companies will be renewed prior to expiry or that we will receive digital licenses for our channels in replacement of current analogue licenses. In Romania, the Slovak Republic, Slovenia and Ukraine local regulations contain a qualified presumption for extensions of broadcast licenses, according to which a broadcast license may be renewed if the licensee has operated substantially in compliance with the relevant licensing regime.

*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 as at December 31, 2007.

## **21. RELATED PARTY TRANSACTIONS**

### **Overview**

There is a limited local market for many specialist television services in the countries in which we operate, many of which are provided by parties known to be connected to our local shareholders. As stated in FASB Statement No. 57 "Related Party Disclosures" ("FAS 57") 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 will continue to review all of these arrangements.

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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 in which we are aware of a family or business connection to a shareholder.

**Related Party Transactions**

***Croatia***

We contract with Concorde Media Beteiligungsgesellschaft mbH for the purchase of program rights. This is a company connected to Dr. Herbert Kloiber, a Director of Central European Media Enterprises Ltd. Our total purchases from Concorde Media Beteiligungsgesellschaft mbH during 2007 were US\$ nil, (2006: US\$ 0.3 million 2005: US\$ nil).

In addition, we purchased programming from companies related or connected with Adrian Sarbu in 2007. These purchases were approximately US\$ 0.1 million (2006: US\$ 0.3, 2005: US\$ nil).

***Czech Republic***

We purchased programming from companies related or connected with Mr. Sarbu in 2007 with a value of approximately US\$ 0.7 million (2006: US\$ 0.7, 2005: US\$ nil).

***Romania***

The total purchases from companies related or connected with Mr. Sarbu in 2007 were approximately US\$ 28.3 million (2006: US\$ 23.4 million, 2005: US\$ 12.0 million). The purchases were mainly for programming rights and for various technical, production and administrative related services. The total sales to companies related or connected with Mr. Sarbu in 2007 were approximately US\$ 3.1 million (2006: US\$ 2.5 million, 2005: US\$ 0.4 million). At December 31, 2007, companies connected to Mr. Sarbu had an outstanding balance due to us of US\$ 6.7 million (2006: US\$ 2.1 million). At December 31, 2007, companies related to Mr. Sarbu had an outstanding balance due to them of US\$ 0.9 million, (2006: US\$ 0.8 million).

In addition, we purchased land with a value of US\$ 8.5 million (EUR 6.5 million) from a company controlled by Mr. Sarbu in December 2006. We are currently expanding our broadcast facilities on this land.

On May 16, 2007 we purchased an additional 5% of Pro TV and MPI and 20% of Media Vision from Mr. Sarbu for consideration of US\$ 51.6 million (for further information see Note 3, "Acquisitions and Disposals, Romania"). On February 17, 2006, we purchased an additional 5% of Pro TV, MPI and Media Vision from Mr. Sarbu for consideration of US\$ 27.2 million (see Note 3, "Acquisitions and Disposals, Romania"). Under a put option agreement with Mr. Sarbu entered into in July 2004, Mr. Sarbu has the right to sell his remaining shareholding in Pro TV and MPI to us at a price, to be determined by an independent valuation and is subject to a floor price of US\$ 1.45 million for each 1% interest sold. This put is exercisable from November 12, 2009 for a twenty-year period thereafter.

We now own a 95% voting and economic interests in Pro TV, MPI and Media Vision.

On August 11, 2006 we acquired a 10.0% interest in Media Pro. Following capital calls in which we did not participate, our holding is now 8.7%. The remaining 91.3 % of Media Pro is held by Mr. Sarbu. In consideration for the purchase of this interest, we paid EUR 8.0 million (approximately US\$ 10.1 million at the date of acquisition) in cash and transferred our existing 20.0% investment in Radio Pro.

We have the right to put our investment in Media Pro to Mr. Sarbu for a three-month period from August 12, 2009 at a price equal to the greater of EUR 13.0 million (approximately US\$ 19.1 million) and the value of our investment, as determined by an independent valuer. This put option is secured by a pledge of a 4.79% shareholding in Pro TV held by Mr. Sarbu. For more information, see Note 3, "Acquisitions and Disposals, Romania".

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We received contractual management fees of US\$ 0.2 million from Radio Pro in 2006 and 2007.

***Slovenia***

We have no related party transactions in Slovenia during 2007 or 2006. On June 24, 2005, we acquired from Marijan Jurenc, director of our Adriatic regional operations, his remaining 3.15% interest in Pro Plus for EUR 4.7 million (approximately US\$ 5.7 million at the date of acquisition).

***Slovak Republic***

STS, our former operating company in the Slovak Republic that was merged into Markiza on January 1, 2007, had a number of contracts with companies connected to Jan Kovacik, a shareholder in Markiza, and indirectly STS, until July 13, 2007, for the provision of television programs. Many of these contracts were for the production of programs that required specialist studios and specific broadcast rights. Total purchases from these companies in 2007 amounted to US\$ 0.2 million (2006: US\$ 0.8 million, 2005: US\$ 0.5 million).

Markiza also purchased advertising space relating to print media from companies connected with Mr. Kovacik in 2007 with a value of US\$ 0.3 million (2006: US\$ 1.5 million, 2005 US\$ nil). In addition, Markiza sold advertising and royalties to use the Markiza brand name to such companies with a value during 2007 of US\$ 0.8 million (2006, 2005: nil).

Markiza also sold advertising time through an advertising agency controlled by Jan Kovacik. The total 2007 advertising sales of Markiza placed through Mr. Kovacik's advertising agency were US\$ nil (2006: US\$ 0.4 million, 2005: US\$ 0.2 million), and the total amount due to Markiza from this agency at December 31, 2007 was US\$ nil (2006: US\$ 0.1 million).

***Ukraine***

Prior to 2007, we contracted with Contact Film Studios for the production of certain television programs. This company was connected to Boris Fuchsmann, the 40% shareholder in and a former managing director of Innova, which is one of the operating companies for the Studio 1+1 group. Our total purchases from Contact Film Studios in 2007 were US\$ nil (2006: US\$ nil, 2005: US\$ 0.1 million).

We contract with VAB Bank for the provision of banking services. This bank is connected to Mr. Fuchsmann who is a member of the bank's Supervisory Board. Our balance on the current account with the bank was US\$ 6.6 million as of December 31, 2007 (2006: US\$ 9.4 million). Commission and other expenses incurred by us in 2007 in respect of the banking services rendered by VAB Bank amount to US\$ 0.1 million (2006: US\$ 0.2 million, 2005: US\$ 0.1 million). Interest of US\$ 0.8 million was earned on funds on deposit with VAB Bank (2006: US\$ 0.4 million, 2005: US\$ 0.1 million).

Innova Marketing is a company 100% owned and managed by Mr. Fuchsmann. Innova Marketing renders consulting services to Innova. The amount of such services provided in 2007 was US\$ 0.1 million (2006: US\$ 0.1 million, 2005: US\$ 0.1 million).

In 1998 we made a loan to Mr. Fuchsmann with a total balance outstanding at December 31, 2007 of US\$ 1.9 million (2006: US\$ 2.2 million). The interest rate on this loan is US\$ three-month LIBOR plus 3.0%, subject to a minimum interest rate of 5.0%.

Alexander Rodnyansky, the former general director and Honorary President of Studio 1+1, is a 28% shareholder in the license company. Mr. Rodnyansky is also the general director of the Russian broadcaster CTC based in Moscow. Our total purchases from CTC in 2007 were US\$ 8.2 million (2006: US\$ 0.1 million, 2005: US\$ 0.2 million). In addition, we recorded revenue of US\$ 1.4 million during 2007 from CTC relating to production of programming (2006: US\$ 0.8 million, 2005: US\$ 0.7 million).

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In addition to the above, we contract with Sablock, a company connected to Mr. Rodnyansky, for license rights costs. Our total purchases during 2007 were US\$ 3.6 million (2006: US\$ 4.0 million, 2005: US\$ 6.0 million). At December 31, 2007, we have recorded a liability to Sablock of US\$ nil (2006: US\$ 1.3 million).

We contract with Kino-Kolo, a magazine that is 75% owned by Mr. Rodnyansky, for advertising Studio 1+1. Purchases of services from Kino-Kolo in 2007 amounted to US\$ nil (2006: US\$ 0.1 million, 2005: US\$ 0.1 million).

We purchase legal and consulting services from LLC Legal Company Varlamov and Partners, a company headed by the Deputy General Director of Studio 1+1. The total amount of services rendered by the company in 2007 was US\$ 0.1 million (2006: US\$ 0.3 million, 2005: US\$ 0.3 million).

We purchased programming from companies related or connected with Mr. Sarbu in 2007 with a value of approximately US\$ 0.1 million (2006: US\$ nil, 2005: US\$ nil).

On October 30, 2007 we entered into agreements with Igor Kolomoisky, a member of our Board of Directors, in order to acquire interests in the Studio 1+1 Group (see Note 13 "Financial Instruments").

## **22. SUBSEQUENT EVENTS**

On January 31, 2008, we entered into a series of agreements to purchase a 30.0% beneficial ownership interest in the Studio 1+1 Group from our partners, Alexander Rodnyansky and Boris Fuchsmann, and to provide Messrs. Rodnyansky and Fuchsmann with a put option and us with a call option for the remaining 10.0% interest in the Studio 1+1 Group that will be held by Messrs. Rodnyansky and Fuchsmann following a successful completion of the initial sale transaction. We currently hold a 60.0% beneficial ownership interest in the Studio 1+1 Group. In conjunction with the initial transaction, we also entered into an assignment agreement with Igor Kolomoisky, one of our shareholders and a member of the Board of Directors of Central European Media Enterprises Ltd, pursuant to which Mr. Kolomoisky has assigned his option interests in the Studio 1+1 Group to us. The consideration payable by us for the initial sale transactions, exclusive of the put and call options, is approximately US\$ 219.6 million.

We entered into a framework agreement (the "Framework Agreement") with Messrs. Rodnyansky and Fuchsmann on January 31, 2008. Pursuant to the terms of the Framework Agreement, we shall acquire a 30.0% interest in the Studio 1+1 Group. The interests to be acquired consist of (i) an 8.335% direct and indirect ownership interest in the Studio 1+1 Group currently held by Messrs. Rodnyansky and Fuchsmann (the "RF Interests") and (ii) a 21.665% direct and indirect interest in Studio 1+1, Innova and IMS over which Mr. Kolomoisky currently holds options (the "Optioned Interests"). We entered into an agreement with Mr. Kolomoisky on October 30, 2007 (the "October Agreement") to acquire such Optioned Interests from Mr. Kolomoisky following a successful exercise by him of these options over the Optioned Interests. The Assignment Agreement as defined below between us and Mr. Kolomoisky supersedes the October Agreement.

At completion Messrs. Rodnyansky and Fuchsmann will receive a combined total cash consideration of US\$ 79.6 million, including a de minimus amount of consideration upon exercise of the Optioned Interests and the remainder for the RF Interests, in exchange for the 30.0% beneficial ownership interest in the Studio 1+1 Group. Following the completion of this transaction, we will hold a 90.0% interest in the Studio 1+1 Group and Messrs. Rodnyansky and Fuchsmann will each hold a 5.0% interest.

In addition, under the Framework Agreement we have granted Messrs. Rodnyansky and Fuchsmann the right to jointly put both of their remaining 5.0% interests in the Studio 1+1 Group to us. The consideration upon exercise of the put option is: (i) US\$ 95.4 million if exercised at any time from the closing date of the transaction to the first anniversary of the closing date; (ii) US\$ 102.3 million if exercised after the first anniversary up to the second anniversary of the closing date; and (iii) the greater of US\$ 109.1 million and an agreed valuation if exercised at any time after the second anniversary of the closing date. Under the Framework Agreement Messrs. Rodnyansky and Fuchsmann granted us the right from the closing date to call their combined 10.0% interest in the Studio 1+1 Group for a consideration of US\$ 109.1 million. From the first anniversary of the closing date, Messrs. Rodnyansky and Fuchsmann have the option of electing to have an agreed valuation conducted, in which case the call price will be the greater of US\$ 109.1 million and the agreed valuation. In the event we exercise the call option, Messrs. Rodnyansky and Fuchsmann have the right to elect to receive their consideration in the form of cash or shares of our Class A Common Stock. Both the put and call options may only be exercised for the entire 10.0% interest held by Messrs. Rodnyansky and Fuchsmann.

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Simultaneous with entering into the Framework Agreement, the parties to the Framework Agreement entered into a termination agreement (the "Termination Agreement") pursuant to which our historical partnership agreements with respect to our Ukrainian operations have been terminated and Messrs. Rodnyansky and Fuchsmann have resigned all positions within the Studio 1+1 Group. Messrs Rodnyansky and Fuchsmann have entered into consultancy agreements with us providing for total annual aggregate compensation under both agreements not to exceed Euro 1 million that terminate at the time either sells his remaining 5.0% interest in the Studio 1+1 Group. The Termination Agreement contains non-solicitation provisions as well as limited non-compete provisions that restrict the ability of Messrs. Rodnyansky and Fuchsmann to compete against us in the television business in Ukraine directly or through companies controlled by them.

Following the completion of our purchase of the 30.0% ownership interest in the Studio 1+1 Group, Messrs. Rodnyansky and Fuchsmann intend to acquire 10.0% of our interest in the entities operating the channels KINO and CITI in Ukraine for consideration of US\$ 1.92 million. In the event Messrs. Rodnyansky and Fuchsmann exercise the put or we exercise the call described above, this 10.0% interest will be transferred to us together with the 10.0% interest held by Messrs. Rodnyansky and Fuchsmann in the Studio 1+1 Group, and Messrs. Rodnyansky and Fuchsmann shall not be entitled to any additional consideration other than as described above in respect of the put and call options.

On January 31, 2008, we entered into an Assignment Agreement with Mr. Kolomoisky pursuant to which Mr. Kolomoisky has assigned his right to acquire the Optioned Interests to us. In consideration of this assignment, we will pay Mr. Kolomoisky an amount equal to the lesser of (i) US\$ 140.0 million and (ii) 4% of the number of outstanding shares of our Class A Common Stock at the time we acquire the Optioned Interests (using a weighted average trading price), provided, that in the event the lesser amount is US\$ 140.0 million, Mr. Kolomoisky will have the option of receiving his consideration in cash or shares of our Class A Common Stock. We are not obligated to pay this consideration to Mr. Kolomoisky prior to the acquisition of the RF Interests and the Optioned Interests from Messrs. Rodnyansky and Fuchsmann. The October Agreement shall terminate and no consideration will be payable thereunder following the completion of this transaction.

The Framework Agreement and the Assignment Agreement also provide that Messrs. Rodnyansky, Fuchsmann and Kolomoisky, as well as other parties who entered into historical arrangements with respect to the Optioned Interests, enter into mutual release arrangements on the closing date to confirm the performance of the transactions contemplated by those previous arrangements and to release any claims arising out of or in connection with those arrangements or the ownership of the Studio 1+1 Group. In addition, Mr. Kolomoisky and other parties who obtained rights in respect of the Optioned Interests are releasing us and the Studio 1+1 Group from any claims in respect of the ownership of the Studio 1+1 Group on the closing date.

Completion of the transactions described above is expected to occur by the end of the second quarter of this year. Under the terms of the Framework Agreement, the ownership of the Studio 1+1 Group is being restructured in order to facilitate these transactions and such restructuring will require certain regulatory approvals.

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### 23. QUARTERLY FINANCIAL DATA

Selected quarterly financial data for the years ended December 31, 2007 and 2006 is as follows:

	First Quarter (Unaudited)	For the Year ended December 31, 2007			Fourth Quarter (Unaudited)
		Second Quarter (Unaudited)	Third Quarter (Unaudited)		
(US\$ 000's, except per share data)					
<b>Consolidated Statement of Operations data:</b>					
Net revenues	\$ 147,912	\$ 216,284	\$ 174,836	\$ 300,959	
Cost of revenue	104,071	126,562	108,438	167,469	
Operating income	13,287	66,579	28,393	97,785	
Net income / (loss)	(250)	34,590	(18,763)	72,991	
<b>Net income / (loss) per share:</b>					
Basic EPS	\$ (0.01)	\$ 0.84	\$ (0.45)	\$ 1.73	
Effect of dilutive securities	-	(0.01)	-	(0.02)	
Diluted EPS	\$ (0.01)	\$ 0.83	\$ (0.45)	\$ 1.71	

	First Quarter (Unaudited)	For the Year ended December 31, 2006			Fourth Quarter (Unaudited)
		Second Quarter (Unaudited)	Third Quarter (Unaudited)		
(US\$ 000's, except per share data)					
<b>Consolidated Statement of Operations data:</b>					
Net revenues	\$ 119,754	\$ 156,589	\$ 112,482	\$ 214,290	
Cost of revenue	81,424	89,571	81,088	110,094	
Operating income	16,183	44,033	6,571	73,887	
Net income / (loss)	(18,264)	8,522	3,934	26,232	
<b>Net income / (loss) per share:</b>					
Basic EPS	\$ (0.48)	\$ 0.21	\$ 0.09	\$ 0.64	
Effect of dilutive securities	-	-	-	-	
Diluted EPS	\$ (0.48)	\$ 0.21	\$ 0.09	\$ 0.64	



**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 to ensure that information required to be disclosed in our Annual Report on Form 10-K is recorded, processed, summarized and reported within the allowable time periods and to ensure that information required to be disclosed is accumulated and communicated to the issuer's management, including the Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2007 and concluded that our disclosure controls and procedures are 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, 2007. This assessment was performed under the direction and supervision of our Chief Executive Officer and 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, 2007, our internal control over financial reporting was effective. Our independent registered public accounting firm, Deloitte & Touche LLP, has audited our financial statements and issued an attestation report on our assessment of our 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, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**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, 2007, 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.

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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, 2007, 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 the financial statement schedule as of and for the year ended December 31, 2007 of the Company and our report dated February 28, 2008 expressed an unqualified opinion on those financial statements and the financial statement schedule.

DELOITTE & TOUCHE LLP

London, United Kingdom

February 28, 2008

**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 section entitled "Election of Directors and Executive Officers" and "Committees of the Board" in our Proxy Statement for the 2008 Annual General Meeting of Shareholders.

We have adopted a Code of Conduct and Ethics applicable to all employees and Board members.

The Code of Conduct and Ethics is posted on our website, [www.cetv-net.com](http://www.cetv-net.com). In order to access this portion of our website, click on the "About CME" tab, then select "Company Policies and Charters" from the available options. Any amendments to, or waivers of, the Code of Conduct and Ethics will be disclosed on our website promptly following the date of such amendment or waiver. Copies of our Code of Conduct and Ethics are available free of charge by e-mailing a request to [postmaster@cme-net.com](mailto:postmaster@cme-net.com).

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 is incorporated herein by reference to the sections entitled "Executive Compensation", "Compensation Discussion and Analysis", "Compensation Committee Report" and "Director Compensation" in our Proxy Statement for the 2008 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 is incorporated herein by reference to the sections entitled "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our Proxy Statement for the 2008 Annual General Meeting of Shareholders.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by Item 13 is incorporated herein by reference to the section entitled "Certain Relationships and Related Transactions" and "Director Independence" in our Proxy Statement for the 2008 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 "Principal Accountant Fees and Services" in our Proxy Statement for the 2008 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 Accountants;
- Consolidated Balance Sheets as of December 31, 2007 and 2006;
- Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2007, 2006 and 2005;
- Consolidated Statement of Shareholders' Equity for the years ended December 31, 2007, 2006 and 2005;
- Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005; 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:

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**  
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**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, dated as of May 25, 2000 (incorporated by reference to Exhibit 3.02 to the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2000).
3.03*	Memorandum of Increase of Share Capital (incorporated by reference to 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 Registrar of Companies on May 20, 1997 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10Q 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 Media 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, Principal 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).
10.01+*	Central European Media Enterprises Ltd. 1995 Stock Incentive Plan, as amended and restated to April 11, 2004 (incorporated by reference to Exhibit A to the Company's Proxy Statement dated May 9, 2005).
10.02*	Agreement between CME Media Enterprises BV and the Tax and Customs Administration of the Netherlands dated March 24, 2004 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004).
10.03*	Pro TV SA put-option between CME Romania BV, Adrian Sarbu and Rootland Trading Ltd (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004).
10.04*	MPI SA put-option between CME Romania BV, Adrian Sarbu and Rootland Trading Ltd (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004).
10.05*+	Employee Stock Option Form (a management contract) (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004).

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Tabular amounts in US\$ 000's, except share data)**

<u>Exhibit Number</u>	<u>Description</u>
10.06*	Framework Agreement CME Media Enterprises BV, Central European Media Enterprises Ltd. and PPF (Cyprus) Ltd. dated December 13, 2004 (incorporated by reference to the Company's Annual Report on Form 10-K for the period ended December 31, 2004).
10.07*	Agreement on Settlement of Disputes and Transfer of Ownership Interest, dated February 24, 2005 (incorporated by reference to the Company's Annual Report on Form 10-K for the period ended December 31, 2004).
10.08*	Subscription Agreement between Central European Media Enterprises Ltd. and PPF (Cyprus) Ltd. dated May 2, 2005 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2005).
10.10*	Deed of Guarantee among PPF a.s., Central European Media Enterprises Ltd. and CME Media Enterprises B.V. dated May 2, 2005 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2005).
10.12*	PPF Group Guarantee among PPF Group N.V., Central European Media Enterprises Ltd. and CME Media Enterprises B.V. dated May 2, 2005 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2005).
10.13*	Indenture among Central European Media Enterprises Ltd., Central European Media Enterprises N.V., and CME Media Enterprises B.V. J.P. Morgan Chase Bank N.A.. London Branch and J.P. Morgan Bank Luxembourg S.A. dated May 5, 2005 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2005).
10.14*	Euro 37.5 million facility agreement, dated July 29, 2005, between Produkcija Plus Storitveno Podjetje d.o.o. and ING Bank N.V., Nova Ljubljanska banka d.d., and Bank Austria Creditanstalt d.d. (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005).
10.15*	Credit line agreement No. 2644105/LCD between Ceska Sportelna a.s. and CET 21 spot. s r.o. dated October 27, 2005 (incorporated by reference to the Company's Annual Report on Form 10-K for the period ended December 31, 2005).
10.16*	Loan Agreement between Central European Media Enterprises Ltd. and European Bank for Reconstruction and Development, dated July 21, 2006 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006).
10.17*	Pledge Agreement on Shares in Central European Media Enterprises N.V. among Central European Media Enterprises Ltd., European Bank for Reconstruction and Development and Central European Media Enterprises N.V., dated July 21, 2006 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006).
10.18*	Pledge of Shares in CME Media Enterprises B.V. among Central European Media Enterprises N.V., European Bank for Reconstruction and Development and CME Media Enterprises B.V., dated July 21, 2006 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006).

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in US\$ 000's, except share data)

<u>Exhibit Number</u>	<u>Description</u>
10.19*	Deed of Guarantee and Indemnity between Central European Media Enterprises N.V. and European Bank for Reconstruction and Development, dated July 21, 2006 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006).
10.20*	Deed of Guarantee and Indemnity between CME Media Enterprises B.V. and European Bank for Reconstruction and Development, dated July 21, 2006 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006).
10.21*	Contract Assignment between CME Media Enterprises B.V., Central European Media Enterprises Ltd. and European Bank for Reconstruction and Development, dated July 21, 2006 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006).
10.22*+	Amendment of Employment Agreement (dated March 30, 2004) between Michael Garin and CME Development Corporation, dated July 28, 2006 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006).
10.23*+	Amended and Restated Contract of Employment between Marina Williams, Executive Vice President, and CME Development Corporation, dated October 5, 2006 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006).
10.24*+	Amended and Restated Contract of Employment between Wallace Macmillan, Chief Financial Officer, and CME Development Corporation, dated October 6, 2006 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006).
10.25	Agreement to Provide Advertising Services between Video International-Prioritet LLC and Broadcasting Company "Studio 1+1" LLC dated November 30, 2006.
10.26*	Subscription Agreement between the Company 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).
10.27*	Registration Rights Agreement between the Company 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).
10.28*	Supplemental Agreement Relating to the Loan Agreement dated July 21, 2006 (as amended by an amending Letter Agreement dated November 16, 2006) between the Company and the European Bank for Reconstruction and Development, dated August 22, 2007 (incorporated by reference to Exhibit 10.68 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007).
10.29*	Loan Agreement between the Company and the European Bank for Reconstruction and Development, dated August 22, 2007 (incorporated by reference to Exhibit 10.69 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007).



**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Tabular amounts in US\$ 000's, except share data)**

<u>Exhibit Number</u>	<u>Description</u>
10.30*	Agreement on Transfer of Participation Interest in Media Invest, spol. s.r.o. between Mr Jan Kováčik and CME Slovak Holdings B.V., dated July 13, 2007 (incorporated by reference to Exhibit 10.70 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007).
10.31*	Agreement on Consideration between Mr Jan Kováčik and CME Slovak Holdings B.V., dated July 13, 2007 (incorporated by reference to Exhibit 10.71 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007).
10.32*	Purchase Agreement, among Central European Media Enterprises Ltd. as Issuer, Central European Media Enterprises N.V. and CME Media Enterprises B.V. as Guarantors and J.P. Morgan Securities Ltd., Lehman Brothers International (Europe) and ING Bank N.V., London Branch as the Initial Purchasers, dated May 9, 2007 (incorporated by reference to Exhibit 10.63 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007).
10.33*	Amended and Restated Registration Rights Agreement, between Central European Media Enterprises Ltd., and Testora Ltd., dated May 11, 2007 (incorporated by reference to Exhibit 10.64 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007).
10.34*	Sale-Purchase Contract for Shares in Pro TV S.A., between Rootland Trading Ltd. and CME Romania B.V., dated June 1, 2007 (incorporated by reference to Exhibit 10.66 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007).
10.35*	Sale-Purchase Contract for Shares in Media Pro International S.A., between Rootland Trading Ltd. and CME Romania B.V., dated June 1, 2007 (incorporated by reference to Exhibit 10.67 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007).
10.36*+	Employment Agreement between CME Development Corporation and Michael Garin, dated March 30, 2004 (incorporated by reference to Exhibit 10.63 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2004).
<a href="#">10.36A+</a>	Letter of Amendment, dated November 15, 2007, to the Employment Agreement between CME Development Corporation and Michael Garin, dated March 30, 2004.
<a href="#">10.37+</a>	Contract of Employment between CME Development Corporation and Adrian Sarbu, dated December 27, 2007.
<a href="#">10.38+</a>	Contract for the Performance of the Office between Pro TV SA and Adrian Sarbu, dated December 27, 2007.
<a href="#">10.39</a>	Framework Agreement among Aleksandr Rodnyansky, Boris Fuchsmann, International Teleservices Ltd., the Company, CME Media Enterprises B.V., CME Ukraine Holding GmbH, CET 21 s.r.o., Ukrainian Media Services LLC, Studio 1+1 LLC, Foreign Enterprise Inter-Media, Innova Film GmbH, International Media Services Ltd and TV Media Planet Ltd., dated January 31, 2008.

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**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Tabular amounts in US\$ 000's, except share data)**

<u>Exhibit Number</u>	<u>Description</u>
<a href="#">10.40</a>	Termination Agreement by and between Aleksandr Rodnyansky, Boris Fuchsmann, International Teleservices Ltd., the Company, CME Media Enterprises B.V., CME Ukraine Holding GmbH, CET 21 s.r.o., Ukrainian Media Services LLC, Studio 1+1 LLC, Foreign Enterprise Inter-Media, Innova Film GmbH, International Media Services Ltd and TV Media Planet Ltd., dated January 31, 2008.
<a href="#">10.41</a>	Assignment Agreement among Igor Kolomoisky, Manita Investments Limited, Global Media Group Ltd., Torcensta Holding Ltd., the Company, CME Media Enterprises B.V., CME Ukraine Holding GmbH and Ukrainian Media Services LLC, dated January 31, 2008.
<a href="#">10.42</a>	Agreement between Mr. Richard Anthony Sheldon and Nova TV d.d., dated November 26, 2007.
<a href="#">10.43</a>	Agreement among Global Komunikacije d.o.o., Nova TV d.d. and Opertivna Kompanija d.o.o., dated November 26, 2007.
<a href="#">10.44</a>	Agreement among Narval A.M. d.o.o., Studio Millenium d.o.o. and Nova TV d.d., dated November 26, 2007.
<a href="#">21.01</a>	List of subsidiaries.
<a href="#">23.01</a>	Consent of Deloitte & Touche LLP
<a href="#">24.01</a>	Power of Attorney, dated as of February 26, 2007.
31.01	Sarbanes-Oxley Certification s.302 CEO, dated February 28, 2008.
31.02	Sarbanes-Oxley Certification s.302 CFO, dated February 28, 2008.
32.01	Sarbanes-Oxley Certification - CEO and CFO, dated February 28, 2008 (furnished only).
*	Previously filed exhibits
+	Exhibit is a management contract or compensatory plan
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 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 28, 2008                    /s/ Michael Garin  
Michael Garin  
Chief Executive Officer  
(Duly Authorized Officer)

Date: February 28, 2008                    /s/ Wallace Macmillan  
Wallace Macmillan  
Chief Financial Officer  
(Principal Financial Officer and Accounting Officer)

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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>
_____ * Ronald S. Lauder	Chairman of the Board of Directors	February 28, 2008
_____ * Herbert A. Granath	Vice-Chairman of the Board of Directors	February 28, 2008
_____ /s/ Michael Garin Michael Garin	Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2008
_____ /s/ Wallace Macmillan Wallace Macmillan	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 28, 2008
_____ * Charles Frank	Director	February 28, 2008
_____ * Herbert Kloiber	Director	February 28, 2008
_____ * Igor Kolomoisky	Director	February 28, 2008
_____ * Alfred W. Langer	Director	February 28, 2008
_____ * Bruce Maggin	Director	February 28, 2008
_____ * Ann Mather	Director	February 28, 2008
_____ * Christian Stahl	Director	February 28, 2008
_____ * Eric Zinterhofer	Director	February 28, 2008
	*By _____ /s/Wallace Macmillan Wallace Macmillan Attorney-in-fact	

INDEX TO SCHEDULES

Schedule I

Schedule of Valuation Allowances

(US\$ 000's)

	<b>Bad debt and credit note provision</b>	<b>Deferred tax allowance</b>
<b>Balance at December 31, 2004</b>	<b>6,140</b>	<b>8,011</b>
Charged to costs and expenses	1,750	5,115
Charged to other accounts (1)	1,532	(185)
Foreign exchange	(172)	(1,007)
<b>Balance at December 31, 2005</b>	<b>9,250</b>	<b>11,934</b>
Charged to costs and expenses	1,989	6,107
Charged to other accounts (1)	1,540	(1,168)
Foreign exchange	(115)	(299)
<b>Balance at December 31, 2006</b>	<b>12,664</b>	<b>16,574</b>
Charged to costs and expenses	1,876	12,182
Charged to other accounts (1)	(579)	2,000
Foreign exchange	691	1,208
<b>Balance at December 31, 2007</b>	<b>14,652</b>	<b>31,964</b>

<sup>(1)</sup> 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.

November 15, 2007

Michael N. Garin  
49 Moore Road  
Bronxville, NY 10708

Re: Amendment of Employment Agreement

Dear Michael:

This letter, when countersigned by you, will amend certain terms of your employment agreement dated March 30, 2004, as amended on July, 28, 2006 (the "Agreement") with CME Development Corporation (the "Company"). Capitalized terms used in this letter and not otherwise defined herein shall have the meanings set forth in the Agreement.

The Agreement is hereby amended as follows:

A. The second sentence of paragraph 2 of the Agreement is hereby deleted, and the following is substituted in its place:

With effect from October 17, 2007 through January 31, 2010, your annual base salary for your duties performed in the United States and elsewhere outside the United Kingdom will be \$975,000 and your annual base salary for your duties performed in the United Kingdom will be \$225,000, all of the foregoing payable in accordance with the Company's payroll practices.

B. Paragraph 5 of the Agreement is hereby deleted, and the following is substituted in its place:

For the year ending December 31, 2007, you will be eligible to receive an incentive bonus with a targeted amount equal to your aggregate annual base salary paid to you in 2007 for your duties performed in the United States and in the United Kingdom. One-half of any such annual incentive bonus shall be based upon achievement of reasonable quantitative performance criteria established by the Board and one-half of any such bonus shall be based upon subjective criteria established by the Board.

C. A further section is added to the end of paragraph 5 of the Agreement as follows:

From January 1, 2008, you shall be entitled to earn an annual incentive bonus equal to Euro 846,000 ("Bonus") and additional bonus equal to Euro 423,000 (the "Additional Bonus"), as provided below. The Bonus shall be payable in the event that Actual EBITDA in respect of any financial year of CME Ltd. is equal to Target EBITDA. The Additional Bonus shall be payable in the event that Actual EBITDA is at least 105% of Target EBITDA in respect of such financial year. For purposes hereof, "Target EBITDA" and "Actual EBITDA" shall be calculated as follows:

Target EBITDA =  $E^b - C^b$ , where

$E^b$  = Segment EBITDA for broadcast operations set forth in the annual budget of CME Ltd. approved by the Board for the financial year to which such Bonus or Additional Bonus relates (the "Applicable Budget"), and

$C^b$  = corporate operating costs (excluding stock-based compensation) set forth in the Applicable Budget;

Actual EBITDA =  $E^f - C^f - S$ , where

$E^f$  = aggregate EBITDA for broadcast operations for each Segment (as defined in the Applicable Budget) in respect of the financial year to which the Bonus or Additional Bonus relates, calculated on the basis of exchange rates used in determining such Applicable Budget,

$C^f$  = corporate operating costs (excluding stock-based compensation) set forth in the Annual Report on Form 10-K of CME Ltd. for such financial year, and

$S$  = the amount equal to Segment EBITDA for non-broadcast operations set forth in the Applicable Budget minus aggregate EBITDA for non-broadcast operations for each Segment (as defined in the Applicable Budget) in respect of the financial year to which such Bonus or Additional Bonus relates, calculated on the basis of exchange rates used in determining such Applicable Budget, provided such amount is a positive number.

No Bonus or Additional Bonus shall be payable prior to the date on which CME Ltd. publishes its Annual Report on Form 10-K for the financial year to which such Bonus or Additional Bonus relates.

D. The final proviso of paragraph 6 of the Agreement is deleted, and the following is substituted in its place:

; and *provided further, however*, that such travel expenses also may include (i) reasonable and appropriate travel expenses incurred for your companion (or spouse, if you are married) accompanying you on business travel on behalf of the Company and (ii) expenses of up to \$100,000 incurred by you (but not your spouse) in any financial year on an executive jet service used for business travel to the television stations of CME Ltd. (or a pro rated amount in respect of the 2007 financial year).

Except as expressly set forth in this letter, the terms of the Agreement are unchanged, remain in full force and effect and are hereby ratified and affirmed by the parties hereto.

Very truly yours,

CME DEVELOPMENT CORPORATION

By: /s/ Wallace Macmillan

Name: Wallace Macmillan

Title: Director

Accepted and Agreed to as of  
this 15 day of November, 2007:

/s/ Michael Garin

MICHAEL N. GARIN

---



DATED

December 27, 2007

CME Development Corporation

- and -

Adrian Sarbu

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CONTRACT OF EMPLOYMENT

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**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 Development Corporation c/o Aldwych House, 81 Aldwych, London, WC2B 4HN (the "Company")  
Name and Address of Employee: Adrian Sarbu, residing at 230 Calea Dorobontilar, Sector 1, Bucharest, Romania  
Date this Contract takes effect: October 17, 2007

**1 COMMENCEMENT OF EMPLOYMENT**

- 1.1 Your employment with the Company shall commence on October 17, 2007 and shall expire on December 31, 2009, subject to the provisions of clause 7 of this Contract providing for earlier termination of this engagement in certain circumstances.
- 1.2 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 Chief Operating Officer reporting to the Chief Executive Officer of the Company.
- 2.2 Your main duties are:
  - 2.2.1 working with the Chief Executive Officer of the Company to establish an annual business plan for Central European Media Enterprises Ltd. ("CME Ltd.") and/or any Associated Company (as defined below) (together, the "CME Group");
  - 2.2.2 management of all broadcasting and non-broadcasting operations of the CME Group;
  - 2.2.3 being responsible for all operating executives of the CME Group, all of whom shall report to you; and
  - 2.2.4 undertaking such additional tasks in respect of the business of the Company as the Chief Executive Officer of the Company directs from time to time.
- 2.3 In addition to your main duties you will be required to carry out such other duties consistent with your position as the Company may from time to time reasonably require.
- 2.4 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.

### 3 PLACE OF WORK

- 3.1 You will be based in the offices of the CME Group in Prague or Bucharest or at such other place as the Company may from time to time reasonably require.
- 3.2 The duties of this appointment shall relate primarily to the countries in which the CME Group has operations or holds interests in television stations. You may also be required to travel to other destinations from time to time as reasonably required by the Company for the proper performance of your duties.

### 4 REMUNERATION

- 4.1 For the period from October 17, 2007 to December 31, 2007, you shall be entitled to Euro 10,976, payable on or about the 20<sup>th</sup> day of January 2008 by credit transfer into your bank account after all necessary deductions for relevant taxes and national insurance.
- 4.2 From January 1, 2008, your basic salary is Euro 423,000 per year, payable in equal monthly instalments in arrears or on or about the 20<sup>th</sup> day of each month by credit transfer into your bank account after all necessary deductions for relevant taxes and national insurance.
- 4.3 From January 1, 2008, you shall be entitled to earn an annual incentive bonus equal to Euro 846,000 (the “**Bonus**”) and additional bonus equal to Euro 423,000 (the “**Additional Bonus**”), as provided below. The Bonus shall be payable in the event that Actual EBITDA in respect of any financial year of CME Ltd. is equal to Target EBITDA. The Additional Bonus shall be payable in the event that Actual EBITDA is at least 105% of Target EBITDA in respect of such financial year. For purposes hereof, “**Target EBITDA**” and “**Actual EBITDA**” shall be calculated as follows:

Target EBITDA =  $E^b - C^b$ , where

$E^b$  = Segment EBITDA for broadcast operations set forth in the annual budget of CME Ltd. approved by the Board for the financial year to which such Bonus or Additional Bonus relates (the “**Applicable Budget**”), and

$C^b$  = corporate operating costs (excluding stock-based compensation) set forth in the Applicable Budget;

Actual EBITDA =  $E^f - C^f - S$ , where

$E^f$  = aggregate EBITDA for broadcast operations for each Segment (as defined in the Applicable Budget) in respect of the financial year to which the Bonus or Additional Bonus relates, calculated on the basis of exchange rates used in determining such Applicable Budget,

$C^f$  = corporate operating costs (excluding stock-based compensation) set forth in the Annual Report on Form 10-K of CME Ltd. for such financial year, and

$S$  = the amount equal to Segment EBITDA for non-broadcast operations set forth in the Applicable Budget minus aggregate EBITDA for non-broadcast operations for each Segment (as defined in the Applicable Budget) in respect of the financial year to which the Bonus or Additional Bonus relates, calculated on the basis of exchange rates used in determining such Applicable Budget, provided such amount is a positive number.

No Bonus or Additional Bonus shall be payable prior to the date on which CME Ltd. publishes its Annual Report on Form 10-K for the financial year to which such Bonus or Additional Bonus relates.

- 4.4 In connection with your retention as President of the Board of Directors pursuant to a Contract for Performance of Office between PRO TV S.A. ("**Pro TV**") and you dated December 27, 2007 (the "**Pro TV Agreement**"), it has been agreed that one-half of any Bonus or Additional Bonus earned by you shall be paid by Pro TV and one-half shall be paid by the Company.
- 4.5 You shall devote sufficient time to proper performance of your duties hereunder. Save as set forth herein, no additional pay or time off shall be permitted to you in connection with your performance of the duties hereunder.

## 5 OTHER BENEFITS

- 5.1 You acknowledge that you will participate in certain insurance schemes pursuant to the Pro TV Agreement and that you shall not be entitled to the benefit of any insurance or other employee benefit scheme offered generally by the Company to its employees, notwithstanding the provisions of the Company's Employee Handbook, as amended from time to time (the "**Company's Employee Handbook**").

## 6 EXPENSES

- 6.1 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 Company's Employee Handbook.
- 6.2 Notwithstanding clause 6.1, you shall be entitled to incur expenses of up to US\$ 100,000 in any financial year on any executive jet service for business travel to the CME Ltd. television stations (or a pro-rated amount in respect of the 2007 financial year).

## 7 TERMINATION

- 7.1 You may terminate this Contract at any time on giving the Company twelve months' notice in writing. The Company is required to give you the same period of notice. In the event you give notice of termination pursuant to this clause, the Company may opt to provide you with payment in lieu of notice. This payment will be comprised solely of your basic salary (at the rate payable when this option is exercised) in respect of the portion of the notice period remaining at the time the Company exercises this option and any earned but unpaid Bonus or Additional Bonus awarded in accordance with clause 4.3 hereof. All payments shall be subject to deductions for income tax and national insurance contributions as appropriate. You will not, under any circumstances, have any right to payment in lieu unless the Company has exercised its option to pay in lieu of notice.
- 7.2 The Company may at any time and in its absolute discretion (whether or not any notice of termination has been given under clause 7.1 above) terminate this Contract with immediate effect and make a payment in lieu of notice. This payment will be comprised solely of your basic salary (at the rate payable when this option is exercised) in respect of the portion of the notice period remaining at the time the Company exercises this option and any earned but unpaid bonus awarded in accordance with clause 4.3 hereof. All payments shall be subject to deductions for income tax and national insurance contributions as appropriate. You will not, under any circumstances, have any right to payment in lieu unless the Company has exercised its option to pay in lieu of notice.

- 7.3 At the election of the Company, the payment in lieu of notice will be made at the times the Company would have made payments to you had notice not been given or on expiry of the remainder of the period of notice.
- 7.4 Your employment may be terminated by the Company without notice or payment in lieu of notice by reason of your gross misconduct. Examples of gross misconduct are set out in the Company's Employee Handbook.
- 7.5 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.

## 8 SUSPENSION

- 8.1 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.
- 8.2 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:
  - 8.2.1 exclude you from the premises of the Company;
  - 8.2.2 require you to carry out only specified duties (consistent with your status, role and experience) or to carry out no duties;
  - 8.2.3 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);
  - 8.2.4 prohibit you from communicating in any way with any or all of the suppliers, customers, business partners, employees, agents or representatives of the Company until your employment has terminated except to the extent that you are authorised by the General Counsel of Central European Media Enterprises Ltd. in writing; and
  - 8.2.5 require you to comply with any other reasonable conditions imposed by the Company.
- 8.3 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 7 or such later date as provided herein.

## 9 CONFIDENTIAL INFORMATION

- 9.1 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:
- 9.1.1 concerning the business of the Company and which comes to your knowledge during the course of or in connection with your employment or your holding office with the Company; or
  - 9.1.2 concerning the business of any client or person having dealings with the Company and which is obtained directly or indirectly in circumstances where the Company is subject to a duty of confidentiality.
- 9.2 For the purposes of clause 9.1.1 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'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.
- 9.3 This clause shall not apply to information which:
- 9.3.1 is used or disclosed in the proper performance of your duties or with the consent of the Company;
  - 9.3.2 is 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
  - 9.3.3 is in or comes into the public domain (otherwise than due to a default by you).

## 10 INTELLECTUAL PROPERTY

- 10.1 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.
- 10.2 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.
- 10.3 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.

- 10.4 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.
- 10.5 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.
- 10.6 "**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:
- 10.6.1 relates to the business or any product or service of the Company; and
- 10.6.2 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 10, references to the Company shall be deemed to include references to any Associated Company (as defined in clause 16.5 below).

## 11 COLLECTIVE AGREEMENTS/WORKFORCE AGREEMENTS

There are no collective agreements or workforce agreements applicable to you or which affect your terms of employment.

## 12 DATA PROTECTION

- 12.1 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.
- 12.2 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.

### 13 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.

### 14 MONITORING OF COMPUTER SYSTEMS

- 14.1 The Company will monitor messages sent and received via the email and voicemail system to ensure that employees are complying with the Company's Information Technology policy (as detailed in the Company's Employee Handbook).
- 14.2 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.
- 14.3 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.
- 14.4 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.

### 15 INDEMNITY

- 15.1 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.
- 15.2 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, 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.



- 15.3 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.
- 15.4 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.
- 15.5 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 Certificate of Incorporation 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.

## **16 POST-EMPLOYMENT RESTRICTIONS AND CORPORATE OPPORTUNITIES**

- 16.1 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:
- 16.1.1 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 which is competitive with the business of securing television licenses, operating television stations, programming services and broadcasting in which the CME Group is engaged and with which you were actively involved at any time in the twelve months preceding the termination of your employment within the territories of operation of the CME Group in which you were actively involved at any time in the twelve months preceding the termination of your employment;
- 16.1.2 seek to do business and/or do business, 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 customer or supplier of any company of the CME Group and with whom during that period you or another person on your behalf had material dealings in the ordinary course of business;

- 16.1.3 interfere or seek to interfere or take such steps as may interfere with the continuance of supplies (whether services or goods) to any company of the CME Group, or the terms on which they are so supplied, from any suppliers supplying any company of the CME Group at any time during the period of twelve months prior to such termination; and/or
- 16.1.4 solicit or employ or cause to be employed, whether directly or indirectly, any employee of any company of the CME Group who has substantial 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.
- 16.2 For the duration of your employment with the Company, you shall not accept or invest in, whether directly or indirectly, any opportunity (a “**Corporate Opportunity**”) (i) which is in the line of business of any company of the CME Group, (ii) which arises or becomes known to you as a result of your employment by the Company, or (iii) in which the CME Group has an interest or expectancy 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 has decide not to pursue such Corporate Opportunity after such presentation by you.
- 16.3 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.
- 16.4 The restrictions set forth in this clause 16 shall not apply if the Company is in breach of this Contract.
- 16.5 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.

## 17 GENERAL

- 17.1 You hereby authorise the Company to deduct from any salary payable to you any sums owing by you to the Company.
- 17.2 As from the effective date of this Contract, all other agreements or arrangements between you and the Company shall cease to have effect.
- 17.3 This Contract shall be governed by and construed in accordance with English law.
- 17.4 The terms set out in this Contract should be read in conjunction with the various rules and procedures set out in the Company’s Employee Handbook. The Company’s Employee Handbook does not form part of this Contract. For the avoidance of doubt, in the event that there is any conflict between the terms of this Contract and the Company’s Employee Handbook, this Contract shall prevail.

The Company and Adrian Sarbu agree to the terms set out above.

Signed as a Deed by CME Development Corporation acting by:

Mark Wyllie, Director

/s/ Mark Wyllie

Wallace Macmillan, Director

/s/ Wallace Macmillan

Signed as a Deed by Adrian Sarbu

/s/ Adrian Sarbu

in the presence of:

Witness signature:

/s/ Joanne Cochrane

Name:

Joanne Cochrane

Address:

c/o CME Development Corporation

Aldwych House, 81 Aldwych

London WC2B 4HN

Occupation:

Legal Advisor

DATED

27 December 2007

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PRO TV SA

- and -

Adrian Sarbu

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CONTRACT FOR THE PERFORMANCE OF THE OFFICE

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**CONTRACT FOR THE PERFORMANCE OF THE OFFICE**

Name and Address of the Company:

**PRO TV SA** with its registered office at Blvd. Pache Protopopescu 109, sector 2, postal code 021409, Bucharest, Romania, registered with the Romanian Trade Registry under no. J40/24578/1992, fiscal registration no. CUI R 2835638 (the "**Company**")

Name and Address of the Director:

**Adrian Sarbu**, born April 18, 1955, residing at 230 Calea Dorobantilor, sector 1, Bucharest, Romania ("**Mr. Sarbu**")

(The Company and Mr. Sarbu shall hereinafter also be referred to collectively as the "**Parties**" and each individually as a "**Party**", and this contract shall hereinafter be referred to as the "**Contract**")

WHEREAS:

- (A) Based on the resolution of the shareholders of the Company dated 1 June 2007, taken on the basis of the provisions of art. 17 of the Constitutive Act of the Company, as restated on 4 October 2007, Mr. Sarbu was re-appointed to the office of the President of the Board of Directors of the Company and General Director of the Company (the "**Director**");
- (B) The Company is a member of a group of companies consisting of Central European Media Enterprises Ltd. ("**CME Ltd.**") and any and all companies under its control (the "**CME Group**"); and
- (C) The Company and Mr. Sarbu hereby wish to agree upon and set forth the terms and conditions of their mutual co-operation, which shall be carried out in connection with an exercise by Mr. Sarbu of his position of the Director.

THE PARTIES AGREE AS FOLLOWS

**1 SUBJECT-MATTER OF CONTRACT**

- 1.1 The subject matter hereof shall be the stipulation of the terms and conditions related to the performance by Mr. Sarbu of the office of the Director in consideration of the remuneration and other benefits set forth below.

**2 OFFICE AND DUTIES**

- 2.1 Mr. Sarbu shall occupy the position of the Director of the Company. In such capacity Mr. Sarbu shall perform the duties referred to in Section 2.3 hereof and the Parties shall not enter into a separate agreement in respect of the performance by Mr. Sarbu of such duties.
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- 2.2 For the avoidance of doubt, both Parties hereby acknowledge and agree that no employment relationship shall be established between Mr. Sarbu and the Company hereunder or in connection with any activities carried out by Mr. Sarbu hereunder. The relationship created hereunder constitutes a common law contract based on the provisions of Law 31/1990 regarding commercial companies as amended and republished and the relevant provisions from the Civil and Commercial Code.
- 2.3 Mr. Sarbu shall perform the duties of the Director as they arise from any applicable generally binding legal provisions, the provisions of art. 20 from the valid Constitutive Act of the Company, its internal regulations, the policies of CME Ltd. or from the directives and instructions provided (if any) and decisions adopted by the Company's General Meeting of Shareholders including decisions regarding the annual budget, unless the performance of such duties, obligations, directives and/or instructions contravenes generally binding legal provisions.
- 2.4 Mr. Sarbu shall perform his office of the Director and any and all of his obligations arising hereunder with due care. He shall be obliged to do so in person and in a thorough and diligent manner.
- 2.5 Mr. Sarbu shall use his best endeavours to promote and protect the interests of the Company and shall not do anything which would be harmful with respect thereto.
- 2.6 During the exercise of his duties Mr. Sarbu, in his capacity of General Director of the Company may delegate some of his authority to other executives of the Company. In respect of a limited number of issues he may delegate some of his authority to third parties (lawyers, consultants).

### 3 PLACE OF WORK

- 3.1 In general, Mr. Sarbu shall perform his office of the Director in Bucharest, at the Company's headquarters or, to the extent required, at the local stations of the Company.

### 4 REMUNERATION

- 4.1 Mr. Sarbu's base monthly remuneration for the performance of the office of the Director shall be RON 120,000 (*in words: one hundred and twenty thousand Romanian Lei*) per month ("**Monthly Remuneration**"), that being RON 1,440,000 (*in words: one million four hundred and forty thousand Romanian Lei*) per year ("**Annual Remuneration**").
- 4.2 The Monthly Remuneration shall be payable in arrears no later than on the date of salary payment as fixed for the Company's employees. The Company shall pay the Monthly Remuneration, after deducting all mandatory payments as required to be made by the Company in accordance with the applicable laws of Romania, including, without limitation, any withholding or other taxes and payments of social security and health insurance, by wire transfer to the credit of Mr. Sarbu's bank account which Mr. Sarbu notifies the Company in writing no later than 10 days prior to the due date of the Monthly Remuneration (the "**Bank Account**").

- 4.3 From January 1, 2010, the Parties have agreed that they shall review the amount of the Monthly Remuneration and consider an increase thereof on annual basis. For this purpose, both Parties undertake to enter into good faith negotiations regarding the increase of the Monthly Remuneration provided that both Parties agree to use best efforts to finalize such negotiations by no later than January 31 of each calendar year.
- 4.4 Mr. Sarbu shall be entitled to receive a bonus for 2007 (the “**Old Bonus**”) based on the Company’s bonus policy as approved by the Company’s Board of Directors.
- 4.5 From January 1, 2008, so long as Mr. Sarbu remains as the Chief Operating Officer of CME Ltd., he will be eligible to receive an annual bonus of up to RON 2,160,000 subject to the approval of the General Meeting of Shareholders of the Company, (the “**COO Bonus**”).
- 4.6 In the event that Mr. Sarbu is no longer the holder of the position of Chief Operating Officer of CME Ltd., he will be entitled to receive, from that moment onward, on a pro rata basis if such an event happens in the middle of a calendar year, a bonus based on the following formula (the “**Revised Bonus**”):
- 4.6.1 An additional 12 months of salary will be payable if Total Segment EBITDA for the Company is equal to Budgeted EBITDA for the financial year to which such revised Bonus relates; and
- 4.6.2 A further 6 months of salary will be payable if Total Segment EBITDA for the Company is equal to 105% of Budgeted EBITDA for the financial year to which such revised Bonus relates.
- Budgeted EBITDA for the Company will be the Total Segment EBITDA for the Romania operations as set forth in the annual budget of CME Ltd. as approved by the Board of Directors of CME Ltd. and ratified by the Board of Directors of the Company for the financial year to which the Revised Bonus relates.
- 4.7 The COO Bonus shall not be payable prior to the date on which CME Ltd. publishes its Annual Report on Form 10-K for the financial year to which such COO Bonus relates. The Old Bonus, and, subject to the previous sentence, the Revised Bonus and the COO Bonus, if any, shall be paid to Mr. Sarbu at the Bank Account not later than within 30 days following an approval of the financial statement of the Company for the prior financial year by the General Meeting of the Shareholders of the Company.
- 4.8 Notwithstanding the foregoing, the Parties hereby acknowledge that additional criteria may be agreed thereby for the purposes of determining as to whether any of the Old Bonus, the Revised Bonus and/or the COO Bonus shall be payable in accordance herewith.

5 **OTHER BENEFITS**

- 5.1 The Company shall, at its own cost and expense, provide Mr. Sarbu with an office in the place in which the Company has its seat, including adequate technical and material equipment and personnel support, as is reasonably necessary for the performance of Mr. Sarbu's duties hereunder.
- 5.2 The Company shall be obliged to ensure that Mr. Sarbu be insured by travel health insurance of the type "*Executive plus policy*" based on the reasonable selection of Mr. Sarbu, providing him with the highest standard of insurance protection for the whole period of the performance of his duties hereunder. The Company shall be obliged to pay the insurance premiums for such travel health insurance.
- 5.3 The Company shall, at its own expense, provide Mr. Sarbu with above-standard health care by providing Mr. Sarbu with above-standard health insurance cover based upon his reasonable selection.
- 5.4 The Company shall, at its own expense, also provide Mr. Sarbu with above-standard life insurance based upon his reasonable selection.
- 5.5 Mr. Sarbu shall be entitled to compensation in an amount equivalent to his Annual Remuneration, or the relevant part thereof, in the event of his suffering illness resulting in an inability to work, provided that such inability to work is proved to the Company by a doctor's certificate (the "**Sick Leave Compensation**"). The Sick Leave Compensation shall be in each case equal to the respective portion of the Annual Remuneration in the respective year for the period of time during which Mr. Sarbu is unable to work, provided that the such inability to work lasts three (3) months or less. In the event Mr. Sarbu's inability to work exceeds three (3) months, the Sick Leave Compensation shall be further paid to Mr. Sarbu in an amount equal to 50% of such Annual Remuneration.
- The Company shall have the right to appoint a reputable physician in order to verify whether the health of Mr. Sarbu justifies his claim of illness and/or inability to work in connection with any payment of Sick Leave Compensation hereunder.
- 5.6 The provision of any insurance scheme shall not in any way prevent the Company from lawfully terminating this Contract in accordance with the provisions of Section 9 hereof even if such termination would deprive Mr. Sarbu of membership in or cover under any such scheme.
- 5.7 Mr. Sarbu shall be entitled to use a company car of an executive class reasonably selected by Mr. Sarbu with a driver on a 24/7 basis whilst in Romania. He shall be entitled to use such car for both business and private purposes. All costs incurred with respect to the operation and use of such car (including all consumed fuel) shall be covered by the Company.



6 **EXPENSES**

6.1 Neither the travel nor any other costs incurred by Mr. Sarbu in the course of the exercise of the office of the Director are included in the Monthly Remuneration, bonus or in any other remuneration or benefits hereunder. The Company shall reimburse any and all duly documented necessary costs and expenses, which shall be reasonably incurred by the Director in connection with the exercise of his office hereunder whether in Bucharest or on business trips, as evidenced by receipts in accordance with the Company expense policy.

7 **TIME INVOLVEMENT IN THE COMPANY**

7.1 Mr. Sarbu shall devote sufficient time to proper performance of his duties hereunder. Save as set forth herein, no additional pay or time off shall be permitted to Mr. Sarbu in connection with his performance of the office hereunder based on the fact that the remuneration set forth herein has been agreed between the Parties upon taking into consideration the anticipated overtime required of Mr. Sarbu in connection with his duties hereunder.

8 **HOLIDAYS**

8.1 Mr. Sarbu shall be entitled to a vacation of up to 25 days per annum during which Mr. Sarbu shall not be obliged to perform any duties or obligations related to the office of the Director to the extent permitted by applicable laws; provided, however, that during such time, his right to receive remuneration in accordance with Section 4 hereof and other benefits set forth hereunder shall not be affected.

9 **TERMINATION**

9.1 This Contract shall be entered into for a definite period of time, expiring on the date on which the term of Mr. Sarbu's office of Director shall be terminated in accordance with the terms hereof, the legal provisions applicable and the Constitutive Act of the Company, unless stipulated otherwise herein; provided, however, that the obligations of Mr. Sarbu under Sections 10 and 11 hereof shall survive the termination of this Contract.

9.2 The exercise of Mr. Sarbu's office of the Director and this Contract shall be terminated upon:

- (a) the removal of Mr. Sarbu from the office of the Director on the grounds of a decision adopted by the General Meeting of Shareholders of the Company in a manner complying with the respective legal regulations and the Constitutive Act of the Company other than for the reason set forth under Section 9.2(b) hereof;
- (b) the removal of Mr. Sarbu from the office of the Director on the grounds of a decision adopted by the General Meeting of Shareholders of the Company in a manner complying with the respective legal regulations and the valid Constitutive Act of the Company when such grounds are based on Cause;

- (c) the resignation of Mr. Sarbu from his office of the Director in accordance with the respective legal provisions and the valid Constitutive Act of the Company;
- (d) mutual agreement between the Parties; or
- (e) The death of the Mr. Sarbu.

For the purposes of this Contract, “Cause” shall include any action by Mr. Sarbu constituting gross misconduct in the performance of his duties hereunder, including (i) breach of this Contract, (ii) embezzlement or any theft or misappropriation of the Company’s assets, (iii) gross negligence or wilful misconduct by Mr. Sarbu in the performance of his duties hereunder, (iv) the provision of information to the Board of Directors of the Company or the General Meeting of Shareholders of the Company containing any material misstatement or material omission, or (v) the failure to observe any instruction or resolution of the Board of Directors of the Company, the General Meeting of Shareholders of the Company or CME Ltd.

- 9.3 Termination pursuant to Section 9.2(a) and (c) hereof shall be on twelve months’ prior written notice. Termination pursuant to Section 9.2(b) hereof shall not require any prior written notice and shall be effective from the moment of recall of Mr. Sarbu from the office of the Director. As of the day of the termination of the office of Mr. Sarbu hereunder, he shall cease to exercise duties related to the office of the Director.
- 9.4 Upon the termination, by whatever means, of this Contract, Mr. Sarbu shall immediately, however no later than within three (3) business days from the date of such termination, return to the Company all documents, computer media and all other property or assets belonging to or relating to the business of the Company and the performance of his duties hereunder which is in his possession or under his power or control or otherwise available to Mr. Sarbu, and Mr. Sarbu must not retain copies of any of the above, save for cases in which it is necessarily required by mandatory applicable legal regulations to keep such copies in order to be able to produce evidence in a proceeding that might be initiated against Mr. Sarbu in relation to the performance of his duties hereunder.

10 **CONFIDENTIAL INFORMATION**

- 10.1 Mr. Sarbu agrees, during the term hereof and after the termination of the office of the Director, not to use or disclose to any person (and shall use his best endeavours to prevent the use, publication or disclosure of) any confidential information:

10.1.1 concerning the business of the Company and/or the CME Group which comes to the knowledge of Mr. Sarbu during the course of or in connection with the holding of his office of the Director; or

10.1.2 concerning the business of any client or person having dealings with the Company and/or the CME Group and/or a company within the CME Group which is obtained directly or indirectly in circumstances where the Company is subject to a duty of confidentiality.

10.2 For the purposes of Section 10.1 above, information of a confidential or secret nature includes, but shall not be not limited to, information disclosed to Mr. Sarbu or known, learned, created or observed by him as a consequence of his holding of the office of the Director, not generally known in the relevant trade or industry about the Company's and/or 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 license applications or investments in license holders or applicants), client or supplier lists and records, potential client or supplier lists, and client or supplier billings.

10.3 This Section shall not apply to information which is:

10.3.1 disclosed in the proper performance by Mr. Sarbu of duties of the Director or with the consent of the Company;

10.3.2 ordered to be disclosed by a court of competent jurisdiction or otherwise necessarily required to be disclosed by law or pursuant to the rules of any applicable stock exchange; or

10.3.3 in or comes into the public domain otherwise than due to an omission or a breach by Mr. Sarbu hereof.

## 11 **NON-COMPETITION**

11.1 For the duration of the office of Mr. Sarbu as the Director and for a period of twelve (12) months after the termination hereof for any cause, Mr. Sarbu shall not:

(a) either on his 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 which is competitive with a business in which the Company and/or the CME Group are engaged, including securing television licenses, operating television stations, programming services and broadcasting, and with which Mr. Sarbu was actively involved in the twelve months preceding the termination of his employment;

(b) seek to do business and/or do business 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 his employment was a customer or supplier of the Company and/or any company of the CME Group and/or with whom during that period Mr. Sarbu or another person on his behalf had material dealings in the ordinary course of business;

- (c) interfere or seek to interfere or take such steps as may interfere with the continuance of supplies (whether service or goods) to the Company and/or any company of the CME Group, or the terms on which they are so supplied, from any suppliers supplying any company of the CME Group at any time during the period of twelve months prior to such termination; and/or

solicit or employ or cause to be employed, whether directly or indirectly, any employee of the Company and/or the CME Group who has substantial knowledge of confidential aspects of the business of the Company and/or the CME Group, and with whom, at any time during the period of twelve months prior to such termination, Mr. Sarbu had material dealings.

- 11.2 For the duration of the office of Mr. Sarbu as Director, he shall not accept or invest in, whether directly or indirectly, any opportunity (a “**Corporate Opportunity**”) (i) which is in the line of business of any company of the CME Group, (ii) which arises or becomes known to him as a result of his position as Director of the Company, or (iii) in which the CME Group has an interest or expectancy unless (a) he has 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 him.
- 11.3 Each of the restrictions in this Section shall be enforceable independently of each other and their validity shall not be affected if any of the others are invalid. In the event that any of the restrictions are 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.

## 12 INTELLECTUAL PROPERTY

- 12.1 Should Mr. Sarbu acquire any Intellectual Property Rights (as hereinafter defined) arising out of the performance of his duties as Director of the Company, Mr. Sarbu shall assign such rights to the Company, by way of an assignment contracts or a license granted to the Company. The compensation shall be provided by the Company to Mr. Sarbu for the assignment of any Intellectual Property Right by way of deducting it from the Annual Remuneration for the year in which the Parties executed the respective License.
- 12.2 Mr. Sarbu shall inform the Company of all and full particulars of any Intellectual Property Right in any work or performance or thing created by Mr. Sarbu, immediately after such Intellectual Property Right has arisen ; however no later than within 3 days thereafter. Mr. Sarbu shall not use, assign, purport to assign or disclose to any person or exploit any Intellectual Property Right without the prior written approval of the shareholders of the Company.

- 12.3 **“Intellectual Property Right”** shall mean any copyright or any other intellectual property right with respect to any performance, work or another product or any part thereof or any patent right, trademark right, industrial design right or any other intangible industrial right or 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:
- 12.3.1 relates to the business or any product or service of the Company and/or CME Group; and
- 12.3.2 is invented, developed, created or acquired by Mr. Sarbu (whether alone or jointly with any other person) during the term of his office of the Director hereunder within the performance by him of his obligations arising under the office of the Director hereunder or in connection herewith.

13 **DATA PROTECTION**

- 13.1 Mr. Sarbu acknowledges and explicitly agrees that the Company will hold and process personal and sensitive data relating to Mr. Sarbu (the **“Data”**) for personnel administration and management purposes within the period of (i) the duration of this Contract; and (ii) to the extent required by law, also after the termination hereof. The Data shall include, in particular, Mr. Sarbu’s full name, address, date of birth, birth number, identification card and passport numbers, references, bank details, performance appraisals, work, holiday and sickness records, next of kin, remuneration reviews, remuneration details and other records (which may, where necessary, include sensitive data relating to health and data held for equal opportunities purposes).
- 13.2 By signing this Contract, Mr. Sarbu agrees that the Company may process any Data for the above purposes and may, when necessary for those purposes, make such Data or any part thereof available to its advisers, to third parties providing products and/or services to the Company and as required by law.

14 **GENERAL**

- 14.1 This Contract constitutes the whole and only agreement between the Company and Mr. Sarbu relating to the subject matter hereof, including any performance of any work or duties of Mr. Sarbu for the Company, and supersedes all previous contracts, agreements, proposals, both oral and written, negotiations, presentations, commitments, writings and all other communications between the Company or any affiliate of the Company and Mr. Sarbu, including all agreements on individual and remuneration conditions, and the Parties represent and warrant to each other that there are no unsettled claims and/or obligations arising in connection with the foregoing as of the date hereof.
- 14.2 Should any of the provisions of this Contract be or become invalid or unenforceable, such invalidity or unenforceability shall not impair the validity or enforceability of the other provisions of this Contract to the extent permitted by relevant laws. Should this be the case, the Parties undertake to replace such invalid or unenforceable provision with a new one, which shall be valid, enforceable and shall, in accordance with relevant laws, comply to the fullest extent possible with the meaning and effect of the original provision.

- 14.3 This Contract may be amended or modified only by a written instrument duly executed by both Parties.
- 14.5 This Contract can be terminated only as stipulated in Section 9 above.
- 14.6 This Contract has been executed in four counterparts, two in the English language and two in the Romanian language. Each of the Parties shall obtain one counterpart of the Contract in each language. In case of discrepancies between the English and Romanian language, the English language version shall prevail.
- 14.7 This Contract shall come into force and effect as of the date on which it is signed by both Parties and approved by the General Meeting of Shareholders of the Company. The Company shall use its best efforts to ensure that the approval of the General Meeting of the Company is granted without undue delay, however, no later than within 3 weeks from the execution hereof.
- 14.8 This Contract shall be governed by and construed in accordance with Romanian law.

THE COMPANY AND MR. SARBU AGREE TO THE TERMS SET OUT ABOVE. IN WITNESS WHEREOF THEY SIGNED THE CONTRACT AS FOLLOWS:

In Bucharest, on 27 December 2007

For PRO TV SA.:

ADRIAN SARBU

By: /s/ Oliver Meister  
Name: OLIVER MEISTER  
Title: Director

/s/ Adrian Sarbu

FRAMEWORK AGREEMENT

among

ALEKSANDR RODNYANSKY

BORIS FUCHSMANN

INTERNATIONAL TELESERVICES LTD.

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

CME MEDIA ENTERPRISES B.V.

CME UKRAINE HOLDING GMBH

CET 21 s.r.o.

UKRAINIAN MEDIA SERVICES LLC

BROADCASTING COMPANY "STUDIO 1+1 LLC"

FOREIGN ENTERPRISE INTER-MEDIA

INNOVA FILM GMBH

INTERNATIONAL MEDIA SERVICES LTD

TV MEDIA PLANET LTD.

Dated January 31, 2008

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### **Annexes**

Annex 1 – Group Agreements  
Annex 2 – Draft of NewCo 1 Transfer Agreement  
Annex 3 – Draft of Innova Transfer and Option Agreement  
Annex 4 – Draft of IMS Transfer Agreement  
Annex 5 – Draft of TV Media Planet Transfer Agreement  
Annex 6 – Draft of Termination Agreement  
Annex 7 – Draft of Release Agreements  
Annex 8 – Draft of Pledge Agreements  
Annex 9 – Amended Closing Studio 1+1 Charter  
Annex 10 – Draft of Designation Notice  
Annex 11 – Draft of Restructuring Consent



This Framework Agreement (this "Agreement") dated January 31, 2008 is entered into among:

- (1) Aleksandr Rodnyansky, a resident of the Russian Federation, registered at 221, "Nikolino" Complex, Tagankovo 7, 2-e Uspenskoe schosse, Odintsovsky district, Moscow region, Russian Federation, passport CH 316475, issued by Pechersk RU GU MVS of Ukraine in the city of Kyiv on November 19, 1996 ("RODNYANSKY");
- (2) Boris Fuchsmann, a citizen of Germany, residing at Peter-Roos-Strasse 10, 40547 Düsseldorf, Germany, passport PD 500449454, issued on 18 July 2005 ("FUCHSMANN");
- (3) International Teleservices Ltd., a company organized under the laws of Belize with its registered office at Morgan & Morgan Trust Corporation (Belize) Limited, 35A Region Street, City of Belize, Belize (together with any subsidiary or affiliate thereof, "ITS", and together with RODNYANSKY, NewCo 3 (as defined below), FUCHSMANN and, prior to the consummation of the transactions contemplated by Clause 2.4.2 and 2.4.5, respectively, NewCo 1 (as defined below) and NewCo 2 (as defined below), the "RF Participants");
- (4) Central European Media Enterprises Ltd., a company organized under the laws of Bermuda with its registered address at Clarendon House, 2 Church Street, HM 11, Hamilton, Bermuda ("CME Ltd.");
- (5) CME Media Enterprises B.V., a company organized under the laws of the Netherlands, located at: Dam 5 B, 1012 JS Amsterdam, the Netherlands ("CME BV");
- (6) CME Ukraine Holding GmbH, a wholly-owned subsidiary of CME BV organized and existing under the laws of Austria, located at Wagramer Str. 19, 19. Stock, 1220 Wien, Austria ("CME Ukraine Holding");
- (7) CET 21 s.r.o., a company incorporated under the laws of the Czech Republic, located at: Krizeneckeho nam. 1078/5, PSC 152 00 Prague, Czech Republic, registered in the Commercial Register of the Commercial Court of Prague, part C, Register-No.10581 ("CET 21");
- (8) Ukrainian Media Services LLC, a limited liability company organized and existing under the laws of Ukraine, identification code No. 33600071, located at 12 Melnykova Street, Kyiv, Ukraine ("UMS"), and together with CME Ltd., CME BV, CME Ukraine Holding and CET 21, the "CME Parties";
- (9) Broadcasting Company "Studio 1+1 LLC", a limited liability company organized and existing under the laws of Ukraine, identification code No. 23729809, located at 7/11 Kreschatyk Street, Kyiv, Ukraine ("Studio 1+1");

- (10) Foreign Enterprise Inter-Media, a limited liability company organized and existing under the laws of Ukraine, identification code No. 23389360, located at 42 Melnykova Street, Kyiv, Ukraine ("Inter-Media");
- (11) Innova Film GmbH, a limited liability company organized and existing under the laws of Germany, located at San Remo Str. 15, D-40210 Düsseldorf, Germany ("Innova");
- (12) International Media Services Ltd, a company limited by shares organized and existing under the laws of Bermuda, located at Clarendon House, 2 Church Street, HM 1022, Hamilton, Bermuda ("IMS"); and
- (13) TV Media Planet Ltd., a company organized under the laws of Cyprus, located at Arch. Makariou III, 199, Neokleous House, P.C. 3030, Limassol, Cyprus ("TV Media Planet"), and together with Studio 1+1, Inter-Media, Innova, and IMS and, subsequent to the completion of the transactions contemplated in Clause 2.4.2 and 2.4.5, respectively, NewCo 1 and NewCo 2, the "Studio 1+1 Group")

(hereinafter referred to individually as a "Party" or collectively as the "Parties").

WHEREAS,

A. RODNYANSKY owns a 28.0% participation interest in Studio 1+1 and FUCHSMANN owns, directly or indirectly, a 40.0% ownership interest in each of Innova, IMS and TV Media Planet;

B. The CME Parties own the remaining interests in the Studio 1+1 Group;

C. In connection with their respective shareholdings in, and employment or other relationships with, members of the Studio 1+1 Group, the RF Participants have entered into various agreements and arrangements, contractual or otherwise, with the Studio 1+1 Group and the CME Parties, including but not limited to the agreements described in Annex 1 to this Agreement (the "Group Agreements");

D. The Parties have agreed that, prior to the Closing Date (as defined below), RODNYANSKY and FUCHSMANN will complete the Rodnyansky Restructuring (as defined below) and, after completion and as a consequence of the Rodnyansky Restructuring, (a) RODNYANSKY will own: (i) a 25.0% indirect ownership interest in IMS through his sole ownership of ITS and a 10.0% direct ownership interest in IMS, (ii) a 5.0% direct ownership interest in TV Media Planet and (iii) a 28.0% indirect ownership interest in Studio 1+1 through his sole beneficial ownership of NewCo 3, which will own 100% of each of NewCo 1 (which will own a 22.98% participation interest in Studio 1+1) and NewCo 2 (which will own a 5.02% participation interest in Studio 1+1); and (b) FUCHSMANN will own: (i) a 5.0% direct ownership interest in IMS, (ii) a 35.0% direct ownership interest in TV Media Planet and (iii) a 40.0% direct ownership interest in Innova;

E. RODNYANSKY and FUCHSMANN have transferred to Irling Financial Corporation, a limited liability company organized and existing under the laws of Belize, whose registered address is 35A Regent Street, PO Box 1777, Belize City, Belize ("Irling") and to Multy TV Holding Ltd, a company organized and existing under the laws of Belize, whose registered address is 35a Regent Street, Belize City, Belize ("Multy") the exclusive right, subject to the consent of CME Ltd, to acquire (i) a 15.164% ownership interest in Studio 1+1 (the "IK Studio Optioned Interest") from RODNYANSKY and (ii) a 21.665% ownership interest in Innova (the "IK Innova Optioned Interest") and a 21.665% ownership interest in IMS (the "IK IMS Optioned Interest", and together with the IK Studio Optioned Interest and the IK Innova Optioned Interest, the "IK Optioned Interests"), and Irling and Multy have together assigned such right to acquire the IK Optioned Interests to Manita Investments Limited, a limited liability company organized and existing under the laws of Cyprus, identification code No. 116476 located at Kimonos, 43A P.C. 3095 Limassol, Cyprus ("Manita") and Nelano Holdings Ltd, a company duly registered and validly existing and in good standing under the Laws of the British Virgin Islands, located at Craigmur Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands ("Nelano");

F. Manita and Nelano have together assigned the right to acquire the IK Optioned Interests to Torcensta Holding Ltd, a limited liability company organized and existing under the laws of Cyprus, identification code No. 206223, located at Arch. Makariou III, 155, PROTEAS HOUSE, 5th floor, P.C. 3021, Limassol, Cyprus ("Torcensta") and Global Media Group Ltd., a limited liability company organized and existing under the laws of Ukraine, located at 38 Naberezhna Peremohy Str., 49094 Dnipropetrovsk, Ukraine, a wholly owned subsidiary of Torcensta ("Global Media"), and pursuant to the Designation Notice (as defined below), the Restructuring Consent (as defined below) and an agreement between Igor Kolomoisky, a citizen of Israel residing at St. Galey Thelet 48, Herzeliya, Israel, 46640, passport No. 10905729, issued on October 2, 2005 ("KOLOMOISKY"), Manita, Torcensta, Global Media and certain CME Parties (the "Assignment Agreement"), KOLOMOISKY and Torcensta will assign the right to acquire the IK Optioned Interests to the CME Parties, and the Parties have agreed that the relevant CME Parties will acquire the IK Optioned Interests as part of the Sale Transfers (as defined below) to be effected pursuant to the terms and conditions of this Agreement;

G. The Parties have agreed that (a) the Group Agreements will be terminated and the Parties will enter into new governance, management principles and share transfer restrictions in respect of the Studio 1+1 Group pursuant to the Termination Agreement (as defined below), (b) the CME Parties will grant RODNYANSKY and FUCHSMANN the Put Option (as defined below), (c) RODNYANSKY and FUCHSMANN will grant the CME Parties the Call Option (as defined below), (d) RODNYANSKY and FUCHSMANN will sell to the CME Parties, and the CME Parties will purchase, the Sale Interests (as defined below), which purchase will include payment of consideration of one U.S. Dollar for each portion of the Sale Interests that is subject to the IK Studio Optioned Interest, the IK Innova Optioned Interest and the IK IMS Optioned Interest and (e) the Parties will enter into various other agreements and arrangements, in each case on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises, covenants and warranties made herein and of the mutual benefits to be derived herefrom, the Parties agree as follows:

1. Definitions.

1.1. For the purposes of this Agreement, and unless the context requires otherwise, the following terms have the meanings given to them below:

“Affiliate” of a Person means any Person that directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such Party.

“Agreed Valuation” means the amount expressed in U.S. Dollars equal to the average of (a) the CME Parties’ valuation of the Optioned Interests as provided by an Investment Bank (the “CME Valuation”) and (b) the RF Participants’ valuation of the Optioned Interests as provided by an Investment Bank (the “RF Valuation”); provided that the difference between the CME Valuation and the RF Valuation is not more than 5%. In the event the difference between the CME Valuation and the RF Valuation is more than 5%, the Agreed Valuation shall be the average of the middle valuation and the valuation that is nearest to it (with the third valuation being disregarded), in respect of the following valuations: (a) the CME valuation, (b) the RF Participants’ valuation and (c) a valuation of the Optioned Interests provided by an Investment Bank that is jointly appointed by the Investment Bank that carried out the CME Valuation and the Investment Bank that carried out the RF Valuation, and whose cost is shared equally by the RF Participants and the CME Parties.

“Amended Studio 1+1 Charter” means the amended charter of Studio 1+1 substantially in the form of the English translation attached to the Termination Agreement as Part 1 of Annex 5 thereto, which shall be adopted promptly following the execution of the Termination Agreement.

“Amended Closing Studio 1+1 Charter” means the amended charter of Studio 1+1 substantially in the form of the English translation attached hereto as Annex 9, reflecting the members of Studio 1+1 after the Rodnyansky Restructuring as follows: UMS (42%); Inter-Media (30%); NewCo 1 (22.98%); and NewCo 2 (5.02%), which shall be adopted promptly following the completion of the Rodnyansky Restructuring.

“AR Optioned IMS Interest” means a 5.0% ownership interest in IMS, which RODNYANSKY will continue to own after the Closing Date.

“AR Optioned Interests” means, collectively, the AR Optioned IMS Interest, the AR Optioned TVMP Interest, the AR Optioned NewCo 2 Interest and any ownership interest acquired by RODNYANSKY after the date of this Agreement in any member of the Studio 1+1 Group, the Gravis Group or any other direct or indirect subsidiary of CME Ltd. and, to the extent RODNYANSKY transfers any such interest to any other Person pursuant to Clause 4.14, the same interests of such Person owned and acquired from time to time.

“AR Optioned NewCo 2 Interest” means all of the issued and outstanding shares of NewCo 2, which will represent indirect ownership of a 5.02% participation interest in Studio 1+1 transferred to NewCo 2 pursuant to the Rodnyansky Restructuring, and which RODNYANSKY will continue to own (through his 100% ownership of NewCo 3) after the Closing Date.

“AR Optioned TVMP Interest” means a 5.0% ownership interest in TV Media Planet, which RODNYANSKY will continue to own after the Closing Date.

“AR Sale Interests” means, collectively, the IMS Sale Shares and the NewCo 1 Sale Shares.

“BF Optioned IMS Interest” means a 5.0% ownership interest in IMS which FUCHSMANN will continue to own after the Closing Date.

“BF Optioned Innova Interest” means a 16.6% ownership interest in Innova which FUCHSMANN will continue to own after the Closing Date.

“BF Optioned Interests” means, collectively, the BF Optioned Innova Interest, the BF Optioned TVMP Interest and the BF Optioned IMS Interest, together with any ownership interest acquired by FUCHSMANN after the date of this Agreement in any member of the Studio 1+1 Group, the Gravis Group or any other direct or indirect subsidiary of CME Ltd. and, to the extent FUCHSMANN transfers any such interest to any other Person pursuant to Clause 4.14, the same interests of such Person owned and acquired from time to time.

“BF Optioned TVMP Interest” means a 5.0% ownership interest in TV Media Planet, which FUCHSMANN will continue to own after the Closing Date.

“BF Sale Interests” means, collectively, the Innova Sale Interest and the TV Media Planet Sale Interest.

“Business Day” means any day (other than a Saturday or a Sunday) on which banks in London, England, Frankfurt, Germany, Limassol, Cyprus and Kyiv, Ukraine are open for business.

“CME Releases” means releases to be delivered to the CME Parties pursuant to the Assignment Agreement in the form attached thereto.

“Conditions Precedent” means all of the conditions precedent to the Closing specified in Clause 5.1.

“Consultancy Agreements” means, collectively, the consultancy agreements with each of RODNYANSKY and FUCHSMANN entered into on the date hereof in accordance with the Termination Agreement.

“Control” means the power to direct or cause the direction of the management or policy of any Person, directly or indirectly, through family relationship (if a natural person), the holding of securities or other participation interests, by virtue of an agreement or on other grounds, and “Controlling” and “Controlled” shall have the correlative meanings proceeding from this term.

“Designation Notice” means the notice and acknowledgement in the form of the draft attached hereto as Annex 10.

“Governmental Authority” means any state or any political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions on behalf of the state or its political subdivision, including, without limitation, any government authority, ministry, agency, department, board, commission or instrumentality and subdivisions thereof; any court, tribunal or arbitrator; and any self-regulatory organization acting on behalf of the state or itself pursuant to the rights granted thereto by applicable Law.

“Gravis Group” means, collectively, Ukrpromptorg-2003 LLC, a limited liability company organized under the laws of Ukraine; its direct and indirect subsidiaries; TOR LLC, a limited liability company organized under the laws of Ukraine; and ZHYSA LLC, a limited liability company organized under the laws of Ukraine.

“IMS Sale Shares” means (i) 600 shares of, equal to a 5.0% ownership interest in, IMS to be owned directly by RODNYANSKY after the Rodnyansky Restructuring and (ii) 3,000 shares of, equal to a 25.0% ownership interest in, IMS to be owned indirectly by RODNYANSKY after the Rodnyansky Restructuring through his ownership of the ITS Interest. The IMS Sale Shares include the IK IMS Optioned Interest, the right to acquire which is to be assigned to the CME Parties pursuant to the Assignment Agreement.

“IMS Transfer Agreement” means the agreement among RODNYANSKY, ITS and CME Ltd. (or its designee) with respect to the transfer of the IMS Sale Shares substantially in the form of the draft attached hereto as Annex 4.

“Innova Sale Interest” means a split share in the amount of DM 11,700, equal to 23.4% of the share capital of, Innova, which is owned by FUCHSMANN. The Innova Sale Interest includes the IK Innova Optioned Interest, the right to acquire which is to be assigned to the CME Parties pursuant to the Assignment Agreement.

“Innova Transfer and Option Agreement” means the agreement between FUCHSMANN and CET 21 (or its designee) with respect to the transfer of the Innova Sale Interest and the BF Optioned Innova Interest substantially in the form of the draft attached hereto as Annex 3.

“Investment Bank” means: Morgan Stanley, Merrill Lynch, UBS, Deutsche Bank/UFG, Citibank, Goldman Sachs, Lehman Brothers, JP Morgan, Renaissance Capital or any other internationally recognized investment banking institution with experience in the media sector agreed by the Parties.

“Law” means all applicable (i) provisions of all constitutions, treaties, statutes, laws, customs, codes, rules, regulations, ordinances, orders and official opinions and interpretations of any Governmental Authority, (ii) approvals of any Governmental Authority, and (iii) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Governmental Authority.

“Liens” means any mortgage, pledge, deed of trust, hypothecation, right of third Persons, claim, security interest, title defect, title retention agreement, lease, sublease, license agreement, occupancy agreement, easement, covenant, condition, encroachment, voting trust agreement, interest, option, right of first offer, proxy, lien, charge or other restrictions or limitations of any nature whatsoever.

“NewCo 1” means a company (other than NewCo 2 and NewCo 3) newly established under the laws of Cyprus pursuant to the Rodnyansky Restructuring, which will be wholly owned by RODNYANSKY (through his 100% ownership of NewCo 3 Coop) from its establishment until the Closing Date.

“NewCo 1 Transfer Agreement” means the agreement among RODNYANSKY, NewCo 3 and CME Ltd. (or its designee) with respect to the transfer of the NewCo 1 Sale Shares substantially in the form of the draft attached hereto as Annex 2.

“NewCo 1 Sale Shares” means all of the issued and outstanding shares of NewCo 1. The NewCo 1 Sale Shares will represent indirect ownership of a 22.98% participation interest in Studio 1+1 transferred to NewCo 1 pursuant to the Rodnyansky Restructuring, which participation interest includes the IK Studio Optioned Interest, the right to acquire which is to be assigned to the CME Parties pursuant to the Assignment Agreement.

“NewCo 2” means a company (other than NewCo 1 and NewCo 3) newly established under the laws of Cyprus pursuant to the Rodnyansky Restructuring, which will be wholly owned by RODNYANSKY (through his 100% ownership of NewCo 3) from its establishment until the Option Closing Date.

“Option Conditions Precedent” means all of the conditions precedent to the Closing specified in Clause 5.2.

“Option Closing” means a Call Closing or a Put Closing, as applicable.

“Optioned Interests” means, collectively, the AR Optioned Interests and the BF Optioned Interests.

“Person” or “Persons” means any physical person, corporation, general partnership, simple partnership, limited partnership, limited liability partnership, limited liability company, proprietorship, other business organization, trust, union, association or Governmental Authority, whether incorporated or unincorporated.

“Pledge Agreements” means each of the pledge agreements to be entered into on or prior to the Closing Date among *inter alios* RODNYANSKY, NewCo 3 and CME BV, as contemplated in the Rodnyansky Restructuring, substantially in the form of the draft attached hereto as Annex 8.

“Release Agreements” means each of the release agreements to be entered into on or prior to the Closing Date among *inter alios* RODNYANSKY, FUCHSMANN, Kolomoisky, Surkis, Irling, Manita and Nelano, substantially in the form of the draft attached hereto as Annex 7.

“Restructuring Consent” means the consent to the Rodnyansky Restructuring in the form of the draft attached hereto as Annex 11.

“Sale Interests” means, collectively, the AR Sale Interests and the BF Sale Interests.

“Television Business” means any business that is similar to businesses carried out by the Studio 1+1 Group or the principal aspects thereof from time to time, including the purchase or sale of television advertising, the purchase or sale of programming and related rights, the production or distribution of television programming and broadcasting of television programs or their content by any platform (including without limitation, terrestrial broadcast, digital terrestrial television, cablecast, internet, DSL or other telephony network-based delivery systems, satellite and pay-per-view).

“Termination Agreement” means the agreement entered into among the CME Parties, RODNYANSKY, FUCHSMANN and certain Affiliates on the date hereof, substantially in the form of the draft attached hereto as Annex 6.

“Transaction Documents” means, collectively, this Agreement, the Assignment Agreement, the Termination Agreement, the Pledge Agreements, the Transfer Agreements, the Release Agreements, the CME Releases, the Option Transfer Documents, the Consultancy Agreements, the Designation Notice, the Restructuring Consent, the Amended Studio 1+1 Charter, the Amended Closing Studio 1+1 Charter and any and all other documents, agreements, deeds, instruments, certificates, consents or waivers entered into or issued or to be entered into or issued in relation to the Transaction.

“Transfer Agreements” means, collectively, the NewCo 1 Transfer Agreement, the IMS Transfer Agreement, the Innova Transfer and Option Agreement and the TV Media Planet Transfer Agreement.



“TV Media Planet Sale Interest” means 1,500 shares of, equal to a 30.0% ownership interest in, TV Media Planet owned by FUCHSMANN.

“TV Media Planet Transfer Agreement” means the agreement between FUCHSMANN and CME Ltd. (or its designee) with respect to the transfer of the TV Media Planet Sale Interest substantially in the form of the draft attached hereto as Annex 5.

1.2. For the purposes of this Agreement, and unless the context requires otherwise, the following terms have the meanings given to them as indicated below:

“ <u>Assignment Agreement</u> ”	Recitals to this Agreement
“ <u>Call Closing</u> ” / “ <u>Call Notice</u> ” / “ <u>Call Transfer</u> ”	Clause 4.9
“ <u>Call Exercise Price</u> ”	Clause 4.2
“ <u>Call Option</u> ”	Clause 2.4.5(ii)
“ <u>CET 21</u> ”	Preamble to this Agreement
“ <u>Closing</u> ”	Clause 3.1
“ <u>Closing Date</u> ”	Clause 3.2
“ <u>Closing Notice</u> ”	Clause 2.4.2
“ <u>CME BV</u> ” / “ <u>CME Ltd.</u> ” / “ <u>CME Ukraine Holding</u> ” / “ <u>CME Cyprus Holding</u> ” / “ <u>CME Parties</u> ”	Preamble to this Agreement
“ <u>CME Shares</u> ”	Clause 4.5
“ <u>CME Valuation</u> ”	Clause 1.1, Agreed Valuation definition
“ <u>Election Notice</u> ”	Clause 4.5
“ <u>Fuchsmann Loan Balance</u> ”	Clause 3.1.2(ii)(c)
“ <u>Global Media</u> ”	Recitals to this Agreement
“ <u>Gravis Co-Investment</u> ”	Clause 2.4.2
“ <u>Group Agreements</u> ”	Recitals to this Agreement
“ <u>IK Studio Optioned Interest</u> ” “ <u>IK Innova Optioned Interest</u> ” “ <u>IK IMS Optioned Interest</u> ” “ <u>IK Optioned Interests</u> ”	Recitals to this Agreement

<u>“ICC Rules”</u>	Clause 12.9.1
<u>“IMS”</u>	Preamble to this Agreement
<u>“Indemnified Party”, “Indemnifying Party” / “Indemnity Claim”</u>	Clause 10.2
<u>“Irling”</u>	Recitals to this Agreement
<u>“Innova”</u>	Preamble to this Agreement
<u>“Inter-Media”</u>	Preamble to this Agreement
<u>“ITS” and “ITS Interest”</u>	Preamble to this Agreement
<u>“KOLOMOISKY”</u>	Recitals to this Agreement
<u>“Licenses”</u>	Clause 5.1.2(iii)
<u>“Losses”</u>	Clause 10.1
<u>“Manita”</u>	Recitals to this Agreement
<u>“Multy”</u>	Recitals to this Agreement
<u>“Nelano”</u>	Recitals to this Agreement
<u>“NewCo 3”</u>	Clause 2.2.2
<u>“Option Closing” and “Option Closing Date”</u>	Clause 4.11
<u>“Options”</u>	Clause 2.4.5
<u>“Option Transfer Documents”</u>	Clause 4.10
<u>“Permitted Holding Company”</u>	Clause 4.14.2(ii)
<u>“Protected Parties”</u>	Clause 10.1
<u>“Put Closing” / “Put Notice” / “Put Transfer”</u>	Clause 4.8
<u>“Put Exercise Price”</u>	Clause 4.1
<u>“Put Option”</u>	Clause 2.4.5(i)

<u>“RF Participants”</u>	Preamble to this Agreement
<u>“RF Participants Transfer”</u>	Clause 4.14
<u>“RF Valuation”</u>	Clause 1.1, Agreed Valuation definition
<u>“Rodnyansky Restructuring”</u>	Clause 2.2
<u>“Sale Transfers”</u>	Clause 3.1.3
<u>“Studio 1+1” / “Studio 1+1 Group”</u>	Preamble to this Agreement
<u>“Third Party Claim”</u>	Clause 10.3
<u>“Torcensta”</u>	Recitals to this Agreement
<u>“Total Cash Sale Consideration”</u>	Clause 3.1.2(iii)
<u>“Total Sale Consideration”</u>	Clause 3.1.2(i)
<u>“Transaction”</u>	Clause 2
<u>“Transaction Reversal Price”</u>	Clause 4.12.2
<u>“TV Media Planet”</u>	Preamble to this Agreement
<u>“Violating Shareholder”</u>	Clause 4.14.3

2. Transaction.

Subject to the terms and conditions of this Agreement, the Parties agree to consummate the following transactions (collectively, the “Transaction”):

2.1. Termination Agreement and Consultancy Agreements; Amended Studio 1+1 Charter; Innova Transfer and Option Agreement. Simultaneous with entering into this Agreement, the relevant Parties shall execute and deliver the Termination Agreement and the Consultancy Agreements. Promptly after entering into this Agreement, the Parties shall adopt the Amended Studio 1+1 Charter and cause it to be registered with the Pechersk district administration in Kiev, Ukraine and CET 21 and FUCHSMANN shall enter into the Innova Transfer and Option Agreement.

2.2. Rodnyansky Restructuring. As soon as practicable after the date hereof, the RF Participants, Multy and Irling shall enter into the Designation Notice and the Restructuring Consent, and following execution and delivery thereof, certain shareholdings of the Studio 1+1 Group will be transferred as follows (collectively, the “Rodnyansky Restructuring”):

2.2.1 FUCHSMANN shall transfer to RODNYANSKY: (i) his 100% ownership interest in ITS (which owns 3,000 shares, equal to 25.0% of the share capital, of IMS), (ii) 1,200 shares, equal to 10.0% of the share capital, of IMS, and (iii) 250 shares, equal to 5.0% of the share capital, of TV Media Planet;

2.2.2 RODNYANSKY shall transfer his 28.0% participation interest in Studio 1+1 as a capital contribution as follows: (i) a 22.98% participation interest in Studio 1+1 to NewCo 1 and (ii) a 5.02% participation interest in Studio 1+1 to NewCo 2. Following the transfers described in the foregoing sub-clauses (i) and (ii), RODNYANSKY shall transfer all of his ownership interests in each of NewCo 1 and NewCo 2 to a company (other than NewCo 1 and NewCo 2) newly established under the laws of Cyprus pursuant to the Rodnyansky Restructuring ("NewCo 3"), which from the time of its establishment until the Option Closing Date shall be wholly owned by RODNYANSKY.

2.2.3 Promptly after the contributions referred to in Clause 2.2.2 have been made: (i) RODNYANSKY shall cause NewCo 1, NewCo 2 and NewCo 3 to enter into a deed of adherence to this Agreement, including a repetition of the relevant representations and warranties set forth herein, in form and substance reasonably satisfactory to the CME Parties, (ii) RODNYANSKY shall, and shall cause NewCo 3 to, enter into the Pledge Agreements in accordance with Clause 2.4.6 and perfect the security interests granted thereunder, and (iii) the Parties shall take all actions required to register the Amended Closing Studio 1+1 Charter with the Pechersk district administration in Kiev, Ukraine; and

2.2.4 Promptly after registration of the Amended Closing Studio 1+1 Charter pursuant to Clause 2.2.3, Studio 1+1 shall (i) apply for the reissuance of the broadcasting licenses of Studio 1+1 with the relevant Governmental Authorities and (ii) obtain the reissuance of such licenses from the National Broadcasting Council of Ukraine.

2.3. Assignment Agreement. On the date hereof or promptly thereafter, the CME Parties agree to enter into the Assignment Agreement with KOLOMOISKY and certain other parties thereto, whereby Kolomoisky and Torcensta will assign to the CME Parties the right to acquire the IK Optioned Interests as modified by the Rodnyansky Restructuring, and the Parties have agreed that the relevant CME Parties will acquire the IK Optioned Interests as part of the Sale Transfers.

2.4. Other Transactions. Following completion of the Rodnyansky Restructuring in accordance with Clause 2.2, the Parties agree that the Transaction shall further be effected as follows:

2.4.1 Releases. On or promptly after the date on which the Assignment Agreement is executed and delivered by the parties thereto, (i) the RF Participants, KOLOMOISKY and the other parties thereto will enter into each of the Release Agreements, and (ii) KOLOMOISKY and certain other parties thereto will enter into each of the CME Releases, all of which will become effective on the Closing Date.

2.4.2 Sale Transfer. On or after the date on which each of the steps contemplated by Clause 2.2 is completed, (i) RODNYANSKY shall transfer, and shall procure that NewCo 3 transfers, to the relevant CME Parties the AR Sale Interests in consideration of amounts specified in Clause 3.1.2, and (ii) FUCHSMANN shall transfer to the relevant CME Parties the BF Sale Interests subject to the terms specified in Clause 5 and in consideration of amounts specified in Clause 3.1.2.

2.4.3 Conditions Precedent and Completion of the Sale Transfers. Each of the Parties shall use its reasonable efforts to take, or to cause to be taken, all actions reasonably necessary or appropriate to cause each of the Conditions Precedent to be fulfilled by such Party to be fulfilled as soon as possible after the date of this Agreement. The Parties shall regularly communicate with each other with respect to the satisfaction of the Conditions Precedent and the occurrence of any event or circumstance that could prevent or delay the satisfaction of any such Condition Precedent. Upon satisfaction (or waiver by the relevant Parties) of the Conditions Precedent, CME Ltd. shall send a notification thereof to the other Parties, indicating that it is ready to proceed with the Closing (the "Closing Notice"). Following delivery of the Closing Notice, the Sale Transfers and related transactions will be completed as provided in Clause 3.

2.4.4 Gravis Co-Investment. The CME Parties and the RF Participants undertake to enter into a transfer agreement pursuant to which, on the Closing Date, the RF Participants shall acquire from CME BV 10.0% of the CME Parties' aggregate ownership interest in the Gravis Group as of the date of this Agreement (the "Gravis Co-Investment"), in consideration of US\$ 1,920,000.00; provided that (a) CME BV shall create a special purpose subsidiary in The Netherlands through which it will hold the CME Parties' ownership interest in Ukrpromtorg-2003 LLC, a limited liability company organized under the laws of Ukraine, and the RF Participants shall invest in the Gravis Group indirectly through such special purpose subsidiary and shall not acquire any management or decision-making authority in the Gravis Group and (b) at the time of the Gravis Co-Investment and after giving effect thereto, the RF Participants are in compliance in all material respects with all of their covenants and agreements under this Agreement and the other Transaction Documents. CME BV will also enter into a share pledge agreement with respect to 10% of the outstanding shares of such special purpose subsidiary, which pledge agreement will secure CME BV's obligation to sell such shares to the RF Participants as described above in the Gravis Co-Investment. For the avoidance of doubt, all interests acquired by the RF Participants in the Gravis Group will constitute Optioned Interests for purposes of the exercise of the Options pursuant to Clause 4.

2.4.5 Put and Call Options. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the RF Participants and the relevant CME Parties shall have the following options exercisable as described herein:

(i) with effect from the Closing Date, (a) RODNYANSKY and NewCo 3 (and/or the Person to whom the AR Optioned Interests, or a portion thereof, is transferred pursuant to Clause 4.14) shall have an option to sell all, but not less than all, of the AR Optioned Interests to CME BV (or its designee) and (b) FUCHSMANN (and/or the Person to whom the relevant BF Optioned Interest, or a portion thereof, is transferred pursuant to Clause 4.14) shall have an option to sell all, but not less than all, of the BF Optioned Interests to CET 21 or CME Ltd. (or its designee), in each case in consideration of the relevant portion of the applicable Put Exercise Price and subject to the other terms and conditions set forth in Clause 4.1 (the "Put Option"); and

(ii) with effect from the date hereof, (a) CME BV (or its designee) shall have an option to buy all, but not less than all, of the AR Optioned Interests from RODNYANSKY and NewCo 3 (and/or any other Person who holds such interest, or a portion thereof) and (b) CET 21 or CME Ltd. (or its designee) shall have an option to buy all, but not less than all, of the BF Optioned Interests from FUCHSMANN (and/or any other Person who holds such interest, or a portion thereof), in each case in consideration of the relevant portion of the applicable Call Exercise Price and subject to the other terms and conditions set forth in Clause 4.2 (the "Call Option") and, together with the Put Option, the "Options").

2.4.6 Pledge Agreements. Immediately after the transfer of his participation interests in Studio 1+1 to NewCo 1 and NewCo 2 as provided in Clause 2.2.2, RODNYANSKY shall enter into the relevant Pledge Agreements, by which RODNYANSKY's obligations hereunder (including the obligation to procure the transfer of the NewCo 1 Shares and all of the shares in NewCo 2 to the relevant CME Parties as provided herein) are secured by a pledge of all of the shares in each of NewCo 1 and NewCo 2. Immediately after the transfer of his participation interests in NewCo 1 and NewCo 2 to NewCo 3 as provided in Clause 2.2.2, NewCo 3 shall enter into (by way of novation) the relevant Pledge Agreements, by which NewCo 3's obligations hereunder (including the obligation to transfer the NewCo 1 Shares and all of the shares in NewCo 2 to the relevant CME Parties as provided herein) are secured by a pledge of all of the shares in each of NewCo 1 and NewCo 2.

2.5. In the event that CTC Media, Inc. should at any time directly or indirectly carry on or be engaged, concerned or interested in any business in Ukraine which is competitive with the Television Business (a) RODNYANSKY shall transfer, and shall procure that NewCo 3 transfers, prior to or within ten (10) Business Days after the occurrence of such event, to FUCHSMANN all of the AR Optioned Interest then held by RODNYANSKY and NewCo 3 in accordance with the provisions of Clause 4.6 and (b) RODNYANSKY's Consultancy Agreement shall be immediately terminated.

2.6. No acknowledgement of third party rights. Nothing in this Agreement, and none of the transactions contemplated hereby, are intended or should be construed as an acknowledgement of any right that any third party (other than the Indemnified Parties under Clause 10) may have against any RF Participant with respect to the Sale Interests or the Optioned Interests.

3. Closing.

3.1. The closing of the Sale Transfers and payment of the Total Sale Consideration (the "Closing") shall take place at the offices of Debevoise & Plimpton LLP, Börsencenter, Taubenstrasse 7-9, 60313 Frankfurt am Main, Germany at 10:00 am local time on the date falling 5 (five) Business Days after delivery of the Closing Notice pursuant to Clause 2.4.3, or at such other location and time as the Parties agree in writing, and which may be postponed by the CME Parties for any reasonable period of time, but not exceeding 20 Business Days, in order to secure financing for the Transaction. At the Closing, subject to the Conditions Precedent remaining fulfilled (or waived by the relevant Parties), the Parties shall take or procure the following actions:

3.1.1 Closing Certificates.

(i) The RF Participants shall provide the CME Parties with evidence in a form and substance reasonably acceptable to the CME Parties of satisfaction of the Conditions Precedent (in the form of a closing certificate and, if required, other confirmations); and

(ii) CME Ltd. shall provide the RF Participants with evidence in a form and substance reasonably acceptable to the RF Participants of satisfaction of the Conditions Precedent (in the form of a closing certificate and, if required, other confirmations).

3.1.2 Payment of Total Consideration. In consideration of the relevant Sale Transfers, the CME Parties shall make payment by wire transfer in immediately available funds to the relevant accounts designated by the RF Participants on the Closing Date as follows:

(i) The total consideration for the AR Sale Interests and the BF Sale Interests (the "Total Sale Consideration") shall be US\$ 79,603,750.00;

(ii) The Total Sale Consideration shall be allocated as follows:

(a) the NewCo 1 Sale Shares: US\$ 64,443,000.00, of which US\$ 1.00 is paid to acquire the IK Studio Optioned Interest and US\$ 64,442,999.00 is paid to acquire the remaining 7.34% participation interest in Studio 1+1;

(b) the IMS Sale Shares: US\$ 10,419,000.00, of which US\$ 1.00 is paid to acquire the IK IMS Optioned Interest, US\$ 4,168,999.00 is paid to acquire the 3.335% ownership interest in IMS directly held by ITS and US\$ 6,250,000.00 is paid to acquire the 5.0% ownership interest in ITS directly held by RODNYANSKY;

(c) the Innova Sale Interest: US\$ 4,738,000.00, of which US\$ 1.00 is paid to acquire the IK Innova Optioned Interest and US\$ 4,737,999.00 is paid to acquire the remaining 1.735% ownership interest in Innova, which shall be reduced by the amount of the entire outstanding loan (including accumulated interest and any other amounts) from CME BV to FUCHSMANN (the "Fuchsmann Loan Balance") as set forth in the Innova Transfer and Option Agreement, with the remainder paid by CET 21 in cash, and, subject to completion of that transaction, CET 21 undertakes to repay to CME BV the Fuchsmann Loan Balance; and

(d) the TV Media Planet Sale Interest: US\$ 3,750.00.

(iii) The amount of the cash consideration shall be an amount equal to the sum of the payments for the AR Sale Interests and the BF Sale Interests minus the Fuchsmann Loan Balance (the "Total Cash Sale Consideration"). At least 5 (five) Business Days prior to the expected Closing Date, CME BV shall deliver to FUCHSMANN a statement of the amount of the Fuchsmann Loan Balance that will be outstanding as of the expected Closing Date and, on the basis of that calculation, the cash component of the payment for the Innova Sale Interest and the amount of Total Cash Sale Consideration to be paid at Closing. These amounts shall be final and binding on the Parties absent manifest error.

3.1.3 Sale Transfers. Upon payment of the Total Cash Sale Consideration, as evidenced by payment instructions executed by the relevant CME Parties on the Closing Date, the RF Participants shall immediately take or procure the following actions:

(i) NewCo 3 shall (and RODNYANSKY shall procure that NewCo 3 shall) transfer to CME BV (or its designee) the NewCo 1 Sale Shares pursuant to the NewCo 1 Transfer Agreement;

(ii) RODNYANSKY and ITS shall (and RODNYANSKY shall procure that ITS shall) transfer to CME Ltd. (or its designee) the IMS Sale Shares pursuant to the IMS Transfer Agreement;



(iii) FUCHSMANN shall transfer to CET 21 (or its designee) the Innova Sale Interest pursuant to the Innova Transfer and Option Agreement; and

(iv) FUCHSMANN shall transfer to CME Ltd. (or its designee) the TV Media Planet Sale Interest pursuant to the TV Media Planet Transfer Agreement,

in each case with full title guarantee, free and clear of any Liens (collectively, the "Sale Transfers").

3.2. Upon completion of all the actions provided in Clause 3.1, the Sale Transfers and the Closing shall be deemed complete (the "Closing Date"). The CME Parties shall have no obligation to pay any portion of the Total Consideration unless and until all Conditions Precedent have been and remain satisfied on the Closing Date.

4. Exercise of Options.

4.1. Put Option. Subject to satisfaction (or waiver by the relevant Parties) of the Option Conditions Precedent, the Put Option shall be exercisable by RODNYANSKY, NewCo 3 and FUCHSMANN jointly by delivery of a Put Notice in accordance with Clause 4.8 for a price determined as follows (the price determined in accordance with this Clause 4.1, the "Put Exercise Price"):

4.1.1 From the Closing Date until the first anniversary of such date, the total price payable to RODNYANSKY, NewCo 3 and FUCHSMANN upon exercise of the Put Option shall be US\$ 95,400,000.00;

4.1.2 From the first anniversary of the Closing Date until the second anniversary of such date, the total price payable to RODNYANSKY, NewCo 3 and FUCHSMANN upon exercise of the Put Option shall be US\$ 102,300,000.00;

4.1.3 From the second anniversary of the Closing Date, the price payable to RODNYANSKY, NewCo 3 and FUCHSMANN upon exercise of the Put Option shall be the greater of (a) the Agreed Valuation and (b) US\$ 109,100,000.00;

4.1.4 The Parties agree that the Put Exercise Price shall be determined as provided above as of the date of delivery of the Put Notice, provided that the Put Transfer occurs as provided, including within the time limits, in Clause 4.8;

4.2. Call Option. Subject to satisfaction (or waiver by the relevant Parties) of the Option Conditions Precedent, the Call Option shall be exercisable by the relevant CME Parties by delivery of a Call Notice in accordance with Clause 4.9 for a price determined as follows (the price determined in accordance with this Clause 4.2, the "Call Exercise Price"):

4.2.1 Subject to Clause 4.2.2 below, the price payable to RODNYANSKY, NewCo 3 and FUCHSMANN upon exercise of the Call Option shall be US\$ 109,100,000.00;

4.2.2 After the first anniversary of the Closing Date, RODNYANSKY, NewCo 3 and FUCHSMANN shall have the right jointly to request an Agreed Valuation within five (5) Business Days of receiving a Call Notice; in the event that RODNYANSKY, NewCo 3 and FUCHSMANN require an Agreed Valuation in accordance with this Clause 4.2.2, the price payable upon exercise of the Call Option shall be the greater of (a) the price determined in accordance with Clause 4.2.1 above and (b) the Agreed Valuation.

4.3. Optioned Interests Transfers. Upon payment of the Call Exercise Price or Put Exercise Price, as applicable, as evidenced by payment instructions executed by the relevant CME Parties on the Option Closing Date, the RF Participants shall immediately take or procure the following actions:

- (i) NewCo 3 shall (and RODNYANSKY shall procure that NewCo 3 shall) transfer to CME BV (or its designee) the AR Optioned NewCo 2 Interest pursuant to the relevant Option Transfer Document;
- (ii) RODNYANSKY shall transfer to CME Ltd. (or its designee) the AR Optioned IMS Interest pursuant to the relevant Option Transfer Document;
- (iii) RODNYANSKY shall transfer to CME Ltd. (or its designee) the AR Optioned TVMP Interest pursuant to the relevant Option Transfer Document;
- (iv) RODNYANSKY shall transfer to CME Ltd. (or its designee) any ownership interest acquired by RODNYANSKY after the date of this Agreement in any member of the Studio 1+1 Group, the Gravis Group or any other direct or indirect subsidiary of CME Ltd. pursuant to the relevant Option Transfer Document;
- (v) FUCHSMANN shall transfer to CET 21 (or its designee) the BF Optioned Innova Interest pursuant to the relevant Option Transfer Document;
- (vi) FUCHSMANN shall transfer to CME Ltd. (or its designee) the BF Optioned IMS Interest pursuant to the relevant Option Transfer Document;
- (vii) FUCHSMANN shall transfer to CME Ltd. (or its designee) the BF Optioned TVMP Interest pursuant to the relevant Option Transfer Document; and

(viii) FUCHSMANN shall transfer to CME Ltd. (or its designee) any ownership interest acquired by FUCHSMANN after the date of this Agreement in any member of the Studio 1+1 Group, the Gravis Group or any other direct or indirect subsidiary of CME Ltd. pursuant to the relevant Option Transfer Document,

in each case with full title guarantee, free and clear of any Liens.

4.4. Exercise Price. Unless otherwise agreed by the Parties, the Parties agree that the applicable Put Exercise Price or Call Exercise Price shall be allocated among RODNYANSKY and NewCo 3, on the one side, and FUCHSMANN, on the other side, in equal shares, provided that no additional transfer of any part of the AR Optioned Interests or BF Optioned Interests (including pursuant to Clause 4.14) has occurred after the Closing Date, reflecting the relevant values thereof.

4.5. Share Consideration. If RODNYANSKY, NewCo 3 and FUCHSMANN so elect, the CME Parties shall use their commercially reasonable efforts to procure that the Call Exercise Price is paid in the form of unregistered shares of Class A common stock in CME Ltd. (the "CME Shares"), calculated at a price equal to the average trading price of such shares for the fifteen trading days prior to the date of such election of the Option Transfer. Any RF Participant may so elect by delivering to the CME Parties within one (1) Business Day after receipt of the Call Notice a written notice of his election (the "Election Notice"), including the portion of the Call Exercise Price that any RF Participant requests to receive in CME Shares (within the maximum limit provided above), and within three (3) Business Days of receiving the Election Notice, the CME Parties shall notify the RF Participants of whether they are able to accommodate this request. If the Election Notice is not received within one (1) Business Day after delivery of the Call Notice and/or if the CME Parties are unable to accommodate this request, the full amount of the Call Exercise Price shall be payable in cash.

4.6. Agreed Valuation. In the event that the Put Exercise Price or the Call Exercise Price is to be determined with reference to an Agreed Valuation, the Party initiating an Agreed Valuation shall notify the other relevant Parties and request that such Parties appoint an Investment Bank within twenty (20) Business Days of receipt of such notice. Following appointment of the Investment Banks, the CME Parties and the RF Participants shall cause their respective Investment Banks to agree on common valuation parameters within fifteen (15) Business Days (which shall be limited to considerations of economic value only, on a "debt-free, cash-free" basis viewed as a passive investment without regard for any board or management positions or any share transfer restrictions) and use their commercially reasonable efforts to provide their valuations within thirty (30) Business Days. In the event that a third Investment Bank is jointly appointed, the Parties shall cause such Investment Bank to use commercially reasonable efforts to provide its valuation of the Optioned Interests within twenty (20) Business Days of its appointment based on the valuation principles used for the CME Valuation and the RF Valuation. If any Party initiates the process of determining the Agreed Valuation in accordance with this Clause 4.6, neither Party may serve an Option Notice until the Agreed Valuation is determined.

4.7. Conditions Precedent to Exercise of the Options. Exercise of the Options shall be subject to the satisfaction (or waiver in writing by the relevant Parties) of the Option Conditions Precedent.

4.8. Put Notice. In the event that RODNYANSKY, NewCo 3 and FUCHSMANN elect to exercise their rights under Clause 4.1 (provided that a Call Notice has not been delivered pursuant to Clause 4.9), RODNYANSKY, NewCo 3 and FUCHSMANN shall deliver a joint written notice (a "Put Notice") to the CME Parties, which notice shall (i) state that RODNYANSKY, NewCo 3 and FUCHSMANN are exercising their rights under Clause 4.1 to sell the Optioned Interests, (ii) include the total amount to be paid for the Optioned Interests, and (iii) request that the CME Parties inform the RF Participants of the anticipated time and place on which the CME Parties will, subject to the Option Conditions Precedent, acquire all of the Optioned Interests in exchange of payment by the CME Parties of the applicable Put Exercise Price (the "Put Closing"), which (subject to such terms and conditions) shall occur not more than thirty (30) Business Days after the date on which such Put Notice is delivered if the Put Exercise Price is to be paid in the form of CME Shares and not more than sixty (60) Business Days after the date on which such Put Notice is delivered if the Put Exercise Price is to be paid in cash, provided that if an Agreed Valuation is required, then the Put Closing shall occur not more than fifteen (15) Business Days after the date on which such Agreed Valuation is completed (or, in each case, such later date as is necessary to obtain all required governmental and regulatory approvals and consents). Such Put Notice shall be irrevocable.

4.9. Call Notice. In the event that the CME Parties elect to exercise their rights under Clause 4.2 (provided that a Put Notice has not been delivered pursuant to Clause 4.8), the CME Parties shall deliver written notice (a "Call Notice") to the RF Participants, which notice shall (i) state that the CME Parties are exercising their rights under Clause 4.2 to purchase all of the Optioned Interests, (ii) include the total amount of consideration to be paid for the Optioned Interests, and the breakdown of such consideration between RODNYANSKY, NewCo 3 and FUCHSMANN, (iii) state the date until which the RF Participants may request an Agreed Valuation, if applicable, and (iv) state the anticipated time and place on which RODNYANSKY, NewCo 3 and FUCHSMANN shall be obliged to transfer all of their respective Optioned Interests referred to in the Call Notice in exchange of payment by the CME Parties of the applicable Call Exercise Price (a "Call Closing"), which (subject to such terms and conditions) shall occur not more than thirty (30) Business Days after the date on which such Call Notice is delivered if the Call Exercise Price is to be paid in the form of CME Shares and not more than sixty (60) Business Days after the date on which such Call Notice is delivered if the Call Exercise Price is to be paid in cash, provided that if the RF Participants request an Agreed Valuation in accordance with this Agreement and the Call Notice, the Call Closing (subject to such terms and conditions) shall take place not more than fifteen (15) Business Days after the date on which such Agreed Valuation is completed (or, in each case, such later date as is necessary to obtain all required governmental and regulatory approvals and consents). Such Call Notice shall be irrevocable.

4.10. Option Transfer Documents. As soon as reasonably practicable after delivery of the Put Notice or the Call Notice, as applicable, but in any event on or prior to the date of the relevant Option Closing, the relevant Parties shall execute and deliver all such documents as may be required, substantially in the form of the Transfer Agreements with such changes as may be reasonably necessary, in order to effect the relevant Option Closing (the "Option Transfer Documents").

4.11. Option Closing. The consummation of the Put Closing or the Call Closing, as applicable (the "Option Closing"), shall take place at such time and place as may be specified in the relevant Option Notice in accordance with the foregoing or otherwise agreed among the Parties (the "Option Closing Date"). The CME Parties shall have no obligation to pay any portion of the Put Exercise Price or the Call Exercise Price, as applicable, unless and until all Option Conditions Precedent have been and remain satisfied on the Option Closing Date.

4.12. Non-Payment of the Put Exercise Price or the Call Exercise Price.

4.12.1 Except as provided in Clause 4.12.2, if any payment of the Put Exercise Price or the Call Exercise Price, as applicable, is due under this Agreement that is not received on the date that is ten (10) Business Days after the due date thereof, the CME Parties shall pay interest to the RF Participants on such overdue amount from and including such tenth Business Day (but excluding the date when such payment is received by the RF Participants) and calculated at a rate equal to one-month LIBOR plus two and five tenths per cent (2.5%) per annum.

4.12.2 If the Put Exercise Price or the Call Exercise Price, as applicable, is not paid in full on the date that is thirty (30) Business Days after the due date thereof, the RF Participants shall have the right, upon providing written notice to the CME Parties within sixty (60) Business Days thereafter, to reverse the Transaction by paying to the relevant CME Parties amounts in the aggregate equal to US\$ 219,603,750.00 (the "Transaction Reversal Price"). Upon full payment of the Transaction Reversal Price by the RF Participants to the CME Parties, the CME Parties shall immediately transfer to the RF Participants all shares and interests that constitute the AR Sale Interest and BF Sale Interest, so that the total participation interest held, directly or indirectly, by the RF Participants in Studio 1+1 is forty (40) percent. No amount shall be payable pursuant to Clause 4.12.1 in the event the RF Participants exercise their rights under this Clause 4.12.2.

4.12.3 In the event that the Transaction is reversed as described in Clause 4.12.2 above, the CME Parties and the RF Participants shall be obliged to act in good faith and take all reasonable measures and actions necessary to bring the Parties, to the extent practicable, to the position that existed immediately after the Rodnyansky Restructuring, including adoption of any relevant amendments to the charters, articles of association or other corporate documents of the members of the Studio 1+1 Group similar to those that were in force immediately after the Rodnyansky Restructuring. The CME Parties shall bear all of the notary and registration costs in connection with effecting the reversal of the Transaction. Without prejudice to the rights granted to the RF Participants in this Clause 4.12, nothing in this Clause 4.12.3 shall be deemed to limit the rights of the CME Parties to restructure or reorganize their ownership of the Studio 1+1 Group.

4.12.4 In the event that the Transaction is reversed as described in Clause 4.12.2 above, the Parties shall enter into an agreement to terminate all the Transaction Documents (other than the CME Releases, the Release Agreements, the Designation Notice, the Restructuring Consent and the Amended Closing Studio 1+1 Charter); provided that the survival provisions in any such agreement or document, including in respect of the termination of the Group Agreements, shall not be affected.

4.13. **No Transfer of Interests.** Except as provided herein, each of the RF Participants agrees not to transfer any of its Sale Interests or Optioned Interests, or to otherwise sell, transfer, alienate, grant any option or other rights or security or otherwise create or permit to subsist any Lien over its participation interest in any entity of the Studio 1+1 Group (other than the Lien granted pursuant to the Pledge Agreements) or the Gravis Group or transfer any voting or other rights it may have as a participant in any entity of the Studio 1+1 Group or the Gravis Group without the prior written consent of the CME Parties. In the event this Agreement is terminated for any reason prior to the Closing Date and/or the Option Closing Date, the provisions of this Clause 4.13 shall survive such termination.

4.14. **RF Participants Transfer of Optioned Interests.** Prior to the date on which a Call Notice or a Put Notice is served, each of RODNYANSKY and NewCo 3, on the one side, and FUCHSMANN, on the other side, shall be entitled to transfer the AR Optioned Interests and the BF Optioned Interests, respectively, or any portion thereof, to the other RF Participant and/or to any Person Controlled by an RF Participant (an "RF Participants Transfer") in accordance with the following procedures:

4.14.1 In the event that RODNYANSKY and NewCo 3, on the one side, or FUCHSMANN, on the other side, wishes to effect an RF Participants Transfer, (a) such RF Participant shall not less than ten (10) Business Days prior to the relevant RF Participants Transfer being effected, deliver a written notice to the CME Parties of such RF Participants Transfer, identifying the Optioned Interest to be transferred and the intended recipient (including, in the event such recipient is a Person Controlled by an RF Participant, evidence of such affiliation in a form reasonably satisfactory to the CME Parties), (b) the transferee shall be in good standing and such person's participation in the operations of Studio 1+1, IMS or Innova and their subsidiaries could not reasonably be expected to have a material adverse effect on such operations, (c) the transferring RF Participant shall enter into a guarantee, in form and substance reasonably acceptable to the CME Parties, of performance by the receiving RF Participant of the obligations herein with respect to such transferred shares, (d) the transferee shall become a party to this Agreement, subject to its terms and conditions with respect to the shares transferred (including entering into a Pledge Agreement in respect of the shares of NewCo 2) and (e) the relevant Parties shall agree any additional documentation required to effect such RF Participants Transfer, including any amendments to the charter of the relevant Studio 1+1 Group member. Each Party consents and agrees to the addition of such transferee as a party hereto by the execution of a deed of accession hereto or such other instrument as shall be necessary to cause such transferee to become a party hereto. Each of FUCHSMANN, RODNYANSKY and NewCo 3 may only consummate an RF Participant Transfer in accordance with applicable Law and the charter, articles of incorporation and bye-laws of, and shareholders' agreements relating to, Studio 1+1, IMS, Innova or NewCo 2, respectively, provided such transferee shall also have become a party to this Agreement, subject to its terms and conditions. Subject to compliance with the above procedures and applicable Law, the relevant Parties shall, promptly following the RF Participants Transfer, take all actions required, consistent with their contractual obligations, to complete the RF Participants Transfer.

4.14.2 Transfer of Companies.

(i) Subject to Clause 4.13, if either FUCHSMANN or RODNYANSKY should hold his interests in any of Studio 1+1, IMS, Innova, TV Media Planet or NewCo 2 indirectly through a holding entity (including NewCo 3), whether a company, partnership, trust or other legal entity (a "Holding Company"), he (a) shall not sell, pledge, assign, dispose of or otherwise transfer his shares in the Holding Company to any other Person other than pursuant to Clause 4.14.2(ii) or with the prior written consent of the CME Parties and (b) shall procure that the Holding Company does not conduct any business or incur any liability other than in connection with the holding of interests in Studio 1+1, IMS, Innova, TV Media Planet, NewCo 2 or another Holding Company and does not otherwise sell, transfer, alienate, grant any option or other rights or security or otherwise create or permit to subsist any Lien (other than pursuant to the Pledge Agreements) over its interest in Studio 1+1, IMS, Innova, TV Media Planet, NewCo 2 or such other Holding Company, as applicable, in each case without the prior written consent of the CME Parties.

(ii) Each of FUCHSMANN and RODNYANSKY may transfer shares in a Holding Company, provided that (a) he shall retain 100% indirect ownership and control of the voting share capital of the Holding Company, (b) the transferee of shares in the Holding Company shall be in good standing and such Person's participation in the operations of Studio 1+1, IMS, Innova, TV Media Planet, NewCo 2 or NewCo 3 and their subsidiaries could not reasonably be expected to have a material adverse effect on such operations, (c) the transferring party (either FUCHSMANN or RODNYANSKY) shall give to the CME Parties at least 30 days prior written notice of such transfer, which notice shall state the basis for the transferring party's conclusion that the transferee qualifies under the foregoing sub-clause (b), and (d) the transferee shall become a party to this Agreement, subject to its terms and conditions with respect to the shares transferred (including entering into a Pledge Agreement in respect of the direct or indirect ownership of NewCo 2). Each Party consents and agrees to the addition of such transferee as a party hereto by the execution of a deed of accession hereto or such other instrument as shall be necessary to cause such transferee to become a party hereto. If the conditions in sub-clauses (a), (b), (c) and (d) shall be satisfied, such Holding Company shall be a "Permitted Holding Company". Each of FUCHSMANN and RODNYANSKY may only transfer his directly held interests in IMS, Innova, TV Media Planet or NewCo 3 to a Permitted Holding Company in accordance with applicable Law and the charter, articles of incorporation and bye-laws of, and shareholders' agreements relating to, IMS, Innova, TV Media Planet or NewCo 3, respectively, provided such Permitted Holding Company shall also have become a party to this Agreement by entering into a deed of accession and be subject to its terms and conditions. Any Permitted Holding Company may at any time transfer its shares in IMS or Innova to FUCHSMANN and RODNYANSKY.

(iii) If any RF Participant shall attempt to transfer his participation interest or shares in a Holding Company in violation of this Agreement, the Holding Company shall not, without the prior written consent of the CME Parties, recognize such transfer, and shall not register such transfer on its share register or such other register as may be applicable.

4.14.3 If for any reason a transfer of a participation interest or shares of a Holding Company (including NewCo 3) by either FUCHSMANN or RODNYANSKY (in such case, a "Violating Shareholder") shall be consummated in violation of Clause 4.14.2, the Holding Company (including NewCo 3) shall immediately inform the CME Parties of such transfer and shall without further consideration immediately transfer any and all of its holding of a participation interest or shares in IMS, Innova, TV Media Planet or NewCo 2 back to RODNYANSKY and FUCHSMANN, *pro rata* with their then-existing holdings of shares in IMS, Innova, TV Media Planet and NewCo 2, respectively, and thereafter neither RODNYANSKY nor FUCHSMANN shall have the right to transfer any of their respective participation interests or shares in IMS, Innova, TV Media Planet or NewCo 2 to any Holding Company.



4.14.4 Notwithstanding any other provisions of this Agreement, the Parties acknowledge that money damages will not be a sufficient remedy for any violation of the terms of this Agreement and, accordingly, the Parties will be entitled to specific performance and injunctive relief as remedies for any violation, in addition to all other remedies available at law or equity.

4.15. Performance Assurance. CME Ltd. and the RF Participants shall ensure that each of their respective Affiliates perform all of their obligations as provided herein.

5. Conditions Precedent.

5.1. Conditions Precedent to Closing. The Closing is conditional on the fulfillment and satisfaction of each of the following Conditions Precedent:

5.1.1 General Conditions Precedent to performance by the Parties of their respective obligations at the Closing:

- (i) each of the Transaction Documents to be executed and delivered on or prior to the Closing Date shall have been duly executed and delivered by each party thereto, each of them shall have become effective and remain in full force and effect, and the obligations of the parties therein shall have been duly performed;
- (ii) the CME Parties, KOLOMOISKY and the other relevant parties shall have entered into the Assignment Agreement and such agreement shall remain in full force and effect and have not been repudiated;
- (iii) each of the CME Releases, the Release Agreements, the Designation Notice and the Restructuring Consent shall have been duly executed and delivered by all parties thereto and shall have not been repudiated;
- (iv) RODNYANSKY shall have duly transferred his contribution to the share capital of Studio 1+1 in full under applicable Law;
- (v) the Rodnyansky Restructuring shall have been completed, the Amended Closing Studio 1+1 Charter shall have been registered and the broadcasting licenses re-issued in accordance with Clause 2.2, 2.2.3 and 2.2.4 hereof, respectively;
- (vi) the Parties shall have received all necessary consents and approvals of any Governmental Authority necessary, and all other third party consents necessary under applicable Law, to permit the Transaction to be completed as contemplated by this Agreement, and such consents or approvals shall remain in effect;

(vii) there shall not be any injunction, decision, order, decree or other action of any nature of any court, administrative body or other Governmental Authority (or any proceeding that is pending or threatened that could result in such an injunction, decision, order or decree), or any Law enacted by any Governmental Authority, restraining, preventing or making illegal any aspect of the Transaction or which would otherwise cause any Party to be unable to complete the transactions contemplated herein;

5.1.2 Conditions Precedent to performance by the CME Parties of their respective obligations at the Closing:

(i) each of the RF Participants shall have performed and complied in all material respects with all covenants and agreements required by this Agreement and any other Transaction Document to which he is a party to be performed or complied with by such Party on or prior to the Closing Date, to be confirmed by a closing certificate executed and delivered by each of them on the Closing Date;

(ii) the representations and warranties of RODNYANSKY, FUCHSMANN and the other RF Participants in this Agreement (and any other Transaction Document to which they are parties) shall be true and correct in all material respects as of the date first given and as of the Closing Date, to be confirmed by a closing certificate executed and delivered by each of them on the Closing Date;

(iii) each Studio 1+1 Group entity has received every license, permit or other approval ("Licenses") necessary to enable it to conduct its business as currently conducted and each such License is valid, in effect and not subject to revocation;

(iv) there shall not be any injunction, decision, order or decree of any nature of any Governmental Authority restraining, prohibiting or preventing, or threatening to restrain, prohibit or prevent, the use by the Studio 1+1 Group of any of its Licenses; and

(v) the CME Parties shall be reasonably satisfied that as of the Closing Date, other than this Agreement, there shall be no outstanding agreements, arrangements or other understandings (whether by contract or otherwise) with any other third parties granting them the right (and no parties shall have claimed any such right) to acquire any of the Sale Interests or Optioned Interests, or any options, warrants, commitments, rights of first refusal, conversion rights or other rights of any kind held by or granted to anyone to acquire any participation interests or any other interests in Studio 1+1, any other entity in the Studio 1+1 Group or any other Affiliate of CME BV.

5.2. Conditions Precedent to Option Closing. Any Option Closing is conditional on the fulfillment and satisfaction (or waiver in writing by the relevant Party or Parties) of each of the following Option Conditions Precedent:

5.2.1 General Conditions Precedent to performance by the Parties of their respective obligations at the Option Closing:

- (i) the Parties shall have received all necessary consents and approvals of any Governmental Authority necessary, and all other third party consents necessary under applicable Law, to permit the relevant Option Transfer to be completed as contemplated by this Agreement, and such consents or approvals shall remain in effect;
- (ii) there shall not be any injunction, decision, order or decree of any nature of any court, administrative body or other Governmental Authority (or any proceeding that is pending or threatened that could result in such an injunction, decision, order or decree), or any Law enacted by any Governmental Authority, restraining, preventing or making illegal any aspect of the relevant Option Transfer or which would otherwise cause any relevant Person to be unable to complete the applicable Option Transfer; and
- (iii) each of the Option Transfer Documents shall have been duly executed and delivered by each party thereto, each of them shall have become effective and remain in full force and effect, and the obligations of the parties therein shall have been duly performed;

5.2.2 Conditions Precedent to performance by the CME Parties of their respective obligations at the Option Closing:

- (i) each of the Conditions Precedent set forth in Clause 5.1 shall remain satisfied (or waived by the relevant Party or Parties) as of the Option Closing Date, including by substitution *mutatis mutandis* of all references therein to “Closing Date” with “Option Closing Date” and “Closing” with “Option Closing”; and
- (ii) the CME Parties shall be reasonably satisfied that as of the Option Closing Date, (a) the relevant CME Party has acquired good title to the AR Optioned Interest, free and clear of any Liens, (b) CME BV (or its designee) has acquired good title to each of the BF Optioned Interests, free and clear of any Liens, (c) other than this Agreement, there shall be no outstanding agreements, arrangements or other understandings (whether by contract or otherwise) with any other third parties granting them the right (and no parties shall have claimed any such right) to acquire any of the AR Optioned Interest or the BF Optioned Interests, or any options, warrants, commitments, rights of first refusal, conversion rights or other rights of any kind held by or granted to anyone to acquire any participation interests or any other interests in Studio 1+1, any other entity in the Studio 1+1 Group or any other Affiliate of CME BV.

5.3. CME BV (on behalf of itself or any of the CME Parties) may at any time waive, in whole or in part, conditionally or unconditionally, any Condition Precedent by notice in writing to RODNYANSKY and FUCHSMANN.

6. Representations and Warranties.

6.1. Each of the CME Parties hereby represents and warrants to the other Parties as of the date of this Agreement, as of the Closing Date and as of the Option Closing Date that each of the following statements are true and correct:

- (i) each of the CME Parties is a company duly organized and validly existing under the Laws of its jurisdiction;
- (ii) each of the CME Parties has the necessary corporate power and authority to enter into and perform its obligations under this Agreement and each of the Transaction Documents to which it is a party;
- (iii) the execution and delivery by each of the CME Parties of this Agreement and each of the Transaction Documents to which it is a party will not violate any provision of and will not result in a breach of the terms of (a) any Law applicable to it or (b) any contract, indenture, agreement or commitment to which it is a party or bound.

6.2. Each of the RF Participants hereby represents and warrants to the CME Parties on behalf of itself and its respective Affiliates as of the date of this Agreement, as of the Closing Date and as of the Option Closing Date that each of the following statements are true and correct:

- (i) it has the necessary power and authority (including in the case of RODNYANSKY and FUCHSMANN full legal and dispositive capacity) to enter into, deliver, and perform its obligations under, this Agreement and any other Transaction Document to which it is party;
- (ii) the execution, delivery and performance of this Agreement and each of the Transaction Documents to which it is a party constitutes valid and legally binding obligations, enforceable against it in accordance with the terms thereof, and will not violate any provision of and will not result in a breach of the terms of (i) any Law applicable to it, (ii) any contract, indenture, agreement or commitment to which it is a party or bound or (iii) in the case of any RF Participant or Affiliate (other than natural persons), any of its organizational documents;
- (iii) no additional consent by any other Person is required to be obtained by the RF Participants in connection with its execution or performance of this Agreement or any other Transaction Document to which it is a party;

(iv) RODNYANSKY is a legal resident in the Russian Federation on the basis of a temporary residence permit and prior to the commencement of the Rodnyansky Restructuring will obtain a permanent residence permit issued by the Federal Migration Service of the Russian Federation;

(v) as of the Closing Date, RODNYANSKY is the sole beneficial owner of the AR Sale Interests and the AR Optioned Interests, free and clear of any and all Liens (other than the Liens created by the Pledge Agreements); the AR Sale Interests and the AR Optioned Interests (and the underlying interests in Studio 1+1 to be owned by NewCo 1 and NewCo 2) have been duly authorized and fully paid, such that upon transfer thereof pursuant to this Agreement, the applicable CME Parties shall acquire good title to the AR Sale Interests or the AR Optioned Interests, as applicable, free and clear of any Liens;

(vi) RODNYANSKY shall be the sole beneficial owner of (x) NewCo 1 from the date of its establishment through the Closing Date and (y) each of NewCo 2 and NewCo 3 from the date of its establishment through the Option Closing Date, and throughout each such period of beneficial ownership, as applicable: (a) NewCo 3 shall be the sole legal owner of each of NewCo 1 and NewCo 2, free and clear of any Liens (other than those created by this Agreement or the Pledge Agreements), (b) NewCo 1 shall be the sole legal owner of a 22.98% participation interest in Studio 1+1, free and clear of any Liens, (c) NewCo 2 shall be the sole legal owner of a 5.02% participation interest in Studio 1+1, free and clear of any Liens and (d) each of NewCo 3, NewCo 1 and NewCo 2 shall have engaged in no business activity, and will engage in no business activities, except in respect of the ownership of such participation interests in Studio 1+1 and the transactions contemplated by this Agreement, and shall have incurred no indebtedness or other liabilities of any kind (actual or contingent, present or future, or otherwise);

(vii) each of NewCo 3, NewCo 1 and NewCo 2 shall be duly established under the laws of its jurisdiction, and each of them shall be validly existing and in good standing under such laws as of the Closing Date (with respect to NewCo 3 and NewCo 1) and the Option Closing Date (with respect to NewCo 3 and NewCo 2); all of the NewCo 1 Sale Shares and the AR Optioned NewCo 2 Interest shall be duly authorized, validly issued and fully paid and nonassessable; RODNYANSKY shall have obtained any consents, permits and authorizations from any Governmental Authority required to establish each of NewCo 3, NewCo 1 and NewCo 2 and to issue and pay their respective share capitals under the laws of their respective jurisdictions and any other applicable Law;

(viii) as of the Closing Date, FUCHSMANN is the sole legal and beneficial owner of each of the BF Sale Interests and the BF Optioned Interests, free and clear of any Liens (other than Liens arising under this Agreement), and each of the BF Sale Interests and the BF Optioned Interests have been duly authorized and fully paid, such that upon transfer thereof pursuant to this Agreement, the applicable CME Parties shall acquire good title to the corresponding BF Sale Interests or BF Optioned Interests, as applicable, free and clear of any Liens;

(ix) other than the agreements assigned pursuant to the Assignment Agreement, there are no outstanding agreements, arrangements or other understandings (whether by contract or otherwise) with any other third parties granting them the right to acquire any of the Sale Interests or Optioned Interests, or any options, warrants, commitments, rights of first refusal, conversion rights or other rights of any kind held by or granted to anyone to acquire any participation interests or any other interests in Studio 1+1 or any other entity in the Studio 1+1 Group;

(x) none of the RF Participants nor any Affiliate has any direct or indirect interest (other than the Sale Interests or Optioned Interests) in any tangible or intangible asset or property used in the business of the Studio 1+1 Group, or any right to payment of any kind with respect thereto (except as provided in the Consultancy Agreements with respect to RODNYANSKY and FUCHSMANN);

(xi) no papers, books, manuals, lists, correspondence and documents containing or relating to the business of Studio 1+1 or the Studio 1+1 Group, together with all copies thereof, have been removed or disposed of, except that RODNYANSKY and FUCHSMANN may keep copies of such materials as shall be necessary to permit him to prepare his individual tax returns or to comply with any other legal requirements;

(xii) neither this Agreement, any other Transaction Document to which the RF Participants or their respective Affiliates are a party, nor any document, certificate or other information furnished or to be furnished by or on behalf of any Studio 1+1 Group entity or any RF Participant in connection herewith or therewith, or any of the transactions contemplated hereby or thereby, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading;

(xiii) to the best knowledge and belief of RODNYANSKY and FUCHSMANN after enquiry that they consider appropriate, there are no claims from any Governmental Authority or any third persons relating to the establishment of Studio 1+1 or any other entity in the Studio 1+1 Group, and each Studio 1+1 Group entity has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as currently conducted;

(xiv) neither RODNYANSKY nor FUCHSMANN knows or has any reason to believe that any Licenses of any Studio 1+1 Group entity or any application for such Licenses will be revoked, not renewed or materially modified; and each Studio 1+1 Group entity has been and is in compliance with all Laws and with the terms of each such License and has not received any notice which, after receipt or lapse of time or both, would constitute non-compliance with any such Licenses or with any applicable agreement, regulatory rule or Law;

(xv) as of the date of the commencement of the Rodnyansky Restructuring, the contributions to cover the share capital of Studio 1+1 issued to RODNYANSKY are fully paid up;

(xvi) listed in Annex I are all existing agreements and other arrangements as of the date of this Agreement among the Studio 1+1 Group and/or the RF Participants and their respective Affiliates with respect to the Studio 1+1 Group and the CME Parties, and all such agreements or arrangements shall be terminated in accordance with the Termination Agreement;

(xvii) to the best knowledge and belief of the RF Participants after enquiry that they consider appropriate, the business of the Studio 1+1 Group has been conducted in the ordinary course and no RF Participant has caused CME Ltd. or any member of the Studio 1+1 Group to make, or to offer, promise, or authorize to make, in each case, directly or indirectly, (1) any unlawful payments or (2) payments or other inducements to any government official, including any official of an entity owned or controlled by a government, with the intent or purpose of: (i) influencing any act or decision of such official in his official capacity; (ii) inducing such official to do or omit to do any act in violation of the lawful duty of such official; or (iii) inducing such official to use his influence with a government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality, in each case in order to assist CME Ltd. or the Studio 1+1 Group in obtaining or retaining business, or directing business to CME Ltd. or the Studio 1+1 Group;

(xviii) to the best knowledge and belief of RODNYANSKY and FUCHSMANN after enquiry that they consider appropriate, the books and records of each Studio 1+1 Group entity (including, without limitation, (i) books and records relating to the purchase of materials and supplies, dealings with customers, invoices, supplier lists, personnel records and taxes of such Studio 1+1 Group entity, (ii) the corporate records and books of such Studio 1+1 Group entity and (iii) data stored on computers) accurately record in all material respects all transactions of such Studio 1+1 Group entity and have been maintained consistent with good business practice; and

(xix) all negotiations relating to this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby have been carried on without the participation of any Person acting on behalf of the RF Participants or any of their Affiliates in such a manner as to, and the transactions contemplated hereby and thereby will not otherwise, give rise to any valid claim against any of the CME Parties, any Studio 1+1 Group entity or any of their Affiliates for any brokerage or finder's commission, fee or similar compensation, or for any bonus payable to any officer, director, employee, agent or representative of or consultant to any such Person upon consummation of the transactions contemplated hereby or thereby

7. Obligations of the Parties.

7.1. From the date hereof, for so long as RODNYANSKY and FUCHMSANN hold any direct or indirect interests in the Studio 1+1 Group, each of RODNYANSKY, NewCo 3 and FUCHSMANN shall exercise, or cause the exercise of, all of their respective voting rights and other rights of participants or members of governing bodies of the entities in the Studio 1+1 Group, and promptly take all required actions that are necessary or appropriate to procure the matters set out in this Agreement, including, without limitation, the following:

- (i) to procure that actions reasonably requested by the CME Parties that are necessary or desirable to promptly complete the Assignment Agreement, including the execution of the Release Agreements, are taken, subject to and in a manner consistent with the terms hereof and without violating any other rights of the Parties;
- (ii) not to dispose of the ownership, possession, custody or control of any corporate books or records of any entity of the Studio 1+1 Group;
- (iii) not to take any action that is reasonably likely to result in any License being revoked, materially modified or not being reissued;
- (iv) not to cause or do any act or thing, the commission of which would constitute a breach of any of the representations or warranties or covenants contained herein or which would make any such representation or warranty inaccurate at the Closing Date;
- (v) to take, or cause to be taken, all actions, including the adoption of any necessary shareholder resolutions of Studio 1+1 or any other member of the Studio 1+1 Group, to implement the transactions contemplated by the Transaction Documents;



(vi) to procure that the costs for overheads, goods and services provided by any Affiliates of Innova, including Innova Marketing, to be paid by Innova in any fiscal year ended after the date of execution of the Innova Transfer and Option Agreement shall not exceed an amount of Euro 150,000.00 (plus VAT, if applicable), so far as applicable, per year, provided that the net amount will be annually increased to reflect the effective rate of inflation by at least 3 % or by the official annual rate of inflation published by the German Federal Statistical Office (*Statistisches Bundesamt*); and

(vii) to take such other actions as are required of them in order to consummate the transactions contemplated hereby and to give full effect to this Agreement.

7.2. The RF Participants shall assist Studio 1+1 with the renewal or reissuance of any Licenses required by Studio 1+1 in order to enable it to conduct its business. The RF Participants shall not directly or indirectly interfere in any way with any such License or application for any License.

7.3. Each of the RF Participants shall vote his or its Sale Interests and Optioned Interests, and exercise any other voting rights he or it may have with respect to the Studio 1+1 Group (including, to the extent required, for purposes of ratifying actions taken by the supervisory board or any similar governance body of any member of the Studio 1+1 Group), and cause the supervisory board members appointed by him or it, to take all such actions contemplated by the Transaction Documents and shall refrain from taking any action that is inconsistent with or that may frustrate the intent and purposes of the Transaction Documents.

7.4. The RF Participants acknowledge that Studio 1+1 is an indirect subsidiary of a U.S. reporting company and as such is required to comply with certain U.S. securities, anti-money laundering, anti-corruption and other Laws applicable to it or its ultimate parent. The RF Participants hereby agree not to violate any such requirements with respect to the Studio 1+1 Group and agree not to take any action, or to refrain from taking any action, that would result in a violation of such requirements by any member of the Studio 1+1 Group.

7.5. Each of the RF Participants hereby agrees to take all actions reasonably within his or its control to ensure that each member of the Studio 1+1 Group at all times complies with, and agrees not take any action that would cause any member of the Studio 1+1 Group not to comply with, any applicable Law, the requirements of CME Code of Conduct and Ethics, the News and Public Affairs Code, the editorial code of Studio 1+1 and such other policies and reporting practices in respect of financial reporting or otherwise that are adopted by the CME Participants or such member of the Studio 1+1 Group from time to time.

7.6. Each of the RF Participants (each on his or its own behalf and on behalf of any Person in which he or it holds a controlling ownership interest) agrees that at any time prior to the Option Closing Date, no RF Participant (nor any Person in which any RF Participant holds a controlling ownership interest) shall solicit or employ or cause to be employed, whether directly or indirectly, on his or its own behalf or on behalf of any other Person, any employee of the Studio 1+1 Group who has substantial knowledge of confidential aspects of the business of the Studio 1+1 Group.

7.7. Each of the RF Participants (each on his or its own behalf and on behalf of any Person in which he or it holds a controlling ownership interest) agrees that, except as stated in Clause 7.8 below, at any time prior to the Option Closing Date, no RF Participant (nor any Person in which any RF Participant holds a controlling ownership interest), directly or indirectly, shall carry on or be engaged, concerned or interested in any business which is competitive with or similar to the Television Business in Ukraine, whether as principal or agent, officer, director, employee, representative, consultant, shareholder or otherwise, alone or in association with any other Person.

7.8. Notwithstanding the provisions of Clause 7.7 above, the establishment by any RF Participant of a business venture that is not in direct competition with the business of Studio 1+1 or Gravis in (i) the internet, (ii) digital television, (iii) production of television programming, (iv) print media, (v) mobile television, (vi) teleshopping, (vii) pay television, or (viii) the purchase and sale of advertising shall not constitute a breach of Clause 7.7.

7.9. Obligation of the CME Parties. The Parties acknowledge that after the date of this Agreement the CME Parties intend to make investments in the Studio 1+1 Group, in the form of debt, equity or otherwise. The CME Parties agree, with effect from the Closing Date, that investments made by the CME Parties in the Studio 1+1 Group after the date of this Agreement will not result in the dilution of the RF Participants' aggregate beneficial ownership interest below ten percent (10%) or otherwise decrease the Optioned Interests.

8. Confidentiality.

8.1. Each Party agrees to keep confidential and not to disclose to any Person any written or oral confidential information provided to it by or on behalf of any other Party (including any member of the Studio 1+1 Group), or otherwise obtained by such Party, as the case may be, including the prior existence or contents of the Group Agreements, without the prior consent of the relevant Party from whom the confidential information was obtained and/or to whom it relates.

8.2. Nothing contained in this Clause 8 shall prevent any Party from disclosing such confidential information to (i) any of its Affiliates (other than any Affiliate engaged in a business permitted pursuant to Clause 7.8) provided such Party informs each such Affiliate that is a recipient of confidential information and the restrictions in respect thereof and is responsible for any disclosure or use of such confidential information by such Affiliates in breach of the terms hereof; (ii) any member of the board of directors of such Party or of the Studio 1+1 Group; or (iii) to any Person if required by applicable Law or stock exchange rules.

9. Termination.

9.1. This Agreement may be terminated at any time by mutual written consent of the Parties.

9.2. This Agreement may be terminated at any time prior to the Closing Date:

(i) by RODNYANSKY and FUCHSMANN jointly if there has been a material breach by the CME Parties of any of their respective covenants, representations or warranties hereunder or under any other Transaction Document and such breach shall not have been cured within 10 (ten) Business Days of the breaching Party receiving a notice from RODNYANSKY and FUCHSMANN specifying the breach and requesting that such breach be remedied; and

(ii) by the CME Parties if there has been a material breach by RODNYANSKY, FUCHSMANN or their respective Affiliates of any of their respective covenants, representations or warranties or other obligations hereunder or under any other Transaction Documents and such breach shall not have been cured within 10 (ten) Business Days of the breaching Party receiving a notice from CME BV specifying the breach and requesting that such breach be remedied.

9.3. This Agreement may be terminated by any Party on June 30, 2008 (the "Termination Date") if the Closing Date shall not have occurred by such date, except that (a) RODNYANSKY and FUCHSMANN may not terminate this Agreement if such delay is a result of any action or failure to act on the part of RODNYANSKY, FUCHSMANN or their respective Affiliates (other than any such action or failure to act that is due to the gross negligence or willful misconduct of the CME Parties), and (b) the CME Parties may not terminate this Agreement if such delay is a result of any action or failure to act on the part of the CME Parties (other than any such action or failure to act that is due to the gross negligence or willful misconduct of RODNYANSKY, FUCHSMANN or their respective Affiliates). The Parties agree that, in any case, termination of this Agreement shall be without prejudice to any rights the Parties may have with respect to any breach of this Agreement that occurs prior to such termination.

9.4. Clauses 4.13, 4.14, 4.15, 8, 9.3, 10, 11 and 12 shall survive termination of this Agreement.

10. Indemnity.

10.1. RODNYANSKY and FUCHSMANN shall jointly and severally indemnify and keep indemnified the CME Parties and their respective Affiliates (including the Studio 1+1 Group), and their respective representatives, officers, directors, shareholders and controlling persons (the "Protected Parties") from and against any and all costs, claims, demands, damages, expenses, penalties, fines, liabilities, losses and diminution in value (including the fees and expenses of investigation and counsel), whether or not involving a third party claim, (collectively, "Losses") whatsoever arising out of or in connection with: (i) any false, incorrect or misleading representation or warranty by RODNYANSKY, FUCHSMANN or their respective Affiliates in any Transaction Document, as applicable; (ii) any breach or non-fulfillment of any agreement, covenant or obligation by RODNYANSKY, FUCHSMANN or their respective Affiliates in any Transaction Document, as applicable; (iii) any and all liability whatsoever, however imposed, whether paid by the CME Parties or any entity in the Studio 1+1 Group, that arises as a result of any fraudulent or criminal act or omission by RODNYANSKY, FUCHSMANN or their respective Affiliates or any officer, director, representative, employee or agent thereof (unless such fraudulent or criminal act or omission by their respective Affiliates or any officer, director, representative, employee or agent thereof was taken in contravention of instructions from RODNYANSKY or FUCHSMANN and without the knowledge of RODNYANSKY and FUCHSMANN exercising appropriate supervisory authority) in respect of the ownership and operation of the Studio 1+1 Group, and (iv) any and all actions, proceedings, claims, demands, assessments and judgments incidental to the foregoing or the enforcement thereof.

10.2. A claim hereunder (an “Indemnity Claim”) shall be asserted by written notice from the Party asserting such Claim (the “Indemnified Party”) to the Party from whom indemnification is sought (the “Indemnifying Party”). The notice shall include information regarding the nature and basis for the Indemnity Claim and an estimate of the amount of Losses demanded (including, to the extent practicable, a calculation of the alleged Losses).

10.3. If the Indemnity Claim relates to any claim by a Person that is not a Protected Party (a “Third Party Claim”), the Indemnified Party shall state in the notice to the Indemnifying Party the nature and basis of the Third Party Claim and the amount thereof, to the extent known. The Indemnifying Party shall be entitled at its own expense to assume the defense of the Third Party Claim, using legal advisers approved by the Indemnified Party. The Indemnified Party shall provide the Indemnifying Party and its advisers with such information and assistance as the Indemnifying Party shall reasonably request at the cost of the Indemnifying Party.

10.4. The obligation of an Indemnifying Party shall not extend to any liability arising from the settlement or compromise of any action or claims brought against the Indemnified Party, or the admission by the Indemnified Party of any claim or the taking by the Indemnified Party of any action (unless required by Law or applicable process) which might reasonably be expected to prejudice the successful defense of the action or claim without, in any such case, the prior written consent of the Indemnifying Party.

11. Limitations on Liability.

11.1. The aggregate liability of RODNYANSKY and FUCHSMANN to the Protected Parties in respect of any Losses under this Agreement and any other Transaction Document incurred prior to and on the Closing Date howsoever caused shall be limited to an amount equal to the Total Sale Consideration plus, after the Option Closing Date, the Put Exercise Price or the Call Exercise Price, as applicable, and in the event of a reversal of the Transaction pursuant to Clause 4.12, the Transaction Reversal Price.

11.2. The aggregate liability of the CME Parties to RODNYANSKY and FUCHSMANN and their Affiliates under this Agreement and any other Transaction Document shall be limited to an amount equal to the Total Cash Sale Consideration prior to and on the Closing Date and on the Option Closing Date, the Put Exercise Price or the Call Exercise Price, as applicable, if such amounts are otherwise due pursuant to this Agreement.

12. Miscellaneous.

12.1. Notices. All notices and other communications made in connection with this Agreement shall be in writing. Any notice or other communication in connection herewith shall be deemed duly delivered and given to any Party one Business Day after it is sent by fax, confirmed by letter sent by a reputable express courier service, in each case, to the regular mail addresses and fax numbers set forth below or to such other regular mail address and/or fax number as may be specified in writing to the other Parties hereto:

if to any of the CME Parties or any member of the Studio 1+1 Group:

c/o CME Development Corporation  
81 Aldwych  
London WC2B 4HN, United Kingdom

Attn: General Counsel  
Tel.: + 44 207 430 5430  
Fax: + 44 207 430 5403

if to RODNYANSKY:  
Aleksandr Rodnyansky  
CTC Television  
15A, Pravda Street  
Moscow, 125124 Russia  
Tel.: + 7 495 785 6333  
Fax: + 7 495 797 4180

if to FUCHSMANN or ITS:  
Boris Fuchsmann  
Peter-Roos-Strasse 10  
40547 Düsseldorf, Germany  
Tel.: +49 211 35 35 78  
Fax: +49 211 17 51 222

Any Party may give any notice or other communication in connection herewith using any other means (including, without limitation, personal delivery, messenger service, facsimile, telex or regular mail), but no such notice or other communication shall be deemed to have been duly delivered and given unless and until it is actually received by the individual for whom it is intended.

12.2. Entire Agreement. This Agreement (together with all agreements and documents between the Parties executed contemporaneously with it or referred to in it) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof.

12.3. Costs and Expenses. The Parties have agreed that the CME Parties will bear the notary and registration costs (including notarization of the relevant spousal consents) incurred in Ukraine in connection with the transfers of participation interests in Studio 1+1 to NewCo 1 and NewCo 2 pursuant to the Rodnyansky Restructuring, or incurred in connection with the Sale Transfers and the Option Closing. Otherwise, and save as expressly provided in this Agreement, each Party shall pay its own costs and expenses relating to the negotiation, preparation, execution and implementation of this Agreement.

12.4. No Partnership. Save where expressly set out in this Agreement, nothing contained or implied in this Agreement shall constitute or be deemed to constitute a partnership or agency between all or any of the Parties and, save where expressly provided, none of the Parties shall have any authority to bind or commit any other Party in any way.

12.5. Severability. If any provision of this Agreement is invalid or unenforceable at any time for any reason, such provision shall be adjusted, to the extent possible, in order to achieve the intent of the Parties. The invalidity of any one or more provisions of this Agreement in any jurisdiction shall not affect the remaining provisions of this Agreement in such jurisdiction, nor shall it affect the validity or enforceability of any provision of this Agreement in any other jurisdiction, and such remaining provisions shall be interpreted so as best to reasonably effect the intent of the Parties

12.6. Assignment; Transfers. This Agreement shall not be assignable by any Party without the prior written consent of the other Parties.

12.7. Amendment; Waivers, etc. No amendment, modification or discharge of, supplement to or waiver under this Agreement, shall be valid or binding unless in writing and duly executed by the relevant Parties.

12.8. Governing Law. This Agreement is governed by and shall be construed in accordance with Bermuda law.

12.9. Arbitration.

12.9.1 General. Any dispute, controversy or claim arising out of or relating to this Agreement or the Group Agreements, including any question regarding its existence, validity, interpretation, performance or termination, shall be finally resolved by arbitration in accordance with the Rules of Arbitration of the then existing Rules of Arbitration of the International Chamber of Commerce (the "ICC Rules"), which are deemed to be incorporated by reference into this Clause 12.9, except to the extent modified by this Clause 12.9. For the avoidance of doubt, this Clause 12.9 supersedes any other arbitration agreement previously concluded between the Parties and any of their respective Affiliates, including those of the Group Agreements. The tribunal shall consist of three arbitrators. Subject to the provisions of Clause 12.9.3, the parties to any such arbitration shall each be entitled to nominate one arbitrator and the third arbitrator shall be appointed by the two party-nominated arbitrators.

12.9.2 Seat and Language. The seat of the arbitration shall be Amsterdam, The Netherlands. The language of the arbitration shall be English except that any party to the arbitration may submit testimony or documentary evidence in Ukrainian, Russian or German and shall furnish a translation or interpretation of any such evidence into English.

12.9.3 Related Disputes. If any dispute arising out of or relating to this Agreement (hereinafter referred to as a "Related Dispute") raises issues which are substantially the same as or connected with issues raised in another dispute which has already been referred to arbitration under this Agreement or another Transaction Document (an "Existing Dispute"), the tribunal appointed or to be appointed in respect of any such Existing Dispute shall also be appointed as the tribunal in respect of any such Related Dispute. Where, pursuant to the foregoing provisions, the same tribunal has been appointed in relation to two or more disputes, the tribunal may, with the agreement of all the parties concerned or upon the application of one of the parties, being a party to each of the disputes, order that the whole or part of the matters at issue shall be heard together upon such terms or conditions as the tribunal thinks fit. The tribunal shall have power to make such directions and any interim or partial award as it considers just and desirable.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the date first written above.

ALEKSANDR RODNYANSKY

/s/ Aleksandr Rodnyansky

BORIS FUCHSMANN

/s/ Boris Fuchsmann

INTERNATIONAL TELESERVICES LTD.

By: /s/ Pius Nigg  
Name: Pius Nigg  
Title: Director

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

By: /s/ Michael Garin  
Name: Michael Garin  
Title: Chief Executive Officer

CME MEDIA ENTERPRISES B.V.

By: /s/ Alphons van Spaendonck  
Name: Alphons van Spaendonck  
Title: Managing Director

By: /s/ Peter Booster  
Name: Pan-Invest B.V., represented by Peter Booster  
Title: Managing Director

CME UKRAINE HOLDING GMBH

By: /s/ Michael Garin  
Name: Michael Garin  
Title: Managing Director



CET 21 s.r.o.

By: /s/ Petr Dvorak  
Name: Petr Dvorak  
Title: Director (Jednatel)

By: /s/ Milan Cimirot  
Name: Milan Cimirot  
Title: Director (Jednatel)

UKRAINIAN MEDIA SERVICES LLC

By: /s/ Olena Shcherbyna  
Name: Olena Shcherbyna  
Title: Director

BROADCASTING COMPANY "STUDIO 1+1 LLC"

By: /s/ Yuri Morozov  
Name: Yuri Morizov  
Title: General Director

FOREIGN ENTERPRISE INTER-MEDIA

By: /s/ Mykhaylo Kharenko  
Name: Mykhaylo Kharenko  
Title: Director

By: /s/ Vladyslav Korchyn  
Name: Vladyslav Korchyn  
Title: General Director

INNOVA FILM GMBH

By: /s/ Marina Williams  
Name: Marina Williams  
Title: Managing Director

INTERNATIONAL MEDIA SERVICES LTD

By: /s/ Michael Garin  
Name: Michael Garin  
Title: Director

TV MEDIA PLANET LTD.

By: /s/ Michael Garin  
Name: Michael Garin  
Title: Director

TERMINATION AGREEMENT

This Agreement (this "Agreement") is made this 31<sup>st</sup> day of January 2008 by and between:

(1) Aleksandr Rodnyansky, a resident of the Russian Federation, registered at 221, "Nikolino" complex, Tagankovo 7, 2-e Uspenskoe shosse, Odintsovsky district, Moscow region, Russian Federation, passport CH 316475, issued by Pechersk RU GU MVS of Ukraine in the city of Kyiv on November 19, 1996 ("RODNYANSKY");

(2) Boris Fuchsmann, a citizen of Germany, residing at Peter-Roos-Strasse 10, 40547 Düsseldorf, Germany, passport PD 500449454, issued on 18 July 2005 ("FUCHSMANN");

(3) International Teleservices Ltd., a company organized under the laws of Belize with its registered address at Morgan & Morgan Trust Corporation (Belize) Limited, 35A Region Street, City of Belize, Belize (together with any subsidiary or affiliate thereof, "ITS", and together with RODNYANSKY and FUCHSMANN, the "RF Participants");

(4) Central European Media Enterprises Ltd., a company organized under the laws of Bermuda with its registered address at Clarendon House, 2 Church Street, HM 11, Hamilton, Bermuda ("CME Ltd.");

(5) CME Media Enterprises B.V., a company organized under the laws of the Netherlands, located at: Dam 5b, 1012 JS Amsterdam, the Netherlands ("CME BV");

(6) CME Ukraine Holding GmbH, an indirect wholly-owned subsidiary of CME BV organized and existing under the laws of Austria, located at Wagramer Str. 19, 19. Stock, 1220 Wien, Austria ("CME Ukraine Holding");

(7) CET 21 s.r.o., a company incorporated under the laws of the Czech Republic, located at: Krizeneckeho nam. 1078/5, PSC 152 00 Prague, Czech Republic, registered in the Commercial Register of the Commercial Court of Prague, part C, Register-No.10581 ("CET 21");

(8) Ukrainian Media Services LLC, a limited liability company organized and existing under the laws of Ukraine, identification code No. 33600071, located at 12 Melnykova Street, Kyiv, Ukraine ("UMS", and together with CME Ltd., CME BV, CME Ukraine Holding and CET 21, the "CME Parties");

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(9) Broadcasting Company "Studio 1+1 LLC", a limited liability company organized and existing under the laws of Ukraine, identification code No. 23729809, located at 7/11 Kreschatyk Street, Kyiv, Ukraine ("Studio 1+1");

(10) Foreign Enterprise Inter-Media, a limited liability company organized and existing under the laws of Ukraine, identification code No. 23389360, located at 42 Melnykova Street, Kyiv, Ukraine ("Inter-Media");

(11) Innova Film GmbH, a limited liability company organized and existing under the laws of Germany, located at San Remo Str. 15, D-40210 Dusseldorf, Germany ("Innova");

(12) International Media Services Ltd, a company limited by shares organized and existing under the laws of Bermuda, located at Clarendon House, 2 Church Street, HM 1022, Hamilton, Bermuda ("IMS") and

(13) TV Media Planet Ltd., a company organized under the laws of Cyprus, located at Arch. Makariou III, 199, Neokleous House, P.C. 3030, Limassol, Cyprus ("TVMP"), and together with Studio 1+1, Inter-Media, Innova and IMS, the "Studio 1+1 Group",

(individually a "Party" and together the "Parties").

WHEREAS:

A. The Parties have on the date hereof entered into a Framework Agreement (the "Framework Agreement"), pursuant to which the Parties have agreed to execute and deliver this Termination Agreement and to perform the actions contemplated hereby.

B. In connection with their respective shareholdings in, and employment or other relationships with, members of the Studio 1+1 Group, the RF Participants have in the past entered into various agreements and arrangements, contractual or otherwise, with the Studio 1+1 Group and the CME Parties, including but not limited to the agreements described in Annex 1 to this Agreement (the "Group Agreements").

C. In connection with the transactions contemplated by the Framework Agreement (and as a condition precedent to the closing of the transactions thereunder), the Parties have agreed to terminate the Group Agreements as provided in this Agreement and to enter into the undertakings provided herein.

D. The CME Parties have entered into the Framework Agreement in part in reliance upon the representations, warranties and covenants of the RF Participants set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual representations, covenants, warranties and agreements contained herein and in the Framework Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, agree as follows:

1. Definitions and Interpretation.

(a) For the purposes of this Agreement, and unless the context requires otherwise, the following terms shall have the meanings given to them below or in the Clauses indicated below:

“Affiliate” of a Person means any Person that directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such Party.

“Amended Studio 1+1 Charter” means the amended and restated Charter of Studio 1+1 in the form attached hereto in Part 1 of Annex 5.

“Business Day” means any day (other than a Saturday or a Sunday) on which banks in London (England) and Kyiv, Ukraine are open for business.

“Claim” means any action, cause of action, chose in action, case, claim, potential claim, counterclaim, potential counterclaim, right of set-off, indemnity, suit, debt, dues, sum of money, account, guarantee, bond, covenant, controversy, lien, contract, agreement, promise, representation, liability, variance, trespass, injury, damage, harm, judgment, remedy, demand, loss, right or interest of any kind or nature whatsoever, at law, in equity or otherwise, including, without limiting the generality of the foregoing, claims for damages, attorney’s fees, interest, costs, expenses, penalties and equitable relief, whether known or unknown, suspected or unsuspected, however and whenever arising and in whatever capacity and jurisdiction.

“Consultancy Agreements” has the meaning set forth in Clause 7.

“Control” means the power to direct or cause the direction of the management or policy of any Person, directly or indirectly, through family relationship (if a natural person), the holding of securities or other participation interests, by virtue of an agreement or on other grounds, and “Controlling” and “Controlled” shall have the correlative meanings proceeding from this term.

“General Meeting” means the general meeting of participants in Studio 1+1.

“General Meeting Resolution” means the resolution of the General Meeting attached hereto in Part 2 of Annex 5.

“Governmental Authority” means any state or any political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions on behalf of the state or its political subdivision, including, without limitation, any government authority, ministry, agency, department, board, commission or instrumentality and subdivisions thereof; any court, tribunal or arbitrator; and any self-regulatory organization acting on behalf of the state or itself pursuant to the rights granted thereto by applicable Law.

“Law” means all applicable (i) provisions of all constitutions, treaties, statutes, laws, customs, codes, rules, regulations, ordinances, orders and official opinions and interpretations of any Governmental Authority, (ii) approvals of any Governmental Authority, and (iii) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Governmental Authority.

“Loan and Pledge Agreements” means the Group Agreements set forth in items 6 through 10 (inclusive) of Annex 1.

“Person” or “Persons” means any physical person, corporation, general partnership, simple partnership, limited partnership, limited liability partnership, limited liability company, proprietorship, other business organization, trust, union, association or Governmental Authority, whether incorporated or unincorporated.

“Supervisory Board” has the meaning set forth in Clause 4 of this Agreement.

(b) Unless the context requires otherwise, capitalized terms used but not defined in this Agreement shall have the respective meanings set forth in the Framework Agreement.

2. Terminations. With effect on (i) the Closing Date with respect to the Loan and Pledge Agreements and (ii) the date of execution of this Agreement with respect to all Group Agreements other than the Loan and Pledge Agreements, without further action by any Party and notwithstanding any provision to the contrary, each and every provision of each such Group Agreement shall terminate and no party to any such Group Agreement shall have any right or obligation either under it or as a consequence of any breach of it before, on or after the date of this Agreement and any party that may have undertaken (by deed of adherence or otherwise) to be bound by all or any of its provisions shall cease to be so bound. Without regard to the generality of the foregoing, the Parties agree that to the extent any dispute may arise with respect to any of the Group Agreements, such dispute will be resolved pursuant to Clause 21 of this Agreement.

3. Release and Discharge.

(a) Subject only to the occurrence of the Closing Date:

(i) Each of the Parties for itself and on behalf of any parent, subsidiary, Affiliate, officer, director, agent, attorney, shareholder, partner, member, manager, representative, employee, trustee predecessor, principal, successor-in-interest, assignor or assignee of such party (collectively, the "Releasors") forever, knowingly, voluntarily and irrevocably release, acquit and discharge each counter-party under any of the Group Agreements to which it is a party, together with any parent, subsidiary, Affiliate, officer, director, agent, attorney, shareholder, partner, member, manager, representative, employee, trustee predecessor, principal, successor-in-interest, assignor or assignee of such counter-party (collectively the "Releasees") from any Claims of any nature whatsoever, at law, in equity or otherwise, whether direct, indirect, derivative or otherwise which have been asserted against any of the Releasees or which, whether currently existing or not, known or unknown, suspected or unsuspected, fixed or contingent, and whether or not concealed or hidden, the Releasors ever could have asserted or ever could assert, in any capacity, either for themselves or as an assignee, heir, executor, trustee, or otherwise, or for or on behalf of any other person, against the Releasees, arising out of, relating to or concerning the Group Agreements, including any and all rights under the Group Agreements and each of the Claims (all such Claims, collectively, the "Released Claims"), and on behalf of the Releasors unequivocally, unconditionally and irrevocably agrees not to initiate or continue legal proceedings of any kind whatsoever with respect to any Released Claim, or institute, assert, or threaten to assert any Released Claim, provided that this Clause 3 shall in no event have the effect to exclude any liability whatsoever that arises as a result of any fraudulent or criminal act or omission by any Releasee.

(ii) Each of the Parties further covenants and promises that it will not, and will use its best efforts to cause the other Releasors not to, file, pursue or bring any Released Claim in any judicial, arbitral or administrative forum against any one or more of the Releasees; provided, however, that nothing herein will be construed or deemed to release any covenants contained in, or claims for breach of, this Agreement or any written amendments, supplements or modifications thereto. The Parties hereto expressly agree that a breach or an alleged breach of this Agreement will neither give rise to nor resurrect any right to sue on the Released Claims.

(iii) Without prejudice to the generality of Clause 3(a)(i), it is expressly agreed and accepted by the Parties that the foregoing releases are and are intended to be a general release of all claims of the Releasors against the Releasees in respect of the matters referred to in that clause, and the Parties hereby expressly waive any rights that they may have with respect to any Claims which they do not know or suspect to exist at the time of executing this Agreement, even those Claims which if known might have materially affected this Agreement. To the extent that legislation or any principles of Law might provide otherwise than the first sentence of this clause, such legislation and principles are (to the extent permitted by Law) hereby expressly waived and excluded by each of the Parties to this Agreement, who admit to full knowledge and understanding of the consequences of such waiver and exclusion.

(iv) The Parties recognize that this Agreement was negotiated between them as equals, that each was represented by competent counsel of its own choosing and that no one of them will be considered to have drafted this Agreement for purposes of resolving any ambiguities against that party.

(b) The Parties acknowledge that the arbitration proceedings initiated against RODNYANSKY and FUCHSMANN on December 23, 2005 (ICC case №14181/RCH/JHN), including the Cross Action brought by RODNYANSKY and FUCHSMANN against the CME Parties on September 4, 2007, and all related counter-claims, cross-claims and other proceedings among the Parties (the "Arbitration Proceedings") have been suspended until February 28, 2008, and agree that in the event that the Closing Date has not occurred prior to such date, the Parties shall seek such further extensions within five (5) Business Days of expiration of any such extension period until the earlier of the Closing Date and the termination of this Agreement. Within five (5) Business Days of the Closing Date, the Parties agree to take such steps as may be required to terminate the Arbitration Proceedings, and the Parties further agree, subject to the Closing Date occurring, that the obligations in respect of (i) the Studio 1+1 Agreement among RODNYANSKY, FUCHSMANN and CME Ukraine Holding GmbH, dated December 23, 1998, and (ii) the Key Agreement, dated December 23, 1998, among FUCHSMANN, RODNYANSKY, Studio 1+1, Innova, IMS, Ukraine Advertising Holding B.V., CME Ukraine Holding, and CME Ukraine B.V., shall have been satisfied and each Party undertakes, subject to the Closing Date occurring, not to claim or otherwise seek relief from the other Parties for any damages arising out of or in connection with any delay associated therewith, including legal fees in respect of the Arbitration Proceedings.



(c) Notwithstanding anything herein to the contrary, the Parties acknowledge and agree that the occurrence of the Closing Date shall not in any way constitute a waiver of any of the rights of any of the CME Parties hereunder or under any other Transaction Document. Notwithstanding the fact that the conditions precedent to the Closing Date have not been fulfilled, CME BV may nevertheless determine to pay the consideration under the Framework Agreement, provided that CME BV shall preserve all rights that it may have against any Person existing at such time, and the fact of payment of such consideration shall not in any way constitute a waiver of any of the rights of any of the CME Parties hereunder or under any other Transaction Document.

4. Supervisory Board.

(a) On the date hereof or as soon as possible thereafter, the CME Parties and the RF Participants shall endeavor to cause the Amended Studio 1+1 Charter and the General Meeting Resolution to be adopted and a supervisory board (the "Supervisory Board") of Studio 1+1 to be formed. The Supervisory Board shall be a non-corporate body with the authorities set forth in the Amended Studio 1+1 Charter. The Amended Studio 1+1 Charter and the General Meeting Resolution will contain provisions concerning the formation and operation of the Supervisory Board set forth in Annex 5.

(b) The Parties agree that the Supervisory Board will be formed and operated in accordance with the following principles:

(i) For so long as the RF Participants collectively hold, directly or indirectly, a 10% or greater ownership interest in Studio 1+1, the Supervisory Board shall comprise one Member nominated by the RF Participants (the "RF Member") and two Members nominated by the CME Parties from time to time (each, a "CME Member").

(ii) From the date that the RF Participants collectively hold, directly or indirectly, ownership interests in Studio 1+1 that are less than 10% of the total ownership thereof, the RF Participants shall no longer have the right to nominate any Member, and all Members will be nominated or appointed by the CME Parties or CME Members, as applicable.

(iii) At such date that the RF Participants no longer have authority to nominate an RF Member to the Supervisory Board pursuant to Clause 4(ii), or in the event that any RF Member resigns or otherwise ceases to serve as a Member of the Supervisory Board, the term of office of such RF Member and any Alternate CME Member (as defined in Annex 5) nominated by the RF Participants shall cease, and any RF Member and any Alternate CME Member nominated by the RF Participants shall immediately resign or be removed from the Supervisory Board.

(c) The Parties agree that the initial Members and Alternate CME Members shall be set forth in Part 2 of Annex 5 and the General Meeting Resolution shall become effective immediately after the registration of the Amended Studio 1+1 Charter. The Alternate CME Members will automatically replace CME Members that are unable to serve on the Supervisory Board for any reason. So long as the RF Participants are entitled to nominate any Members pursuant to sub-clause (b) above, any additional Members other than the initial Members and Alternate CME Members set forth in Part 2 of Annex 5 shall be nominated pursuant to a unanimous resolution of the participants in Studio 1+1. In addition, the General Meeting Resolution will provide that Alternate CME Members may participate in meetings of the Supervisory Board on behalf of the CME Members based on a power of attorney.

5. Management of Studio 1+1. The Amended Studio 1+1 Charter set forth in Annex 5 contains provisions concerning the day-to-day management of Studio 1+1.

6. RF Participant Resignations. On the date hereof, the RF Participants shall resign from each of their positions at the Studio 1+1 Group, which are listed in Part A of Annex 2, and procure (and in the case of Vladyslav Korchyn, use best efforts to procure) the resignation of their appointees from each position at the management or supervisory board or equivalent governance body in each member of the Studio 1+1 Group, which are listed in Part B of Annex 2, in each case, with immediate effect, upon which the RF Participants will be released from liability in connection with the performance of their duties thereunder as permitted by Law.

7. Consultancy Agreements.

(a) On the date hereof, the CME Parties shall cause Innova to (i) enter into a consulting agreement with FUCHSMANN which shall provide for a monthly consulting fee of Euro 40,000 (plus VAT, if applicable) in consideration of services provided by FUCHSMANN to the Studio 1+1 Group attached hereto as Annex 3 (the "BF Consultancy Agreement") and (ii) enter into a consulting agreement with RODNYANSKY which shall provide for a monthly consulting fee of Euro 20,000 (plus VAT, if applicable) in consideration of services provided by RODNYANSKY to the Studio 1+1 Group attached hereto as Annex 4 (the "AR Consultancy Agreement"), and, together with the BF Consultancy Agreement, the "Consultancy Agreements"). If Innova is for any reason unable to pay the amounts due under the Consultancy Agreements, the CME Parties will procure that another member of the Studio 1+1 Group enters into a similar agreement and/or makes any payments required under the Consultancy Agreements.

(b) Each Consultancy Agreement shall be effective as of the date hereof and shall terminate on the date of the Option Closing, unless terminated earlier in accordance with its terms. In addition, the AR Consultancy Agreement shall automatically terminate in the event of a transfer of the AR Optioned Interest pursuant to Clause 2.5 of the Framework Agreement prior to the Option Closing.

(c) Under the Consultancy Agreements, Innova will assume all reasonable costs and expenses incurred by FUCHSMANN and RODNYANSKY in connection with the services provided under the Consultancy Agreements, provided that the aggregate amount of payments to the RF Participants under both Consultancy Agreements (including the consultancy fees paid thereunder and any reasonable costs and expenses assumed by Innova thereunder) shall not exceed Euro 1,000,000.00 (plus VAT, if applicable) per calendar year (or Euro 700,000.00 (plus VAT, if applicable) per calendar year from such date that RODNYANSKY ceases to hold any direct or indirect interest in any of Studio 1+1, Inter-Media, IMS, TV Media Planet or Innova, as applicable) or the AR Consultancy Agreement is otherwise terminated. Each of FUCHSMANN and RODNYANSKY will provide monthly invoices for their consultancy services and reasonable costs and expenses (plus VAT, if applicable), including the year-to-date amounts.

8. Further Assurances. Each Party will, promptly following the request of any other Party, execute and deliver such documents or take such other action as the requesting Party may from time to time reasonably request for the purpose of giving to the requesting Party the full benefit of this Agreement.

9. Termination.

(a) This Agreement may be terminated at any time by mutual written consent of the Parties.

(b) This Agreement may be terminated at any time prior to the Closing Date:

(i) by RODNYANSKY and FUCHSMANN jointly if there has been a material breach by the CME Parties of any of their respective covenants, representations or warranties hereunder or under any other Transaction Document and such breach shall not have been cured within 10 (ten) Business Days of the breaching Party receiving a notice from RODNYANSKY and FUCHSMANN specifying the breach and requesting that such breach be remedied; and

(ii) by the CME Parties if there has been a material breach by RODNYANSKY, FUCHSMANN or their respective Affiliates of any of their respective covenants, representations or warranties or other obligations hereunder or under any other Transaction Documents and such breach shall not have been cured within 10 (ten) Business Days of the breaching Party receiving a notice from CME BV specifying the breach and requesting that such breach be remedied.

(c) This Agreement may be terminated by any Party on June 30, 2008 (the "Termination Date") if the Closing Date shall not have occurred by such date, except that (a) RODNYANSKY and FUCHSMANN may not terminate this Agreement if such delay is a result of any action or failure to act on the part of RODNYANSKY, FUCHSMANN or their respective Affiliates (other than any such action or failure to act that is due to the gross negligence or wilful misconduct of the CME Parties) and (b) the CME Parties may not terminate this Agreement if such delay is a result of any action or failure to act on the part of the CME Parties (other than any such action or failure to act that is due to the gross negligence or wilful misconduct of RODNYANSKY, FUCHSMANN or their respective Affiliates). The Parties agree that, in any case, termination of this Agreement shall be without prejudice to any rights the Parties may have with respect to any breach of this Agreement that occurs prior to such termination.

(d) Clauses 1, 2, 9, and 12 through 21 (inclusive) shall survive termination of this Agreement.

10. Representations and Warranties of the RF Participants. Each of the RF Participants represents and warrants to the other Parties as of the date hereof and as of the Closing Date that:

(i) it has not assigned any of the Group Agreements to which it is a party or any rights thereunder;

(ii) neither this Agreement or any other Transaction Document to which an RF Participant or any of its Affiliates are a party, nor any document, certificate or other information furnished or to be furnished by or on behalf of it in connection herewith, or any of the transactions contemplated hereby or thereby, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading;

(iii) to the best knowledge and belief of the RF Participants after enquiry that they consider appropriate, the business of the Studio 1+1 Group has been conducted in the ordinary course and no RF Participant has caused CME Ltd. or any member of the Studio 1+1 Group to make, or to offer, promise, or authorize to make, in each case, directly or indirectly, (1) any unlawful payments or (2) payments or other inducements to any government official, including any official of an entity owned or controlled by a government, with the intent or purpose of: (i) influencing any act or decision of such official in his official capacity; (ii) inducing such official to do or omit to do any act in violation of the lawful duty of such official; or (iii) inducing such official to use his influence with a government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality, in each case in order to assist CME Ltd. or the Studio 1+1 Group in obtaining or retaining business, or directing business to CME Ltd. or the Studio 1+1 Group;

(iv) listed in Annex 1 are all existing agreements and other arrangements as of the date of this Agreement among the Studio 1+1 Group, the RF Participants and their respective Affiliates with respect to the Studio 1+1 Group and the CME Parties, and all such agreements or arrangements shall be terminated as of the Closing Date, except as otherwise provided herein;

(v) all negotiations relating to this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby have been carried on without the participation of any Person acting on behalf of an RF Participant or any of their respective Affiliates in such a manner as to, and the transactions contemplated hereby and thereby will not otherwise, give rise to any valid claim against any of the CME Parties, any Studio 1+1 Group entity or any of their respective Affiliates for any brokerage or finder's commission, fee or similar compensation, or for any bonus payable to any officer, director, employee, agent or representative of or consultant to any such Person upon consummation of the transactions contemplated hereby or thereby;

(vi) listed in Annex 2 are all existing positions occupied as of the date of this Agreement by each RF Participant and any person designated by any RF Participant and their respective Affiliates as a director, officer, manager, or in any other capacity, at each member of the Studio 1+1 Group, and each of RODNYANSKY, FUCHSMANN and each Person listed in Annex 2 has resigned from each such position with effect as of the date hereof in accordance with applicable Law.

11. Representations and Warranties of the Parties. Each Party represents and warrants to the other Parties as of the date hereof and as of the Closing Date that:

(i) it has the necessary power and authority (including, as applicable, corporate power and consent and/or full legal and dispositive capacity) to enter into, deliver, and perform his obligations under, this Agreement;

(ii) the execution, delivery and performance by it of this Agreement constitutes valid and legally binding obligations, enforceable against it in accordance with the terms thereof, and will not violate any provision of and will not result in a breach of the terms of (i) any applicable Law or any rule or regulation of any Governmental Authority, or (ii) any contract, indenture, agreement or commitment to which it is a party or bound; and

(iii) no additional consent by any other Person is required to be obtained by it in connection with the execution or performance by it of this Agreement.

12. Confidentiality. The Parties acknowledge and agree that they (whether acting by themselves or through their respective legal advisers, directors, officers, servants or agents or any of them or through any company or howsoever) shall keep confidential and shall not provide a copy of this Agreement, any other Transaction Document or any of the Group Agreements, or disclose, disseminate and/or publicize, or cause or permit to be disclosed, disseminated and/or publicized, any of the terms and conditions of this Agreement, any other Transaction Document or any of the Group Agreements, and/or the existence thereof and/or any and all of the circumstances leading thereto, to any individual (other than Igor Kolomoisky) and/or entity not a party to this Agreement or any other Transaction Document, except to the extent described below:

(i) in response to an order of a court of competent jurisdiction, or in response to an appropriate subpoena or discovery request issued in the course of litigation;

(ii) in response to an inquiry or order issued by a governmental or supra-governmental agency of competent jurisdiction;

(iii) to the extent necessary to report income to appropriate taxing authorities and/or to contest the imposition of any tax by appropriate taxing authorities;

(iv) to such Parties' respective accountants and legal advisers and to any broker or insurer or relevant reinsurer or retrocessionaire in all cases (other than disclosure to legal advisers) as may be required by contract and/or by Law;

(v) in connection with any litigation or arbitration proceedings between the Parties relating to this Agreement or any other Transaction Document;  
and

(vi) to the extent required or (on advice of counsel) appropriate in order to comply with applicable Law and stock exchange rules.

In the event disclosure is necessary pursuant to the provisions provided above, the disclosing Party shall apprise the third party to whom such disclosure is made of the confidential nature of the information and said disclosing Party shall use its reasonable and good faith efforts to secure the confidentiality of the information provided to any third party. In any event, the RF Participants shall not make any disclosure pursuant to these provisions without the prior written consent of the CME Parties.

13. Assignment. Except as expressly provided herein none of the rights of the Parties under this Agreement may be assigned or transferred without the prior written consent of the other Parties; provided, however, that any Party other than the RF Participants may assign their rights hereunder to any Affiliate and/or to any transferee of any shares or other interests in the Studio 1+1 Group.

14. Modification; Waiver; Severability. Except as specifically provided herein, this Agreement may be modified only by a written instrument executed by the Parties. If any provision of this Agreement is held to be unenforceable for any reason, the Parties shall, acting in good faith and using best endeavors, seek to agree adjustments to such provision, so that such provision is not avoided and in order to achieve the intent of the Parties to this Agreement to the extent possible. In any event, the invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of this Agreement, including that provision, in any other competent jurisdiction.

15. Entire Agreement. This Agreement together with the documents herein referred to are the entire agreement among the Parties with respect to the subject matter hereof.

16. Preparation. Each Party acknowledges and confirms that the preparation of this Agreement has been a joint effort of all Parties and counsel for all Parties and that it shall not be construed for or against any individual Party on the basis solely that this Agreement or any part thereof was drafted by or on behalf of that Party.

17. Each Party to bear its own costs. Each Party shall bear its own costs, including lawyers' fees, in relation to this Agreement.

18. Notices. All notices and other communications made in connection with this Agreement shall be in writing. Any notice or other communication in connection herewith shall be deemed duly delivered and given to any Party one Business Day after it is sent by fax, confirmed by letter sent by a reputable express courier service, in each case, to the regular mail addresses and fax numbers set forth below or to such other regular mail address and/or fax number as may be specified in writing to the other Parties:

if to any of the CME Parties or the Studio 1+1 Group:

CME BV  
c/o CME Development Corporation  
81 Aldwych  
London WC2B 4HN  
United Kingdom  
Attn: General Counsel

Fax: + 44 207 430 5403

if to RODNYANSKY:

Aleksandr Rodnyansky  
CTC Television  
15-A, Pravdy Str.  
Moscow 125124, Russia

Fax: + 7 495 797 4180

if to ITS or FUCHSMANN:

Boris Fuchsmann  
Peter-Roos-Strasse 10  
40547 Dusseldorf  
Germany

Fax: +49 211 17 51 222

Any Party may give any notice or other communication in connection herewith using any other means (including, but not limited to, personal delivery, messenger service, facsimile, telex or regular mail), but no such notice or other communication shall be deemed to have been duly delivered and given unless and until it is actually received by the individual for whom it is intended.

19. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same agreement.

20. Governing Law. This Agreement is governed by and shall be construed in accordance with Bermuda law.



21. Arbitration.

(a) General. Any dispute, controversy or claim arising out of or relating to this Agreement, including any question regarding its existence, validity, interpretation, performance or termination, shall be finally resolved by arbitration in accordance with the Rules of Arbitration of the then existing Rules of Arbitration of the International Chamber of Commerce (the "ICC Rules"), which are deemed to be incorporated by reference into this Clause 21, except as modified by this Clause 21. The tribunal shall consist of three arbitrators. Subject to the provisions of Clause 21(c), the parties to any such arbitration shall each be entitled to nominate one arbitrator and the third arbitrator shall be appointed by the two party-nominated arbitrators.

(b) Seat and Language. The seat of the arbitration shall be Amsterdam, The Netherlands. The language of the arbitration shall be English except that any party to the arbitration may submit testimony or documentary evidence in Ukrainian, Russian or German and shall furnish a translation or interpretation of any such evidence into English.

(c) Related Disputes. If any dispute arising out of or relating to this Agreement (hereinafter referred to as a "Related Dispute") raises issues which are substantially the same as or connected with issues raised in another dispute which has already been referred to arbitration under this Agreement or another Transaction Document (an "Existing Dispute"), the tribunal appointed or to be appointed in respect of any such Existing Dispute shall also be appointed as the tribunal in respect of any such Related Dispute. Where, pursuant to the foregoing provisions, the same tribunal has been appointed in relation to two or more disputes, the tribunal may, with the agreement of all the parties concerned or upon the application of one of the parties, being a party to each of the disputes, order that the whole or part of the matters at issue shall be heard together upon such terms or conditions as the tribunal thinks fit. The tribunal shall have power to make such directions and any interim or partial award as it considers just and desirable.

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties and is intended to be and is hereby delivered as a deed on the date first written above.

EXECUTED AND DELIVERED AS A DEED

by ALEKSANDR RODNYANSKY

/s/ Aleksandr Rodnyansky

Witnessed by: /s/ Ekaterina Shneyolero  
Name: Ekaterina Shneyolero  
Occupation: Personal Assistant to Aleksandr Rodnyansky

EXECUTED AND DELIVERED AS A DEED

by BORIS FUCHSMANN

/s/ Boris Fuchsmann

Witnessed by: /s/ Dr. Achim Prior  
Name: Dr. Achim Prior  
Occupation: Lawyer

EXECUTED AND DELIVERED AS A DEED

by INTERNATIONAL TELESERVICES LTD.

By: /s/ Pius Nigg  
Name: Pius Nigg  
Title: Director

EXECUTED AND DELIVERED AS A DEED

by CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

By: /s/ Michael Garin  
Name: Michael Garin  
Title: Chief Executive Officer

EXECUTED AND DELIVERED AS A DEED

by CME MEDIA ENTERPRISES B.V.

By: /s/ Alphons van Spaendonck  
Name: Alphons van Spaendonck  
Title: Managing Director

By: /s/ Peter Booster  
Name: Pan-Invest B.V., represented by Peter Booster  
Title: Managing Director

EXECUTED AND DELIVERED AS A DEED

by CME UKRAINE HOLDING GMBH

By: /s/ Michael Garin  
Name: Michael Garin  
Title: Managing Director

EXECUTED AND DELIVERED AS A DEED

by CET 21 s.r.o.

By: /s/ Petr Dvorak  
Name: Petr Dvorak  
Title: Director (Jednatel)

By: /s/ Milan Cimirot  
Name: Milan Cimirot  
Title: Director (Jednatel)

EXECUTED AND DELIVERED AS A DEED

by UKRAINIAN MEDIA SERVICES LLC

By: /s/ Olena Shcherbyna  
Name: Olena Shcherbyna  
Title: Director

EXECUTED AND DELIVERED AS A DEED

by BROADCASTING COMPANY "STUDIO 1+1 LLC"

By: /s/ Yuri Morozov  
Name: Yuri Morozov  
Title: General Director

EXECUTED AND DELIVERED AS A DEED

by FOREIGN ENTERPRISE INTER-MEDIA

By: /s/ Mykhaylo Kharenko  
Name: Mykhaylo Kharenko  
Title: Director

By: /s/ Vladyslav Korchyn  
Name: Vladyslav Korchyn  
Title: General Director

EXECUTED AND DELIVERED AS A DEED

by INNOVA FILM GMBH

By: /s/ Marina Williams  
Name: Marina Williams  
Title: Managing Director

EXECUTED AND DELIVERED AS A DEED

by INTERNATIONAL MEDIA SERVICES LTD

By: /s/ Michael Garin  
Name: Michael Garin  
Title: Director

EXECUTED AND DELIVERED AS A DEED

by TV MEDIA PLANET LTD.

By: /s/ Michael Garin  
Name: Michael Garin  
Title: Director

January 31, 2008

**IGOR KOLOMOISKY**

**MANITA INVESTMENTS LIMITED**

**GLOBAL MEDIA GROUP LTD.**

**TORCENSTA HOLDING LTD**

**CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.**

**CME MEDIA ENTERPRISES B.V.**

**CME UKRAINE HOLDING GMBH**

**CET 21 S.R.O.**

**UKRAINIAN MEDIA SERVICES LLC**

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**ASSIGNMENT AGREEMENT**

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THIS ASSIGNMENT AGREEMENT (this "**Agreement**") is made this 31<sup>st</sup> day of January, 2008 by and among:

- (1) **Igor Kolomoisky**, a citizen of Israel residing at St. Galey Thelet 48, Herzeliya, Israel, 46640, passport No. 10905729, issued on October 2, 2005 ("**Kolomoisky**");
- (2) **Manita Investments Limited**, a limited liability company organized and existing under the laws of Cyprus, identification code No., 116476 located at Kimonos, 43A P.C. 3095 Limassol, Cyprus ("**Manita**");
- (3) **Global Media Group Ltd.**, a limited liability company organized and existing under the laws of Ukraine, located at 38 Naberezhna Peremohy Str., 49094 Dnipropetrovsk, Ukraine, a wholly owned subsidiary of Torcensta ("**Global**");
- (4) **Torcensta Holding Ltd.**, a limited liability company organized and existing under the laws of Cyprus, identification code No. 206233, located at Arch. Makariou III, 155, PROTEAS House, 5<sup>th</sup> floor, P.C. 3021, Limassol, Cyprus ("**Torcensta**" and together with Manita, Global, the Other Optionholders (as defined below) and Kolomoisky the "**Kolomoisky Parties**");
- (5) **Central European Media Enterprises Ltd.**, a company organized under the laws of Bermuda with its registered address at Clarendon House, 2 Church Street, HM 11, Hamilton, Bermuda ("**CME Ltd.**");
- (6) **CME Media Enterprises B.V.**, a company organized under the laws of the Netherlands, located at: Dam 5 B, 1012 JS Amsterdam, the Netherlands ("**CME BV**");
- (7) **CME Ukraine Holding GmbH**, a wholly-owned subsidiary of CME BV organized and existing under the laws of Austria, located at Wagramer Str. 19, 19. Stock, 1220 Wien, Austria ("**CME Ukraine Holding**");
- (8) **CET 21 s.r.o.**, a company incorporated under the laws of the Czech Republic, located at: Praha 5, Krizeneckeho nam. 1078/5, PSC 152 00, Czech Republic, registered in the Commercial Register of the Commercial Court of Prague, part C, Register-No.10581 ("**CET 21**"); and
- (9) **Ukrainian Media Services LLC**, a legal entity organized and existing under the laws of Ukraine, identification code No. 33600071, located at 12 Melnykova, Kyiv, Ukraine ("**UMS**", and together with CME Ltd., CME BV, CME Ukraine Holding and CET 21, the "**CME Parties**"),

(individually a "**Party**" and together the "**Parties**").

**WHEREAS:**

- (A) Aleksandr Rodnyansky, a resident of the Russian Federation, registered at 221, "Nikolino" complex, Tagankovo 7, 2-e Uspenskoe shosse, Odintsovsky district, Moscow region, Russian Federation, passport CH 316475, issued by Pechersk RU GU MVS of Ukraine in the city of Kyiv on November 19, 1996 ("**Rodnyansky**"), and Boris Fuchsmann, a citizen of Germany, residing at Peter-Roos-Strasse 10, 40547 Düsseldorf, Germany, passport 500449454, issued on July 18, 2005 ("**Fuchsmann**"), have transferred to Irling Financial Corporation, a limited liability company organized and existing under the laws of Belize whose registered address is 35A Regent Street, PO Box 1777, Belize City, Belize ("**Irling**") and to Multy TV Holding Ltd, a company organized and existing under the laws of Belize whose registered address is 35a Regent Street, Belize City, Belize ("**Multy**") the exclusive right to sell and transfer to Manita and Nelano Holdings Ltd, a company duly registered and validly existing and in good standing under the Laws of British Virgin Islands, located at Craigmuir Chambers, P.O.Box 71, Road Town, Tortola, British Virgin Islands ("**Nelano**") the option right to purchase shares of Broadcasting Company "Studio 1+1 LLC", a legal entity organized and existing under the laws of Ukraine, identification code No. 23729809, located at 7/11 Kreschatyk Street, Kyiv ("**Studio 1+1**"), Innova Film GmbH, a limited liability company organized and existing under the laws of Germany, located at San Remo Str. 15, D-40210 Düsseldorf, Germany ("**Innova**"), and International Media Services Ltd, a company limited by shares organized and existing under the laws of Bermuda, located at Clarendon House, 2 Church Street, HM 11, Hamilton, Bermuda ("**IMS**").



- (B) The Kolomoisky Parties have represented that Manita and Nelano have in the aggregate purchased from Irling and Multy, in accordance with the terms of the relevant agreements ("**Option Rights Sale and Purchase Agreements**"), the option right to purchase (i) a 15.164% ownership interest in Studio 1+1 (the "**IK Studio Optioned Interest**") and (ii) a 21.665% ownership interest in each of Innova and IMS, (collectively, the "**IK Innova/IMS Optioned Interests**" and together with the IK Studio Optioned Interest, the "**IK Optioned Interests**").
- (C) CME Parties have preemptive rights ("**CME Preemptive Rights**") in respect of the shares of IMS, Innova and Studio 1+1 which prohibit Rodnyansky and Fuchsmann from transferring shares of IMS, Innova and Studio 1+1 to Kolomoisky Parties.
- (D) The Kolomoisky Parties have represented that, according to the terms of the Option Rights Sale and Purchase Agreements, if the CME Parties waive the CME Preemptive Rights, the Kolomoisky Parties will have the absolute unrestricted right upon the payment of two US dollars to be registered as shareholders in relation to the IK Optioned Interests or designate a third party to become the registered shareholder of the IK Optioned Interests.
- (E) Under the agreement among Kolomoisky, Manita, CME Ltd., CME BV, CME Ukraine Holding, UMS, Torcensta and Global dated October 5, 2007, the CME Parties have waived the CME Preemptive Rights in accordance therewith, following which Manita and Nelano have by notice to Fuchsmann, Rodnyansky, Irling and Multy together designated (i) Torcensta as the entity to whom the IK IMS Optioned Interest and the IK Innova Optioned Interest should be registered and (ii) Global as the entity to whom the IK Studio Optioned Interest should be registered (the "**October Notice**");
- (F) Pursuant to the terms of this Agreement, the Kolomoisky Parties will assign the right to acquire the IK Optioned Interests to CME Ltd., CME BV and CET 21 and, in connection therewith, Manita and Nelano shall agree not to exercise the right to acquire the IK Optioned Interests. In addition, Manita and Nelano shall withdraw the October Notice and shall deliver the Notice (as defined below) to Irling, Multy, Fuchsmann and Rodnyansky.
- (G) The CME Parties, Fuchsmann and Rodnyansky have agreed that prior to the Sale Transfers (as defined below), (i) Fuchsmann will transfer to Rodnyansky: (a) his 100% ownership interest in International Teleservices Ltd. ("**ITS**"), a company organized under the laws of Belize with its registered office at Morgan & Morgan Trust Corporation (Belize) Limited, 35A Region Street, City of Belize, Belize, (b) a 10.0% ownership interest in IMS and (c) a 5.0% interest in TV Media Planet Ltd, a company organized under the laws of Cyprus, located at Arch. Makariou III, 199 Neokleous House P. C., 3030 Limassol, Cyprus ("**TV Media Planet**") and (ii) Rodnyansky with transfer (a) a 22.98% participation interest in Studio 1+1 to a sole purpose holding company 100% owned by Rodnyansky ("**NewCo 1**") and (b) a 5.02% participation interest in Studio 1+1 to another sole purpose holding company 100% owned by Rodnyansky ("**NewCo 2**"). After the completion and as a consequence of the Rodnyansky Restructuring (as defined below), Rodnyansky will own a 25.0% indirect ownership interest in IMS through his sole ownership of ITS, a 10.0% direct ownership interest in IMS and a 28.0% indirect ownership interest in Studio 1+1 through his sole beneficial ownership of NewCo 3, which will own 100% of each of NewCo 1 (which will own a 22.98% participation interest in Studio 1+1) and NewCo 2 (which will own a 5.02% participation interest in Studio 1+1), and Fuchsmann will own a 40.0% interest in Innova, a 5.0% ownership interest in IMS and a 35.0% interest in TV Media Planet;
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- (H) Rodnyansky, Fuchsmann and ITS (together, the "**RF Participants**") and the CME Parties shall on the date hereof enter into an agreement (the "**RF Participants Framework Agreement**"), pursuant to which the following transfers and other actions shall occur:
1. CET 21 and Fuchsmann agree to enter into the Innova Transfer and Option Agreement (as defined below) to transfer a portion of Fuchsmann's interests in Innova equal to a 23.4% ownership interest in Innova, including a 21.665% interest in Innova to be acquired by CET 21 by exercising the option assigned hereunder, to CET 21 (the "**Innova Sale Transfer**");
  2. CME Ltd., Rodnyansky and ITS agree to enter into the IMS Transfer Agreement (as defined below) to transfer a portion of Rodnyansky's direct ownership interest in IMS, and all of ITS' ownership interest in IMS, to CME Ltd., such that the aggregate ownership interest transferred under the IMS Transfer Agreement is equal to a 30% ownership interest in IMS (including a 21.665% interest in IMS to be acquired by CME Ltd. by exercising the option assigned hereunder, the "**IMS Sale Transfer**");
  3. CME Ltd. and Fuchsmann agree to enter into the TV Media Planet Transfer Agreement (as defined below) to transfer a 30% ownership interest in TV Media Planet to CME Ltd. (the "**TV Media Planet Sale Transfer**");
  4. Rodnyansky and CME BV agree to enter into the NewCo 1 Transfer Agreement (as defined below) to transfer all of Rodnyansky's shares in NewCo 1 (which will own a 22.98% participation interest in Studio 1+1, including a 15.164% interest in Studio 1+1 (represented by a 65.99% interest in NewCo 1) to be acquired by CME BV by exercising the option acquired hereunder) to CME BV (the "**NewCo 1 Sale Transfer**", and together with the Innova Sale Transfer, the IMS Sale Transfer and the TV Media Planet Sale Transfer, the "**Sale Transfers**"); and
  5. Fuchsmann, Rodnyansky and certain CME Parties agree to grant put and call options in respect of all remaining interests in the Studio 1+1 Group (as defined below) owned, directly and indirectly, by Fuchsmann and Rodnyansky following the Sale Transfers; and
- (I) Subject to the terms of this Agreement, the Kolomoisky Parties have agreed to transfer and assign all of their right, title and interest in the right to acquire the IK Optioned Interests to CME Ltd., CME BV and CET 21, to settle fully and finally the Kolomoisky Claims (as defined below), to terminate and release all other claims and rights the Kolomoisky Parties may have relating to the ownership of any member of the Studio 1+1 Group and to terminate and release all claims and rights the Kolomoisky Parties may have against Rodnyansky, Fuchsmann, ITS, the Studio 1+1 Group and any CME Party, except that the Surviving Agreements (defined below) shall survive execution of this Agreement, in exchange for the consideration set out in Clause 5, and CME Ltd. has agreed, on and subject to the terms of this Agreement, to settle such consideration in accordance with the terms of this Agreement.

**NOW THEREFORE**, in consideration of the foregoing recitals and the mutual representations, covenants, warranties and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

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## 1. DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

For the purposes of this Agreement, and unless the context requires otherwise, the following terms have the meanings given to them below:

"**Business Day**" means a day, not being a Saturday or Sunday, when banks are open in Amsterdam (the Netherlands), London (England) and Kyiv (Ukraine) for commercial business;

"**Closing Date Confirmation**" means the confirmation set out in Schedule 5;

"**Closing Documents**" means the following documents duly executed and delivered by all the applicable parties thereto: (i) the Closing Date Confirmation; (ii) the Kolomoisky Closing Certificate; (iii) the Release Agreements; (iv) subject to Clause 5.2, the Subscription Agreement; and (v) subject to Clause 5.2, the Registration Rights Agreement;

"**CME Shares**" means shares of Class A Common Stock of CME Ltd.;

"**Consideration**" means (i) if A is less than B: US \$ 140,000,000 (one hundred forty million US Dollars), to be paid in cash or CME Shares pursuant to Clause 5.2, and (ii) if A is greater than B: the number of CME Shares equal to 4% of the total number of CME Shares outstanding on the date of delivery of the Notice of Registration, where:

"**A**" means US \$ 140,000,000 (one hundred forty million US Dollars), and

"**B**" means the US Dollar amount equal to the product of (i) 4% of the total number of CME Shares outstanding on the date of delivery of the Notice of Registration and (ii) the Share Price;

"**Control**" means the power to direct or cause the direction of the management or policy of any Person, directly or indirectly, through family or other relationship (if a natural person), the holding of securities or other participation interests, by virtue of an agreement or on other grounds, and "Controlling" and "Controlled" have the correlative meanings proceeding from this term;

"**Controlled Party**" of a Person means any Person that directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such Person, and in respect of a Kolomoisky Party, also means another Person acting at the direction of such Kolomoisky Party;

"**Governmental Authority**" means any state or any political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions on behalf of the state or its political subdivision, including any government authority, ministry, agency, department, board, commission or instrumentality and subdivisions thereof; any court, tribunal or arbitrator; and any self-regulatory organization acting on behalf of the state or itself pursuant to the rights granted thereto by applicable Law;

"**IMS Transfer Agreement**" means the agreement among Rodnyansky, ITS and CME Ltd. (or its designee) to effect the IMS Sale Transfer, to be entered into pursuant to the RF Participants Framework Agreement;

"**Inter-Media**" means Foreign Enterprise Inter-Media, a limited liability company organized and existing under the laws of Ukraine, identification code No. 23389360, located at 42 Melnykova Street, Kyiv;

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"**Innova Transfer and Option Agreement**" means the agreement between CET 21 and Fuchsmann to effect the Innova Sale Transfer, to be entered into pursuant to the RF Participants Framework Agreement;

"**Kolomoisky Claims**" has the meaning set forth in the English law Kolomoisky Release Agreement;

"**Kolomoisky Release Agreements**" means the agreements set out in [Schedule 1](#);

"**Law**" means all applicable (i) provisions of all constitutions, treaties, statutes, laws, customs, codes, rules, regulations, ordinances, orders and official opinions and interpretations of any Governmental Authority having the force of law, (ii) approvals of any Governmental Authority, and (iii) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Governmental Authority;

"**Lien**" means any mortgage, pledge, deed of trust, hypothecation, right of third Persons, claim, security interest, title defect, title retention agreement, lease, sublease, license agreement, occupancy agreement, easement, covenant, condition, encroachment, voting trust agreement, interest, option, right of first offer, proxy, lien, charge or other restrictions or limitations of any nature whatsoever;

"**NewCo 1 Transfer Agreement**" means the agreement between CME BV and Rodnyansky to effect the NewCo 1 Sale Transfer pursuant to the RF Participants Framework Agreement;

"**Notice**" means the notice set out in [Schedule 6](#);

"**Other Optionholders**" means Mr. Gregory Surkis, a citizen of Ukraine residing at 14 Nikolsko – Botanicheskaya str., Flat 9, Kiev, Ukraine, passport EA451739 and Nelano;

"**Person**" or "**Persons**" means any physical person, corporation, general partnership, simple partnership, limited partnership, limited liability partnership, limited liability company, proprietorship, other business organization, trust, union, association or Governmental Authority, whether incorporated or unincorporated;

"**Pledge Agreements**" means each of the pledge agreements to be entered into on or prior to the Closing Date among *inter alios* Rodnyansky, the wholly-owned Cyprus companies to be established by Rodnyansky, and CME BV, as contemplated in the Rodnyansky Restructuring;

"**Registered Revised Charter**" means the new registered charter of Studio 1+1, with the seal of the relevant Governmental Authority and signed by the appropriate registrar, reflecting UMS as the registered owner of a 42.0% participation interest, Inter-Media as the registered owner of a 30.0% participation interest, NewCo 1 as the registered owner of a 22.98% participation interest and NewCo 2 as the registered owner of a 5.02% participation interest in Studio 1+1;

"**Registration Rights Agreement**" means the registration rights agreement to be entered into between CME Ltd. and Kolomoisky substantially in the form of the registration rights agreement described in the Surviving Agreements;

"**Reissued Licenses**" means the 15-hour and the 9-hour broadcasting licenses of Studio 1+1 issued by the relevant Governmental Authority reflecting the ownership of Studio 1+1 as set out in the Registered Revised Charter;

"**Release Agreements**" means the Kolomoisky Release Agreements and the Surkis Release Agreements;

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"**Releasor**" has the meaning set forth in the English law Kolomoisky Release Agreement or the English law Surkis Release Agreement, as applicable;

"**RF Participants Framework Agreement**" means that agreement among Rodnyansky, Fuchsmann, ITS, the Studio 1+1 Group and the CME Parties entered into on or about the date hereof;

"**Rodnyansky Restructuring**" means the completion of the steps set out in Recital D and the occurrence of Successful Registration;

"**Studio 1+1 Group**" means, collectively, Studio 1+1, IMS, Inter-Media, Innova, TV Media Planet, NewCo 1 (only once acquired by a CME Party) and NewCo 2 (only once acquired by a CME Party);

"**Subscription Agreement**" means the subscription agreement to be entered into between CME Ltd. and Kolomoisky substantially in the form of the subscription agreement described in the definition of Surviving Agreements;

"**Successful Registration**" means the occurrence of all of the following: (i) the receipt of the Registered Revised Charter and (ii) the receipt of the Reissued Licenses;

"**Surkis Release Agreements**" means the agreements set out in Schedule 2;

"**Surviving Agreements**" means the subscription agreement between Kolomoisky and CME Ltd., dated August 24, 2007, and the registration rights agreement between Kolomoisky and CME Ltd., dated August 24, 2007, in each case, as amended from time to time;

"**Transaction Documents**" means this Agreement and the Release Agreements;

"**Transfer Agreements**" means the NewCo 1 Transfer Agreement, the Innova Transfer and Option Agreement, the IMS Transfer Agreement and the TV Media Planet Transfer Agreement; and

"**TV Media Planet Transfer Agreement**" means the agreement between CME Ltd. and Fuchsmann to effect the TV Media Planet Sale Transfer, to be entered into pursuant to the RF Participants Framework Agreement.

## 1.2 Interpretation and Rules of Construction

In this Agreement, except to the extent otherwise provided or that the context otherwise requires:

- (a) when a reference is made in this Agreement to a Clause, Exhibit or Schedule, such reference is to a Clause of, or an Exhibit or Schedule to, this Agreement, unless otherwise indicated;
  - (b) the table of contents and headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;
  - (c) whenever the words "include," "includes," or "including" are used in this Agreement, they are deemed to be followed by the words "without limitation";
  - (d) a reference to "US Dollar" or "US \$" means the lawful currency of the United States of America;
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- (e) the words "hereof," "herein," and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;
- (f) all terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein;
- (g) references in the singular shall include references in the plural and vice versa, words denoting any gender shall include any other gender and words denoting natural persons shall include any other Persons;
- (h) references to a Person are also to its successors and permitted assigns;
- (i) references to this Agreement and/or any other agreement are deemed to be references to such agreement, as amended, modified or supplemented from time to time; and
- (j) the use of "or" is not intended to be exclusive unless expressly indicated otherwise.

## 2. NO ADMISSION

The Parties hereby acknowledge and agree that in entering into this Agreement none of them makes any admissions as to any liability or the absence thereof in connection with the Kolomoisky Claims.

## 3. OPTION ASSIGNMENT AND TERMINATIONS

### 3.1 Assignment of the Right to Acquire the IK Optioned Interests

- (a) In consideration of the mutual promises and covenants contained herein, the sufficiency of which is hereby acknowledged, the Kolomoisky Parties hereby transfer and assign all of their right, title and interest in the right to acquire the IK Optioned Interests to CME Ltd. or one or more of its subsidiaries designated by it (the "**Assignment**"). CME Ltd. intends to acquire such IK Optioned Interests as follows:
    - (i) the option right to acquire the IK Innova Optioned Interest shall be assigned to CET 21 for consideration of \$40,868,411 or if the Consideration is less than \$140,000,000, \$40,868,411 minus an amount equal to 0.3 multiplied by the difference between \$140,000,000 and the Consideration, and shall be exercised by CET 21;
    - (ii) the option right to acquire the IK IMS Optioned Interest shall be assigned to CME Ltd. for consideration equal to \$6,177,492, and shall be exercised by CME Ltd.; and
    - (iii) the option right to acquire the IK Studio Optioned Interest shall be assigned to CME BV for consideration equal to \$92,954,097 or if the Consideration is less than \$140,000,000, \$92,954,097 minus an amount equal to 0.7 multiplied by the difference between \$140,000,000 and the Consideration, and shall be exercised by CME BV, which right may be exercised directly or, with the consent of Rodnyansky, indirectly through the acquisition of a portion of the shares of NewCo 1.
  - (b) The Kolomoisky Parties warrant and confirm (i) that the option to acquire the IK Optioned Interests may be exercised by the CME Parties after payment of US \$2 (two US Dollars) to Irling (which has been paid prior to the date hereof) and by transfer of the IK Optioned Interests by Fuchsmann and Rodnyansky to the CME Parties, (ii) that no further action is necessary or appropriate in order for the CME Parties to acquire good title to the IK Optioned Interests under the Option Rights Sale and Purchase Agreements, (iii) that the IK Optioned Interests are free from any Liens that were created by, or that they are aware of and could have been removed by, any of the Kolomoisky Parties or their Controlled Parties, and (iv) that any other Liens (other than those created in accordance with the RF Participants Framework Agreement) on the IK Optioned Interests that are known to the Kolomoisky Parties or their Controlled Parties have been fully disclosed to CME Ltd.
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- (c) The Kolomoisky Parties agree to deliver to Irling, Muly, Fuchsmann and Rodnyansky the Notice executed by them on the date hereof or as soon as practicable thereafter with a confirmation to be provided to the CME Parties.
- (d) The Parties agree that none of Torcensta, Global and any other Kolomoisky Party shall exercise any option to acquire all or any part of the IK Optioned Interests.

### 3.2 Release

This Agreement (and the agreements executed in connection with it, including the Registration Rights Agreement) is entered into, in full and final settlement, conditional upon the occurrence of the Closing Date and the Parties complying with their obligations hereunder, of all rights, claims, controversies and/or disputes among the Parties, known and/or unknown to any of the Parties, arising from or connected to the IK Optioned Interests, the Kolomoisky Claims and/or any claim for legal fees and/or any other fees incurred in respect of or relating in any way to the same (the "**Settled Matters**"), except that the Surviving Agreements shall survive this Agreement. Consequently, and with effect from the Closing Date:

- (a) the Kolomoisky Parties hereby irrevocably release the CME Parties, the RF Participants and the Studio 1+1 Group in respect of the Settled Matters; and
- (b) the CME Parties hereby irrevocably release the Kolomoisky Parties in respect of the Settled Matters.

### 3.3 Execution of the Release Agreements

The Parties agree that promptly following the establishment of NewCo 1 and NewCo 2 in connection with the Rodnyansky Restructuring or as soon as practicable thereafter, all the relevant parties shall execute and deliver all of the Release Agreements, which shall become effective on the Closing Date (as defined in Clause 5.5).

### 3.4 Termination of Certain Prior Agreements

From the date of this Agreement until the earlier of (i) the Closing Date or (ii) the date that this Agreement is terminated pursuant to the terms of Clause 7.1 hereof, the agreements listed below in (a), (b), (c), (d) and (e) of this Clause 3.4 shall be suspended. With effect on the Closing Date:

- (a) the agreement among Kolomoisky, Torcensta, Manita and the CME Parties, dated October 5, 2007 (the "**Original Agreement**"), shall be terminated in accordance with Clause 3.1 thereof;
  - (b) the purchase agreement among Kolomoisky, Torcensta and CME Ltd., dated October 30, 2007, shall be terminated in accordance with Clause 9.1(b) thereof;
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- (c) the share pledge agreement among Andreas Sofocleous, a citizen of the Republic of Cyprus residing at 4 Gianni Papadopoulou, Nea Ekali, 3110, Limassol, Cyprus, with Identification number 659791, Charoulla Neofytou, a citizen of the Republic of Cyprus residing at 14 Georgiou Katsari, Asgata, 4502, Limassol, Cyprus, with Identification number 787198, Kolomoisky and CME Ltd., dated October 30, 2007, shall be terminated in accordance with Clause 6.1.1 thereof;
- (d) the waiver delivered by the CME Parties on October 11, 2007 with respect to the agreements listed above shall terminate; and
- (e) the letter agreement dated the date hereof relating to the Original Agreement, executed by the parties to the Original Agreement, shall terminate.

If the Closing Date does not occur, the agreements listed in the foregoing (a), (b), (c), (d) and (e) of this Clause 3.4 shall no longer be suspended and shall remain in force as if not suspended.

#### 4. ACTIONS TO BE TAKEN PRIOR TO CLOSING DATE

##### 4.1 Entrance into the RF Participants Framework Agreement and Other Actions

- (a) On the date hereof, the CME Parties, the RF Participants, ITS and the Studio 1+1 Group entered into the RF Participants Framework Agreement, pursuant to which the Sale Transfers shall be consummated.
- (b) The Parties agree that the following actions shall occur as soon as practicable after the date hereof but in any event on or prior to the Closing Date:
  - (i) the CME Parties and, if applicable, the Kolomoisky Parties shall grant all necessary consents, as deemed necessary by the CME Parties, to effectuate the Rodnyansky Restructuring and the Sale Transfers pursuant to the RF Participants Framework Agreement;
  - (ii) the Rodnyansky Restructuring shall be completed, including execution of the Pledge Agreements;
  - (iii) the Release Agreements shall be executed and delivered pursuant to Clause 3.3; and
  - (iv) the Kolomoisky Parties shall deliver to Irling, Multy, Fuchsmann and Rodnyansky the Notice and shall provide to CME Ltd. a fully executed copy thereof.
- (c) The CME Parties agree that prior to the Closing Date they shall not release the pledge of shares created by any of the Pledge Agreements other than with the prior written consent of Kolomoisky, such consent not to be unreasonably withheld or delayed.

##### 4.2 Notice of Successful Registration and Consummation of the Sale Transfers

Within 3 (three) Business Days of the Successful Registration, CME Ltd. shall give written notice of the same to Kolomoisky in the form attached hereto as Schedule 4 (the "Notice of Registration").

##### 4.3 Long Stop

In the event that any of the conditions set out in Clause 4.1 have not been fulfilled by August 30, 2008, any Party shall be entitled to terminate this Agreement by written notice to the other Parties, provided that such non-fulfillment of conditions was not the direct result of any breach by the Party seeking to terminate or its Controlled Party.

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5. **CONSIDERATION; CONDITIONS PRECEDENT; CLOSING**

5.1 Consideration

In consideration of the Assignment and the other documents to be delivered and undertakings given by the Kolomoisky Parties hereunder and otherwise required hereby and provided that the notice procedures set forth in Clause 4.2 have been followed by the applicable Parties, on the Closing Date, CME Ltd. shall transfer to Kolomoisky the Consideration determined in accordance with the calculation and election procedure set forth in Clause 5.2.

5.2 Calculation and Election of Consideration

Within 2 (two) Business Days after the delivery of the Notice of Registration by CME Ltd., CME Ltd. shall deliver to Kolomoisky its calculation of the Consideration as provided in Clause 1.1, in which the following procedure shall apply:

- (a) in the event the Consideration is determined to be the amount of US \$ 140,000,000 (one hundred forty million US Dollars), Kolomoisky may elect to receive such Consideration in CME Shares by delivering a notice of his election to CME Ltd. within 1 (one) Business Day after receiving notice of the calculation of Consideration. If Kolomoisky so delivers his election notice, the sole consideration payable to Kolomoisky by CME Ltd. on the Closing Date shall be the number of CME Shares equal to the quotient of (i) US\$ 140,000,000 and (ii) the Share Price. If Kolomoisky does not so deliver his election notice, the Consideration shall be payable by CME Ltd. on the Closing Date in cash pursuant to Clause 5.5(c)(ii); and
- (b) if sub-clause 5.2(a) above is not applicable, the Consideration shall be the number of CME Shares equal to 4% of the total number of CME Shares outstanding on the date of delivery of the Notice of Registration.

5.3 CME Shares

In the event Kolomoisky is to receive CME Shares as consideration on the Closing Date, subject to the terms and conditions of this Agreement, CME Ltd. shall issue and deliver to Kolomoisky (and only to Kolomoisky), and Kolomoisky shall subscribe for and acquire from CME Ltd., the applicable number of CME Shares pursuant to the Subscription Agreement.

5.4 Conditions Precedent

The occurrence of the Closing Date shall be subject to the fulfilment and satisfaction (or waiver in writing by the relevant Party or Parties) of each of the following conditions precedent (the "**Conditions Precedent**"):

- (a) General Conditions Precedent to the performance by the Parties of their respective obligations on the Closing Date:
    - (i) the Successful Registration shall have occurred (as confirmed by the Notice of Registration); and
    - (ii) consummation of the transactions contemplated hereby and by the other Transaction Documents shall not have been restrained, enjoined or otherwise prohibited or made illegal by any applicable Law, including any court order, and no such Law or order that would have such an effect shall have been threatened, promulgated, entered, issued or determined by any court or other Governmental Authority to be applicable to this Agreement or any other Transaction Document.
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- (b) Conditions Precedent to the performance by the CME Parties of their respective obligations on the Closing Date:
- (i) the Release Agreements and the Notice shall have been fully executed by all of the parties thereto, shall have become effective, shall remain in full force and effect and shall not of have been repudiated;
  - (ii) the Rodnyansky Restructuring shall have occurred and the Sale Transfers shall have been consummated under the Transfer Agreements;
  - (iii) the Reissued Licenses shall have become effective and remain in full force and effect and shall not have been challenged or revoked;
  - (iv) if applicable, the Subscription Agreement and the Registration Rights Agreement shall have been duly executed by Kolomoisky;
  - (v) each of the Kolomoisky Parties and their respective Controlled Parties shall have performed and complied in all material respects with the covenants and agreements required to be performed or complied with by such Party on or prior to the Closing Date pursuant to Clause 3 (Option Assignment and Terminations), Clause 6 (Standstill), Clause 8 (Indemnities and Liabilities) and Clause 13.1 (Further Assurances) hereof, to be confirmed by a closing certificate executed and delivered by each of them on the Closing Date in the form of Schedule 3 (the "**Kolomoisky Closing Certificate**");
  - (vi) all of the representations and warranties of the Kolomoisky Parties contained herein and in the Release Agreements shall have been true and correct in all material respects when given and shall remain true and correct in all material respects on and as of the Closing Date, to be confirmed by the Kolomoisky Closing Certificate executed and delivered on the Closing Date.

#### 5.5 Closing Date

The closing date shall occur no later than the tenth Business Day after the date on which CME Ltd. delivers the Notice of Registration, provided that the Conditions Precedent have been and remain fulfilled (the "**Closing Date**"). CME Ltd. shall give notice to the Kolomoisky Parties of the anticipated Closing Date. On the Closing Date, the following actions shall take place:

- (a) CME Ltd. shall deliver to Kolomoisky the Closing Date Confirmation confirming the completion of each of the Sale Transfers pursuant to the Transfer Agreements;
- (b) the Release Agreements shall become effective;
- (c) CME Ltd. shall transfer the Consideration to Kolomoisky as follows:
  - (x) in the event Kolomoisky is to receive the Consideration in CME Shares, CME Ltd. shall:
    - (i) allot and issue the CME Shares and make the appropriate entries in the statutory books of CME Ltd. in respect of that allotment, and
    - (ii) deliver, or cause to be delivered, to Kolomoisky:
      - (1) a certificate of a duly authorized representative of CME Ltd. certifying that CME Ltd.'s representations and warranties set forth in Clause 9.2 remain true and correct as of the Closing Date;

- (2) a stock certificate in respect of the CME Shares with the legend specified in Clause 10.2; and
- (3) a copy of the Subscription Agreement and the Registration Rights Agreement executed by it.

(y) in the event Kolomoisky is to receive the Consideration in cash, CME Ltd. shall:

- (i) deliver, or cause to be delivered, to Kolomoisky a certificate of a duly authorized representative of CME Ltd. certifying that CME Ltd.'s representations and warranties set forth in Clause 9.2 remain true and correct as of the Closing Date; and
- (ii) pay the Consideration due to Kolomoisky pursuant to Clause 5.2, by wire transfer in immediately available funds, to an account in Kolomoisky's name, the details of which are to be provided by Kolomoisky no later than the time Kolomoisky provides notice of such election pursuant to Clause 5.2(a); and

(d) Kolomoisky shall countersign and deliver to CME Ltd. the Closing Date Confirmation.

#### 5.6 Sufficiency of Consideration

Each of the Kolomoisky Parties, on its own behalf and on behalf of all of the Releasors, hereby acknowledges and agrees that the consideration for entering into this Agreement consists of CME Ltd.'s obligation to transfer the Kolomoisky Consideration. Each of the Kolomoisky Parties, on its own behalf and on behalf of all of the Releasors, further acknowledges the sufficiency of such consideration and agrees that no additional consideration will be made or required.

#### 6. **STANDSTILL**

##### 6.1 Standstill

From the date of this Agreement until the date of termination of this Agreement in accordance with its terms, each of the Parties, on its own behalf and on behalf of all of its Controlled Parties, and, with respect to the Kolomoisky Parties, on behalf of the Other Optionholders, agrees that it shall not directly or indirectly (i) take any further action with respect to any Kolomoisky Claim or (ii) initiate any complaints, claims, charges or lawsuits with any national, regional, state, federal or local Governmental Authority or any court, within any jurisdiction, with respect to any Kolomoisky Claim.

##### 6.2 Proviso

Provided that nothing in Clause 6.1 shall restrict any Party from performing any of the aforesaid actions in circumstances where:

- (a) such action is required to perform that Party's obligations hereunder; or
- (b) the other Parties have given their prior written consent to such action.

#### 7. **TERMINATION**

##### 7.1 Termination

This Agreement may be terminated:

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- (a) at any time by mutual written consent of all of the Parties; or
- (b) by any of the Parties pursuant to Clause 4.3.

In the event of the termination of this Agreement in accordance with the above, all rights to acquire the IK Optioned Interests transferred according to Clause 3.1 shall revert back to the Kolomoisky Parties.

## 7.2 Survival

Any termination or expiry of this Agreement shall be without prejudice to any rights accruing prior to such termination. Clauses 1, 2, 3.1, 4.1(c), 7, 8, 10, 12, 13 and 14 shall survive termination of this Agreement.

## 8. INDEMNITIES AND LIABILITIES

### 8.1 CME Indemnity

- (a) CME Ltd. agrees that, from and after the date of this Agreement, it will indemnify and hold harmless the Kolomoisky Parties from and against any bona fide claims (by any person that is not a Controlled Party of any Kolomoisky Party or any Other Optionholder), obligations, debts, damages (including any damages arising from or related to business interruption or loss of profits, consequential, indirect, speculative or punitive damages), liquidated damages, liabilities, costs, expenses and reasonable legal fees (collectively, "**Losses**") whatsoever arising from and caused by any failure by the CME Parties or any of their respective Controlled Parties (or any assignee thereof) to comply with their obligations under Clause 4.1 of this Agreement. Each of the Kolomoisky Parties agrees that he or it has a duty to mitigate any such Losses in order for CME Ltd. to have a corresponding obligation to indemnify for such Losses.
- (b) CME Ltd.'s obligations and liabilities under Clause 8.1(a) shall in no circumstances exceed the sum of US\$140,000,000.

### 8.2 Kolomoisky Indemnity

Kolomoisky agrees that, from and after the Closing Date, he will indemnify and hold harmless the CME Parties and the Studio 1+1 Group from and against any Losses that any of them may have arising from (i) any breach by any Kolomoisky Party of any obligations (including any of their respective representations and warranties) under this Agreement and (ii) any breach by any Kolomoisky Party of any obligations set forth in the Release Agreements.

## 9. REPRESENTATIONS AND WARRANTIES

### 9.1 Representations and Warranties of the Kolomoisky Parties

Each of the Kolomoisky Parties party to this Agreement represents and warrants to the other Parties as of the date hereof and as of the Closing Date that:

- (a) each of the Kolomoisky Parties and the Releasors has the necessary power and authority (including full legal and dispositive capacity) to enter into, deliver, and perform its obligations under this Agreement and each of the other Transaction Documents to which it is party;
  - (b) the execution, delivery and performance by each of the Kolomoisky Parties and the Releasors of this Agreement and each other Transaction Document constitutes valid and legally binding obligations, enforceable against such Person in accordance with the terms thereof, and will not violate any provision of and will not result in a breach of the terms of (i) any applicable Law or any rule or regulation of any Governmental Authority, or (ii) any contract, indenture, agreement or commitment to which it is a party or bound;
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- (c) no additional consent by any other Person is required to be obtained by any of the Kolomoisky Parties and the Releasers in connection with its execution or performance of this Agreement or any other Transaction Document;
  - (d) all proceedings that are required to be taken, and all approvals that are required to be obtained, by each Kolomoisky Party to authorise it to execute, deliver and perform the terms of this Agreement and each of the other Transaction Documents to which it is a party have been taken or obtained;
  - (e) he is not aware of any Person who has any basis for bringing any Kolomoisky Claims, and he will not make, encourage or support, directly or indirectly, any future Kolomoisky Claims;
  - (f) no Kolomoisky Party or Releaser has directly or indirectly instituted or caused to be instituted any complaints, claims, charges or lawsuits with any national, regional, state, federal or local Governmental Authority or any court, within any jurisdiction, against any other CME Parties or any of their Controlled Parties with respect to any claim against or related in any way to Studio 1+1 or the Studio 1+1 Group;
  - (g) Kolomoisky does not have any ownership interest in Multy or Irling, and neither Multy nor Irling is a Controlled Party of Kolomoisky or any Other Optionholder;
  - (h) no Kolomoisky Party or Releaser has sold, assigned, transferred, conveyed or otherwise disposed of any interest in the IK Optioned Interests or in the Kolomoisky Claims, and no Kolomoisky Party or Releaser is a party to, or has any other interest in the IK Optioned Interests;
  - (i) following the execution and performance of this Agreement, there are no outstanding agreements, arrangements or other understandings (whether by contract or otherwise) with any other third parties granting to any Kolomoisky Party or any Other Optionholder the right to acquire any direct or indirect interest in the Studio 1+1 Group, or any options, warrants, commitments, rights of first refusal, conversion rights or other rights of any kind held by or granted to anyone to acquire any participation interests or any other interests in Studio 1+1 or any other entity in the Studio 1+1 Group;
  - (j) on the date hereof, no Kolomoisky Party or Releaser has any direct or indirect contractual right or claim against any CME Party or any member of the Studio 1+1 Group, other than pursuant to the Transaction Documents;
  - (k) no Kolomoisky Party has any direct or indirect interest in any tangible or intangible asset or property used in the business of the Studio 1+1 Group;
  - (l) Kolomoisky is: (i) able, by reason of business and financial experience, to protect his own interests in connection with the transactions contemplated by this Agreement; (ii) able to afford the entire loss of his investment in any CME Shares; (iii) an "accredited investor" as that term is defined in Rule 501(a) of Regulation D under the U.S. Securities Act of 1933 (the "**Securities Act**"); and (iv) not a broker-dealer or an affiliate of a broker-dealer registered pursuant to Section 15 of the U.S. Securities Exchange Act of 1934 (the "**Exchange Act**");
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- (m) Kolomoisky understands that any CME Shares issued hereunder are being offered and sold to him in reliance upon exemptions from the registration requirements of the United States federal securities laws, and that CME Ltd. is relying upon the truth and accuracy of Kolomoisky's representations and warranties contained herein and Kolomoisky's compliance with this Agreement in order to determine the availability of such exemptions and the eligibility of Kolomoisky to acquire CME Shares in accordance with the terms and provisions of this Agreement;
  - (n) Kolomoisky: (i) has had the opportunity to review information concerning the business of CME Ltd., including without limitation CME Ltd.'s Annual Report on Form 10-K for the period ended December 31, 2006 and Report on Form 10-Q for the period ended September 30, 2007 as well as any Annual Report on Form 10-K or Report on Form 10-Q published by CME Ltd. after the date hereof and (ii) has had access to the management of CME Ltd. and has had the opportunity to ask questions of the management of CME Ltd.;
  - (o) Kolomoisky is acquiring CME Shares under this Agreement, if applicable, for his own account, for investment purposes only, and not with a present view towards the public sale or distribution thereof, except pursuant to a sale or sales that are registered under the Securities Act or exempt from such registration;
  - (p) Kolomoisky will not, directly or indirectly, sell or otherwise transfer, pledge or assign all or any part of such CME Shares (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of all or any part of such CME Shares) except in accordance with the provisions of Clause 10.1. Kolomoisky understands that he must bear the economic risk of his investment in any CME Shares to be acquired hereunder, if applicable, for an indefinite period of time because, among other reasons, the offering and sale of the CME Shares under this Agreement have not been registered under the Securities Act and, therefore, such CME Shares cannot be sold other than in accordance with Clause 10.1. Kolomoisky also understands that transfers of any CME Shares acquired under this Agreement, if applicable, are further restricted by the provisions of U.S. securities laws;
  - (q) Kolomoisky has not learned of the investment in the CME Shares to be acquired hereunder, if applicable, as a result of any public advertising or general solicitation;
  - (r) none of the cash or property that Kolomoisky has paid, will pay, or will contribute to CME Ltd. has been, or shall be, derived from, or related to, any activity that is deemed criminal under U.K. law, U.S. law, Bermuda law or the law of the jurisdiction in which such activity takes place. No contribution or payment by Kolomoisky to CME Ltd., to the extent that such contributions or payments are within Kolomoisky's control, shall cause CME Ltd. to be in violation of any of the Anti-Money Laundering Laws (as defined below) or the anti-money laundering laws, rules or regulations of any other applicable jurisdiction;
  - (s) Kolomoisky has not employed, engaged or retained, or otherwise incurred any liability to, any person as a broker, finder, agent or other intermediary in connection with the transactions contemplated herein. All negotiations relating to this Agreement and, if applicable, the Registration Rights Agreement and the transactions contemplated hereby and thereby have been carried on without the participation of any Person acting on behalf of Kolomoisky or any of his Controlled Parties in such a manner as to, and the transactions contemplated hereby and thereby will not otherwise, give rise to any valid claim against CME Ltd. or its Controlled Parties for any brokerage or finder's commission, fee or similar compensation, or for any bonus payable to any officer, director, employee, agent or representative of or consultant to any such Person upon consummation of the transactions contemplated hereby or thereby;
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- (t) as at the date of this Agreement, Kolomoisky, together with his Controlled Parties, holds exactly 1,620,537 CME Shares; and
- (u) all payments to be made by CME Ltd. or any other CME Party to Kolomoisky under this Agreement, under the current laws and regulations of any jurisdiction in which Kolomoisky may be a resident for tax purposes or any jurisdiction from or through which a payment is made will not be subject to withholding or other taxes under the current laws and regulations of the relevant taxing jurisdiction and are otherwise payable free and clear of any other tax, withholding or deduction in the relevant taxing jurisdiction and without the necessity of obtaining any governmental authorization in the relevant taxing jurisdiction.

## 9.2 Representations and Warranties of the CME Parties

Each of the CME Parties represents and warrants to the other Parties as of the date hereof and as of the Closing Date that:

- (a) it is a company duly organized and validly existing under the laws of its jurisdiction;
- (b) it has the necessary corporate power and authority to enter into and perform its obligations under this Agreement and each of the other Transaction Documents to which it is a party, and to consummate the transactions contemplated thereby;
- (c) the execution and delivery by it of this Agreement and each of the other Transaction Documents to which it is a party constitute valid and legally binding obligations, enforceable against it in accordance with the terms thereof, and will not violate any provision of and will not result in a breach of the terms of (i) any Law, rule or regulation of any Governmental Authority applicable to it or (ii) any contract, indenture, agreement or commitment to which it is a party or bound;
- (d) all proceedings that are required to be taken, and all approvals that are required to be obtained, by it to authorize it to execute, deliver and perform the terms of this Agreement and each of the other Transaction Documents to which it is a party have been taken or approved;
- (e) no additional consent by any other Person is required to be obtained by any of the CME Parties or the Studio 1+1 Group in connection with its execution or performance of this Agreement or any other Transaction Document; and
- (f) each person signing this Agreement and any other Transaction Document on its behalf is duly appointed and authorized to sign each such document pursuant to its constitutional documents and/or a power of attorney duly issued to such person and such appointment and authorization is effective and valid.

## 10. **CERTAIN COVENANTS RELATED TO CME SHARE ISSUANCE**

### 10.1 Transfer Restrictions

Kolomoisky acknowledges that none of the CME Shares to be issued hereunder, if applicable, has been, is being or, except as provided in the Registration Rights Agreement, will be registered under the Securities Act. Kolomoisky agrees that for a period of 24 (twenty-four) months from the Closing Date, such CME Shares may not be offered for sale in any form or sold, transferred or assigned, but may be pledged (in accordance with the provisions below) and thereafter may be offered for sale, sold, pledged, transferred or assigned only (i) in the United States through the Nasdaq Global Select Market pursuant to the Registration Rights Agreement or an available exemption from registration under the Securities Act (except that, in the event that Kolomoisky has the right to attend meetings of the Board of Directors of CME Ltd. as an observer, any offers, sales, transfers or assignments of Shares made pursuant to an available exemption from registration under the Securities Act while Kolomoisky has such observer rights must be made in accordance with the volume limitations set out in Rule 144(e)(1) under the Securities Act) and (ii) outside the United States pursuant to an available exemption from registration under the Securities Act and otherwise in compliance with applicable securities laws. Kolomoisky may, during the 24 (twenty-four) month period from the Closing Date, pledge any such Shares pursuant to a bona fide non-transferable pledge to a third-party financial institution that is not a Controlled Party of Kolomoisky; and the Parties agree that the foregoing stipulation that such Shares shall not be offered for sale, sold, transferred, assigned or further pledged for a period of 24 (twenty-four) months from the Closing Date shall not apply to the sale of such Shares that are subject to such pledge after a default in the obligation secured by such pledge so long as such Shares are sold by the pledgee pursuant to Rule 144 under the Securities Act, including Rule 144(d)(3)(iv), Rule 904 (together with Rule 905) or any other available exemption from the registration requirements of the Securities Act. No sale, transfer, pledge or assignment of such CME Shares by Kolomoisky to a Controlled Party shall be made without the prior written consent of CME Ltd., such consent not to be unreasonably withheld, and unless such Controlled Party agrees to be bound by the terms hereof. The provisions of Clause 10.1 and 10.2, together with the rights and obligations of Kolomoisky under this Agreement and the Registration Rights Agreement, if applicable, shall be binding upon any subsequent transferees of such CME Shares not previously registered under the Securities Act or pledged or sold in accordance with this Clause 10.1.

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10.2 Restrictive Legend

Kolomoisky acknowledges and agrees that, until such time as the CME Shares to be issued hereunder, if applicable, shall have been registered under the Securities Act in accordance with the terms of the Registration Rights Agreement or sold in accordance with Clause 10.1, such CME Shares shall bear a restrictive legend in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE OFFERED, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT OR, IF PERMITTED UNDER THE TERMS OF THE ASSIGNMENT AGREEMENT DATED AS OF JANUARY 31, 2008, PURSUANT TO AN EXEMPTION FROM REGISTRATION SPECIFIED IN AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO CENTRAL EUROPEAN MEDIA ENTERPRISES LTD. OR OTHERWISE AS PERMITTED BY LAW.

The legend set forth above shall be removed and CME Ltd. shall issue a certificate without such legend to the holder of any CME Share upon which it is stamped, if such CME Share is registered for sale under an effective registration statement filed under the Securities Act pursuant to the Registration Rights Agreement or if such CME Shares are proposed to be sold pursuant to an exemption from registration and CME Ltd. receives an opinion of counsel reasonably satisfactory to it with respect to compliance with such exemption. Kolomoisky agrees to sell all CME Shares, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any.

10.3 Reporting Status: Eligibility to Use Form S-3

Certain of the CME Shares are registered under Section 12(b) of the Exchange Act. So long as Kolomoisky beneficially owns any of the CME Shares to be issued hereunder, if applicable, CME Ltd. shall file all reports required to be filed with the SEC pursuant to the Exchange Act, and CME Ltd. shall not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would permit such termination. CME Ltd. currently meets, and will take commercially reasonable steps to continue to meet, the "registrant eligibility" requirements set forth in the general instructions to Form S-3 applicable to both "primary" and "resale" registrations on Form S-3 during the Registration Period (as defined in the Registration Rights Agreement).

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10.4 Compliance with Anti-Money Laundering Regulations, etc.

- (a) Kolomoisky acknowledges that, pursuant to anti-money laundering laws and regulations within the relevant jurisdictions, CME Ltd. may be required to collect further documentation verifying Kolomoisky's identity and the source of funds used to purchase the CME Shares before, and from time to time after, acceptance by CME Ltd. of this Agreement. To comply with applicable anti-money laundering laws and regulations, all payments and contributions by Kolomoisky to CME Ltd. and all payments and distributions to Kolomoisky from CME Ltd. will only be made in Kolomoisky's name and to and from a bank account of a bank based or incorporated in or formed under the laws of the United States or a bank that is registered in Bermuda or that is regulated in and either based or incorporated in or formed under the laws of the United States or another "Approved Country" and that is not a "foreign shell bank" within the meaning of the U.S. Bank Secrecy Act (31 U.S.C. § 5311 et seq.), as amended, and the regulations promulgated thereunder by the U.S. Department of the Treasury, as such regulations may be amended from time to time.
- (b) Kolomoisky also acknowledges that (i) CME Ltd. may be required to comply with all applicable anti-money laundering laws, including the U.K. Proceeds of Crime Act 2003, Terrorism Act 2000 and Money Laundering Regulations 2003 and (ii) CME Ltd. may be required to comply with the anti-money laundering rules of the SEC, the NASDAQ and/or the Prague Stock Exchange (the legislation and rules referred to in (i) and (ii) being collectively referred to as the "**Anti-Money Laundering Laws**").
- (c) Kolomoisky agrees to provide CME Ltd. at any time while Kolomoisky or any of his Controlled Parties holds any of the CME Shares with such information as CME Ltd. determines to be necessary or appropriate to comply with the anti-money laundering laws, rules and regulations of any applicable jurisdiction (including the Anti-Money Laundering Laws), to respond to requests for information concerning the identity of CME Ltd.'s shareholders from any Governmental Authority, self-regulatory organization or financial institution in connection with its anti-money laundering compliance procedures, or to update such information. In addition, neither Kolomoisky nor any of his Controlled Parties is a Person identified as a terrorist organization on any relevant lists maintained by an Governmental Authority.
- (d) If at any time while Kolomoisky or any of his Controlled Parties holds any of the CME Shares, the representations and warranties set forth in Clause 9.1(r) shall cease to be true, Kolomoisky shall promptly so notify CME Ltd. in writing.

11. **CONFIDENTIALITY**

11.1 Obligation

The Parties acknowledge and agree that they (whether acting by themselves or through their respective legal advisers, directors, officers, servants or agents or any of them or through any company or howsoever) shall keep confidential and shall not provide a copy of any Transaction Document or disclose, disseminate and/or publicize, or cause or permit to be disclosed, disseminated and/or publicized, any of the terms and conditions of any Transaction Document, and/or the existence of any and all of the circumstances leading to this Agreement and/or the Kolomoisky Claims, to any individual and/or entity not a Party to this Agreement or the Transfer Agreements, except to the extent described below:

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- (a) to the respective court or arbitral tribunal insofar as required to terminate or defend against any Kolomoisky Claims pursuant to this Agreement;
- (b) in response to an order of a court of competent jurisdiction, or in response to an appropriate subpoena or discovery request issued in the course of litigation;
- (c) in response to an inquiry or order issued by a Governmental Authority or supra-governmental agency of competent jurisdiction;
- (d) to the extent necessary to report income to appropriate taxing authorities and/or to contest the imposition of any tax by appropriate taxing authorities;
- (e) to such Parties' respective accountants and legal advisers and to any broker or insurer or relevant reinsurer or retrocessionaire in all cases (other than disclosure to legal advisers) as may be required by contract and/or by Law;
- (f) in connection with any litigation or arbitration proceedings between the Parties relating to this Agreement or any other Transaction Document; and
- (g) to the extent required or (on advice of counsel) appropriate in order to comply with applicable Law or stock exchange rules.

In the event disclosure is necessary pursuant to any of the Clauses above, the disclosing Party shall (to the extent permitted by applicable law) apprise the third party to whom such disclosure is made of the confidential nature of the information and said disclosing Party shall use its reasonable and good faith efforts to secure the confidentiality of the information provided to any third party.

#### 11.2 Public Domain

The requirements of Clause 11.1 shall not apply to any information or data to the extent such information has already entered the public domain (provided always that it has not entered the public domain by reason of the disclosing party's breach of this Agreement).

#### 12. **ASSIGNMENT**

Except as expressly provided herein, none of the rights of the Parties under this Agreement may be assigned or transferred without the prior written consent of the other Parties.

#### 13. **MISCELLANEOUS**

##### 13.1 Further Assurances

The Parties agree that, from and after the date hereof, each of them shall, and shall cause their respective Controlled Parties (and, with respect to the Kolomoisky Parties, the Other Optionholders) to, execute and deliver such further instruments of conveyance and transfer and take such other action as may be reasonably requested by any Party to carry out the purposes and intents hereof. In particular, Kolomoisky agrees that he shall not take, and shall procure that none of his Controlled Parties or any Other Optionholder takes, any action that would result in the imposition of any new injunction, renewal of a previous injunction or similar court relief that would prohibit a Successful Registration or the consummation of the Sale Transfers. The provisions of this Clause 13.1 shall survive the Closing Date.

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13.2 Modification; Waiver; Severability

Except as specifically provided herein, this Agreement may be modified only by a written instrument executed by the Parties. If any provision of this Agreement is held to be unenforceable for any reason, the Parties shall, acting in good faith and using best endeavours, seek to agree adjustments to such provision, so that such provision is not avoided and in order to achieve the intent of the parties to this Agreement to the extent possible. In any event, the invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of this Agreement, including that provision, in any other competent jurisdiction. If any provision of this Agreement is or becomes invalid or unenforceable, in whole or in part, this shall not affect the validity of the remaining provisions hereof.

13.3 Third Party Rights

The Parties agree that the Releasees (as defined in the Release Agreements) not already party hereto shall be third parties within the meaning of the Contracts (Rights of Third Parties) Act 1999 (the "Act") and such third parties shall have the right to enforce the relevant terms of this Agreement against the Kolomoisky Parties in their own right, as such terms may be amended from time to time. Save to the extent set out in this Clause 13.3, nothing in this Agreement confers or purports to confer any right under the Act or otherwise to enforce any of its terms on any person who is not a party to it.

13.4 Entire Agreement

This Agreement, together with the Registration Rights Agreement and the documents herein referred to, constitute the entire agreement among the Parties with respect to the subject matter hereof, provided that this Clause 13.4 shall in no event have the effect to exclude liability for fraud.

13.5 Preparation

Each Party acknowledges and confirms that the preparation of this Agreement has been a joint effort of all Parties and counsel for all Parties and that it shall not be construed for or against any individual Party on the basis solely that this Agreement or any part thereof was drafted by or on behalf of that Party.

13.6 Specific Performance

The Parties acknowledge and agree that a breach by any Party of any of the terms of this Agreement, and any breach by any Releasor of any Release Agreement, is likely to result in irreparable and continuing damage to the other Parties for which there may or will be no adequate remedy at law and/or for which damages will not be an adequate remedy, and that in the event of such breach, any of the Parties shall be entitled to apply for injunctive relief and/or a decree for specific performance and such other and further relief as may be appropriate.

13.7 Costs

Each Party shall bear its own costs, including lawyers' fees, in relation to this Agreement and any other Transaction Document.

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13.8 Notices

All notices and other communications made in connection with this Agreement shall be in writing. Any notice or other communication in connection herewith shall be deemed duly delivered and given to any Party 1 (one) Business Day after it is sent by fax, confirmed by letter sent by a reputable express courier service, in each case, to the regular mail addresses and fax numbers set forth below or to such other regular mail address and/or fax number as may be specified in writing to the other Parties:

if to any of the CME Parties:

c/o CME Development Corporation  
81 Aldwych  
London WC2B 4HN  
United Kingdom  
Attn: General Counsel

Tel.: + 44 207 430 5430  
Fax: + 44 207 430 5403

if to any of the Kolomoisky Parties:

Igor Kolomoisky  
42b Naberezhnaya Pobedy Str.  
Dnepropetrovsk, Ukraine

Tel./Fax: + 380 562 390812

Any Party may give any notice or other communication in connection herewith using any other means (including personal delivery, messenger service, facsimile, telex or regular mail), but no such notice or other communication shall be deemed to have been duly delivered and given unless and until it is actually received by the individual for whom it is intended.

13.9 Counterparts

This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same agreement.

**14. GOVERNING LAW AND ARBITRATION**

14.1 Governing Law

This Agreement is governed by and shall be construed in accordance with English law.

14.2 Arbitration

- (a) General. Any dispute, controversy or claim arising out of or relating to this Agreement, including any question regarding its existence, validity, interpretation, performance or termination, shall be finally resolved by arbitration in accordance with the Rules of Arbitration of the then existing Rules of Arbitration of the International Chamber of Commerce (the "**ICC Rules**"), which are deemed to be incorporated by reference into this Clause 14.2, except to the extent modified by this Clause 14.2. The tribunal shall consist of three arbitrators. Subject to the provisions of Clause 14.2(c) the parties to any such arbitration shall each be entitled to nominate one arbitrator and the third arbitrator shall be appointed by the two party-nominated arbitrators.
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- (b) Seat and Language. The seat of the arbitration shall be London, England or (in the event of consolidation pursuant to Clause 14.2(c)) any other seat of the arbitration of a Related Dispute. The language of the arbitration shall be English except that any party to the arbitration may submit testimony or documentary evidence in Ukrainian, Russian or German and shall furnish a translation or interpretation of any such evidence into English.
- (c) Related Disputes. If any dispute arising out of or relating to this Agreement (hereinafter referred to as a "**Related Dispute**") raises issues which are substantially the same as or connected with issues raised in another dispute which has already been referred to arbitration under this Agreement, the RF Participants Agreement or any Transfer Agreement (an "**Existing Dispute**"), the tribunal appointed or to be appointed in respect of any such Existing Disputes shall also be appointed as the tribunal in respect of any such Related Dispute, including pursuant to Article 4(6) of the ICC Rules. Where, pursuant to the foregoing provisions, the same tribunal has been appointed in relation to two or more disputes, the tribunal may, with the agreement of all the parties concerned or upon the application of one of the parties, being a party to each of the disputes, order that the whole or part of the matters at issue shall be heard together upon such terms or conditions as the tribunal thinks fit. The tribunal shall have power to make such directions and any interim or partial award as it considers just and desirable.
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IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties and is intended to be and is hereby delivered as a deed on the date first written above.

EXECUTED AND DELIVERED AS A DEED

by IGOR KOLOMOISKY

/s/ Igor Kolomoisky

Witnessed by: \_\_\_\_\_

Name:

Occupation:

EXECUTED AND DELIVERED AS A DEED

by MANITA INVESTMENTS LIMITED

By: /s/ Christakis Konnaris

Name: Christakis Konnaris

Title: Director

EXECUTED AND DELIVERED AS A DEED

by GLOBAL MEDIA GROUP LTD.

By: /s/ Iryna Chumachenko

Name: Iryna Chumachenko

Title: Director

EXECUTED AND DELIVERED AS A DEED

by TORCENSTA HOLDING LTD

By: /s/ Andreas Sofocleous

Name: Andreas Sofocleous

Title: Director

EXECUTED AND DELIVERED AS A DEED

by CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

By: /s/ Michael Garin

Name: Michael Garin

Title: Chief Executive Officer

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EXECUTED AND DELIVERED AS A DEED

by CME MEDIA ENTERPRISES B.V.

By: /s/ Gerben van den Berg  
Name: Pan-Invest B.V., represented by Gerben van den Berg  
Title: Managing Director

By: /s/ Alphons van Spaendonck  
Name: Alphons van Spaendonck  
Title: Managing Director

EXECUTED AND DELIVERED AS A DEED

by CME UKRAINE HOLDING GMBH

By: /s/ Marina Williams  
Name: Marina Williams  
Title: Managing Director

EXECUTED AND DELIVERED AS A DEED

by CET 21 S.R.O.

By: /s/ Petr Dvorak  
Name: Petr Dvorak  
Title: Director (Jednatel)

By: /s/ Milan Cimirot  
Name: Milan Cimirot  
Title: Director (Jednatel)

EXECUTED AND DELIVERED AS A DEED

by UKRAINIAN MEDIA SERVICES LLC

By: /s/ Olena Shcherbyna  
Name: Olena Shcherbyna  
Title: Director

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Mr. Richard Anthony Sheldon from Great Britain, London W14 8NL, 12 Tollard House, 388 Kensington High Street, represented by the proxy Mr. Zoran Krajinović, attorney from Zagreb, pursuant to the power of attorney dated 29 November 2006

on one side,

and

NOVA TV d.d. Zagreb, Remetinečka c. 139, represented by the Chairman of the Board Mr. Marijan Jurenc, who is represented by Mr. Dražen Mavrić by the limited power of attorney dated 26/11/2007, and by the member of the Board Mr. Dražen Mavrić,

on the other side

have concluded today the following

## AGREEMENT

### DEFINITIONS

#### Article 1

1.1. For the purposes of this Agreement, the terms herein stated below shall have the meaning and the content as determined by this Article:

"Creditor": Mr. Richard Anthony Sheldon from Great Britain, London W14 8NL, 12 Tollard House, 388 Kensington High Street.

"Debtor": NOVA TV d.d. Zagreb, Remetinečka c. 139, entered in the register of the Commercial Court in Zagreb, under the registration No. of entity (MBS): 080222668 and its Affiliated Persons.

"Company" means the company OPERATIVNA KOMPANIJA d.o.o. Rijeka, Nikole Tesle 2, entered in the register of the Commercial Court in Rijeka, under the registration No. of entity (MBS): 080354416.

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"Parties" are the Debtor on one side and the Creditor on the other side.

"Affiliated Person" is any natural person or legal entity who is the present or former founder, shareholder, or member of the company, director or procurator of a Party, as well as any other natural person or legal entity directly or indirectly controlling the "Creditor" or the "Debtor", or who is under their direct or indirect control. Control implies the possibility of influencing the management of the company directly or indirectly, and/or direct or indirect holding of a business share or shares of the company. Appointed Affiliated Persons of the Creditor and the Debtor are also considered Affiliated Persons.

"Appointed Affiliated Persons of the Creditor" are GRP MEDIA d.o.o., NARVAL AM d.o.o., Zagreb, STUDIO MILLENIUM d.o.o., Zagreb, with their subsidiaries and affiliated companies, and Mr. Ivan Čaleta from Zagreb, director of the creditor, Mr. Damir Tus from Crikvenica, SAD 3, Mr. Neven Čičko from Zagreb, Mikulići 145, Mr. Ivan Blažičko from Zagreb, P.P. Njegoša 6, Ms. Darinka Bakran from Zagreb, Braće Korenika 2, Mr. Vlado Pukanić from Velika Gorica, N. pl. Škrleca Lomničkog 1, Ms. Ana-Marija Crnojević from Zagreb, former member of the board of NOVA TV d.d., Mr. Vjenceslav Bacci from Split, Drvenička 21, who are, for the purposes of this Agreement, exclusively considered Affiliated Persons of the Creditor.

"Appointed Affiliated Persons of the Debtor" are CME Media Enterprises B.V. and Central European Media Enterprises Ltd, together with their subsidiaries and affiliated companies, Mr. Marijan Jurenc from the Republic of Slovenia, Radomlje, Prečna ulica 1, Mr. Tadej Horžen from the Republic of Slovenia, 8263 Cerklje ob Krki, Cerklje ob Krki 72, Mr. Dražen Mavrić from Zagreb, Srebrnjak 119a, Mr. Branko Čakarmiš from the Republic of Slovenia, 5271 Vipava, Cesta 18. aprila 3.

"Obligation of the Affiliated Person" is any such obligation defined herein as obligation of a Party or Parties, for which an Affiliated Person may be responsible due to the nature of the obligation and to the circumstances of a particular case, as well as any obligation for which an Affiliated Person may be explicitly responsible under this Agreement. The Obligation of the Affiliated Person is also to act in accordance with all the provisions of this Agreement, in order to fulfil its purpose. The Obligation of the Affiliated Person of the Creditor and of the Debtor, the ones stated in Art. 5.6. hereof, is also to give a true and complete Statement of the Affiliated Person, with the mandatory content as in Schedule 1 hereof.

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"Existing business or other legal relation of the Parties" is any existing business or legal relation of the Parties or of the Parties and the Affiliated Persons of the other side, which includes, but is not limited to acts, legal basis of claims, cases, claims, debts, amounts of moneys, accounts, guarantees, securities, liabilities, contracts, contested claims, agreements, promises, compensations of damages, breaches, violations, damages, judgments, legal remedies, motions, pledges and obligations, of any nature (legal, monetary or other), direct or indirect, determined or non-determined, known or unknown, suspected or unsuspected, fixed or current, hidden or not - such as could have been determined or shall be determined, as well as the legal relation of the Parties arising from the Agreement on the Sale and Purchase of Business Shares of Operativna kompanija d.o.o. No. OU-995/04. dated 8 July 2004.

"Dispute" stands for:

Dispute before the Commercial Court in Zagreb filed under No. P-4038/2005 pursuant to the claim of Narval, Studio Millenium, Mr. Richard Anthony Sheldon, all represented by the attorney Zoran Krajinović, against Nova TV d.d. and OPERATIVNA KOMPANIJA d.o.o., in which dispute a non-final judgment of first instance was passed on 24/05/2006, terminating the Agreement on the Assignment of Business Shares of the company OPERATIVNA KOMPANIJA d.o.o., deciding that Narval, Studio Millenium and Mr. Richard Anthony Sheldon hold 2 business shares each, which represent 1117/4468 of the part of the basic capital of the company in favour of Narval and Mr. Richard Anthony Sheldon, and which represent 1111/4468 of the part of the basic capital of the company in favour of Studio Millenium, ordering the company Nova TV d.d. to perform the necessary change in the book of business shares of the company OPERATIVNA KOMPANIJA d.o.o., replace the Declaration of Establishment by the Company Agreement, and ordering the companies Nova TV d.d. and OPERATIVNA KOMPANIJA d.o.o. to pay the amount of HRK 44,070.00 as costs of litigation to the companies Narval and Studio Millenium, and to Mr. Richard Anthony Sheldon, and during which procedure were ordered preliminary measures under No. P-4038/2005, namely the preliminary measure of 27/07/2006, forbidding the Debtor to alienate and to dispose of the total of 6 business shares, which together represent 3345/4468 of the part of the basic capital of the company OPERATIVNA KOMPANIJA d.o.o., forbidding the Debtor Nova TV d.d. to exercise the rights from the stated business shares, forbidding the Debtor and the Company to perform acts which might cause damage to other persons stated in this item, and deciding on the registration of this preliminary measure into the book of business shares of the company OPERATIVNA KOMPANIJA d.o.o. and into the registration file of that company, and the preliminary measure of 18/12/2006, establishing a temporary board of the Company, determining that the temporary board is obliged to protect and maintain the assets of the Company, and deciding on the registration of the preliminary measure into the book of business shares of the company OPERATIVNA KOMPANIJA d.o.o. and into the registration file of that company, including the procedure before the Commercial Court in Rijeka, filed under No. R1-7/2007, at the proposal of Narval against OPERATIVNA KOMPANIJA d.o.o.

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"Agreement" means the Agreement on Transfer of Business Shares of Operativna kompanija d.o.o. No. OU-995/04. of 8 July 2004, certified as to content by Mr. Vladimir Marčinko, notary public from Zagreb.

## SUBJECT OF THE AGREEMENT

### Article 2

2.1. By this Agreement, the Parties resolve the "Dispute" and all of their mutual relations created up to the date of conclusion hereof, including the relations between a Party and the Affiliated Persons of the other Party or Parties, by waiving all of their monetary and non-monetary claims from the existing or future obligations which arise from or could arise from or are connected with Dispute, including the main claim, the interest, the costs of litigation and the costs of representation, save the claim of GLOBAL KOMUNIKACIJE d.o.o. against NOVA TV d.d. and OPERATIVNA KOMPANIJA d.o.o. and their affiliated persons, from the Agreement stated in Art. 5.4. hereof, and the claim of NARVAL AM d.o.o. and STUDIO MILLENIUM d.o.o. against the Debtor from the Agreement stated in Art. 5.5. hereof.

By this Agreement, the Parties resolve all other existing mutual relations from the Existing business or other legal relation of the Parties, from which any other claim could arise, as well as any other monetary and non-monetary claim, regardless of whether such claim, or claims are mature or non-mature, known or unknown, and whether the obligation already arose from it, or shall arise in the future. By this Agreement all of the mentioned claims are completely abolished and the Parties replace them with the new obligation of payment of the Debtor from Art. 2.3. hereof.

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By mutual will of the Parties, this Agreement terminates all the existing and future obligations of the Parties arising from the "Dispute", including the main claim, the interest, the costs of litigation and the costs of representation, as well as all the existing mutual obligations of the Parties, including any such obligations between a Party and Appointed Affiliated Persons of the other Party or Parties as might be based on the "Existing business or other legal relation of the Parties", by replacing them with the obligation of payment from Art. 2.3. hereof, save the claim of the company GLOBAL KOMUNIKACIJE d.o.o. from the Agreement stated in Art. 5.4. hereof, and the claim of NARVAL AM d.o.o. and STUDIO MILLENIUM d.o.o. against the Debtor from the Agreement stated in Art. 5.5. hereof.

2.2. By signing this Agreement, the "Creditor" confirms that the "Debtor" is the lawful holder of a 25% business share in the "Company", which business share previously belonged to the stated Creditor, which makes the Debtor the lawful holder of 50% of business shares in the Company, and states that he withdraws the claim and waives the claim from Dispute A, and proposes the invalidation of preliminary measures adopted and acts performed in Dispute A, and to that purpose, at the signing of this Agreement, he shall deliver, together with NARVAL AM d.o.o. and STUDIO MILLENIUM d.o.o., the adequate original joint submissions to the "Debtor", which he shall forward to the court on the first business day following the signing hereof, and he shall also deliver to the Debtor the evidence that the submissions have been filed at the competent court, not later than the second business day following the execution hereof. The Parties mutually determine that each Party shall bear its own costs of Disputes.

2.3. The "Debtor" undertakes to pay to the "Creditor" the stipulated amount of compensation for the transfer of business shares pursuant to the "Agreement", with no interest, within 10 days from the date of the signing hereof, as follows:

- the amount of HRK 111,700.00 (one hundred eleven thousand seven hundred kuna) to the account of Mr. Richard Anthony Sheldon's proxy, the attorney Mr. Zoran Krajinović, account number 2408002-115000828 at the bank PARTNER BANKA d.d. Zagreb.

The stated amount is payable in full or in part by the Debtor, or by a third party on his behalf, whereby the date of payment shall be the date on which the irrevocable order was issued to the bank for the payment of the mentioned amount to the abovementioned account, of which the Debtor shall inform the Creditor, on the first business day following the issuance of the payment order, on the fax No. 00 3851 6184 892, and within 2 business days after the issuance of the payment order, deliver to the same fax number and send by mail the confirmation of the bank of the payer that the funds were directed to the accounts of the Creditors, and the Creditors receive the funds to their accounts upon that order, unless the funds fail to arrive to the account of the Creditors due to a preventable error or a fault of the bank.

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2.4. The Parties state that none of them has instituted nor shall institute any criminal proceedings against the other side, its Affiliated Persons or present or former shareholders or members, founders, proxies, procurators, directors, or other employees of the Party or of its Affiliated Persons, nor has it initiated nor shall initiate any procedure which might result in declaration of penal or misdemeanour responsibility. The Parties state that, to their best knowledge, the same actions have not been performed by any of their Affiliated Persons and their and present or former shareholders or members, founders, proxies, procurators, directors, or other employees.

2.5. The Parties mutually undertake to additionally deliver to one another or to third parties any such document, deed etc., as might be necessary to the other Party for the termination of a Dispute, administrative procedure, Existing business or other legal relation, other than documents representing business secret. Every Party undertakes and guarantees to make certain that the Affiliated Persons and their respective successors and proxies perform and deliver every such additional deed, document, assignment or guarantee and undertake any other action as may be necessary or otherwise reasonably requested by the other Party, all in order to confirm and ensure the rights and obligations stipulated herein, and in order for the effect hereof to be complete.

2.6. The Parties mutually agree that every side is responsible to other sides for the damage caused by violations of the obligations of the Affiliated Person by its Affiliated Person. The responsibility shall be joint and several with the Affiliated Person who caused the damage if this Affiliated Person has obliged itself, separately and directly, to the injured Party to observe the Obligations of the Affiliated Persons. The Party is also responsible for the accuracy of the statement of its Appointed Affiliated Person, jointly and severally with its Appointed Affiliated Person.

2.7. If, by a final court decision or in another way, other than under this Agreement or by a written amendment hereto with a certified signature, any Party or its Affiliated Person acquires the right to fulfil any monetary or non-monetary claim as described in Article 2.1. hereof, the Parties state that neither they nor any of their Affiliated Persons shall initiate any procedure for the purpose of exercising that right, save the right to the collection of the claim of GLOBAL KOMUNIKACIJE d.o.o. from the Agreement mentioned in Art. 5.4. hereof, and the right to the collection of the claim of NARVAL AM d.o.o. and STUDIO MILLENIUM d.o.o. against the Debtor from the Agreement mentioned in Art. 5.5. hereof.

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The Parties also state that if, after the entry into force hereof, bankruptcy or liquidation proceedings of the Company are initiated, neither they nor any of their Affiliated Persons shall register their claims in that procedure. The Creditor guarantees and confirms that the rights, the claims and the requests which he or his Affiliated Persons might have against the Debtor or against his Affiliated Persons pursuant to Art. 2.1. hereof and which terminate, that is are replaced with new obligations, pursuant to that Article hereof, had not been transferred nor ceded to third parties prior to the entry into force hereof, and that the mentioned rights do not pertain to other persons on any grounds. The Creditor also guarantees and confirms that neither he nor the Affiliated Persons of the Creditor have initiated, filed a motion for, nor do they conduct any court or arbitration disputes or proceedings, or any other procedure before a competent body, against the Debtor or against his Affiliated Persons, and that there are no grounds for such actions.

2.8. The Parties mutually agree and guarantee that neither they nor their Affiliated Persons have any other monetary or non-monetary claim against the other Party or against its Affiliated Person, other than the claims of the Creditors from this Agreement, and the claim of GLOBAL KOMUNIKACIJE d.o.o. against NOVA TV d.d. and OPERATIVNA KOMPANIJA d.o.o. and their affiliated persons, from the Agreement mentioned in Art. 5.4. hereof, and the claim of NARVAL AM d.o.o. STUDIO MILLENIUM against the Debtor, from the Agreement mentioned in Art. 5.5. hereof, nor are they aware of any such claims which a third party might have against the other Party or against its Affiliated Person.

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## ENTRY INTO FORCE

### Article 3

3.1. This Agreement is concluded, applied and enters into force when it has been signed by the legal representatives of the parties or by their proxies, and certified as to signatures by the notary public.

3.2. The parties mutually establish that this agreement does not apply to the business cooperation between the Debtor NOVA TV d.d. and the Affiliated Person of the Creditor, GRP Media d.o.o., relating to the advertising of the client Beiersdorf d.o.o. within the programme of the Debtor NOVA TV d.d. under the conditions from the Investment Term Sheet signed for the period from 01/04/2007 to 31/03/2009 from which business cooperation arose the debt of the company GRP Media d.o.o. against the Debtor NOVA TV d.d. which on 31/10/2007 amounts to HRK 837,015.57 (VAT included). Also, this agreement does not apply to the business cooperation between the Debtor NOVA TV d.d. and the Affiliated Person of the Creditor, GRP Media d.o.o., relating to the advertising of the clients Grudska pivovara d.o.o. and UNDP (United Nations Development Program) and from which business cooperation arose the debt against the Debtor NOVA TV d.d. which on 31/10/2007 amounts to HRK 121,113.67 (VAT included).

## GOVERNING LAW

### Article 4

4.1. Any dispute arising from this Agreement, which cannot be resolved by the Parties in an amicable manner, shall be resolved by the regular competent court in Zagreb, with Croatian law as governing law.

## FINAL PROVISIONS

### Article 5

5.1. Upon the entry into force and the fulfilment hereof, the Parties shall inform the public thereof by a joint communication, emphasising the achievement of mutual satisfaction and understanding, and further successful cooperation. Should one of the Parties or its Affiliated Person inform the public of this Agreement, of the agreement of the parties to this Agreement, or of the termination of Disputes without the consent of the other Party, such act shall be considered disturbance of business performance of the other Party, and the provisions of the following Article 5.2. shall apply. If the public is notified of this Agreement, of the agreement of the parties to this Agreement, or of the termination of Disputes by an Affiliated Person of the Debtor - Central European Media Enterprises Ltd, such conduct shall not be considered disturbance of business performance of the other Party, to the extent in which the respective person is legally obliged to perform such notification to the public, or forced to do so by the rules of the stock exchange on which its shares are quoted.

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5.2. The "Creditor" and the "Debtor" undertake that neither they nor their Affiliated Persons shall, after the conclusion hereof, directly or indirectly adversely affect or attempt to affect the business performance or disturb the business performance of the other side or disturb the business performance of the Affiliated Persons of the other side, regardless of whether the business performance takes place between the Parties, between the Parties and their Affiliated Persons or between any of the stated persons and third parties. Any reference by a Party or by its Affiliated Person before third parties, in public, or before the competent court or body (other than when the Party refers to this Agreement before the competent court or body for protection from adverse influence to the business performance or due to disturbance of business performance of the respective Party or of its Affiliated Person), to the rights that cease pursuant to this Agreement, i.e. that are replaced by new obligations, or to such new obligations, which represents the grounds for liability for damage of the other Party, is also considered disturbance of business performance of one Party or of its Affiliated Person. If one Party or its Affiliated Person causes damage to the other Party by its adverse influence in the manner described above, it is obliged to compensate this damage to the other party.

5.3. The Parties mutually agree that each Party is also responsible to the other Party for the damage caused by the mentioned disturbance of business performance of the other Party, in the case that such disturbance was incurred by actions or failures of its Affiliated Persons.

5.4. By the conclusion of this Agreement, the Parties confirm that they are aware that, simultaneously with the conclusion hereof, the company GLOBAL KOMUNIKACIJE d.o.o. on one side and the companies NOVA TV d.d. and OPERATIVNA KOMPANIJA d.o.o. on the other side have concluded another Agreement, with the content as scheduled in Schedule 2 hereto. The Creditor, as Affiliated Person of the Creditor from the Agreement of Global komunikacije, explicitly confirms that he is aware of all the obligations of the Affiliated Persons under that Agreement and that he is personally and directly responsible for these obligations. This Agreement shall be scheduled to the Agreement concluded between GLOBAL KOMUNIKACIJE d.o.o. on one side and the companies NOVA TV d.d. and OPERATIVNA KOMPANIJA d.o.o. on the other side.

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5.5. By the conclusion of this Agreement, the Parties confirm that they are aware that, simultaneously with the conclusion hereof, an Agreement of identical content has been concluded between the Debtor and the companies NARVAL AM d.o.o., and STUDIO MILLENIUM d.o.o., upon the entry into force of which the Debtor shall be the sole member and the lawful holder of a 100% share in the Company.

5.6. Simultaneously with the execution hereof, the Parties hand over to each other the originals of the Statements, given in person or by certified powers of attorney of the proxies, of the following Affiliated Persons of the Creditor: GRP MEDIA d.o.o., Zagreb, Mr. Ivan Čaleta from Zagreb, Mr. Damir Tus from Crikvenica, Mr. Neven Čičko from Zagreb, Mr. Ivan Blažičko from Zagreb, Ms. Darinka Bakran from Zagreb, Mr. Vlado Pukanić from Velika Gorica, with the content as in the text from Schedule 3 hereto, certified as to content by a notary public, and the originals of the Statements of the following Affiliated Persons of the Jointly and Severally Liable Debtors: Mr. Marijan Jurenc from the Republic of Slovenia, Radomlje, Prečna ulica 1, Mr. Tadej Horžen from the Republic of Slovenia, 8263 Cerklje ob Krki, Cerklje ob Krki 72, Mr. Dražen Mavrić from Zagreb, Srebrnjak 119a, Mr. Branko Čakarmiš from the Republic of Slovenia, 5271 Vipava, Cesta 18. aprila 3, with the content as in the text from Schedule 3 hereto, certified as to content by a notary public.

#### Article 6

6.1. This Agreement in concluded in 8 copies in Croatian, four copies for each Party.

#### Article 7

7.1. In sign of acceptance of the rights and obligations hereunder, the "Creditor" and the "Debtor" have set their hands to it.

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In Zagreb, 26/11/2007

Richard Anthony Sheldon

/s/ Zoran Krajinović

Attorney, Mr. Zoran Krajinović

NOVA TV d.d.

/s/ Dražen Mavrić

Chairman of the Board, Mr. Marijan Jurenc by the proxy Mr. Dražen Mavrić

/s/ Dražen Mavrić

Member of the Board, Mr. Dražen Mavrić

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GLOBAL KOMUNIKACIJE d.o.o. Zagreb, Ulica grada Vukovara 269 d, represented by the procurator Ms. Darinka Bakran,

on one side,

and

NOVA TV d.d. Zagreb, Remetinečka c. 139, represented by the chairman of the Board Mr. Marijan Jurenc, who is represented by Mr. Dražen Mavrić by the special power of attorney dated 26/11/2007 (the twenty-sixth of November two thousand and seven), and the member of the Board Mr. Dražen Mavrić,

OPERATIVNA KOMPANIJA d.o.o. Rijeka, Nikole Tesle 2, represented by the director Mr. Tadej Horžen and the temporary manager Mr. Neven Čičko,

on the other side,

have concluded today the following

## **A G R E E M E N T**

### **DEFINITIONS**

#### **Article 1**

1.1. For the purposes of this Agreement, the terms stated herein below shall have the meaning and the content as determined by this Article:

"Creditor": GLOBAL KOMUNIKACIJE d.o.o. Zagreb, Ulica grada Vukovara 269, entered in the register of the Commercial Court in Zagreb, under the registration No. of entity (MBS): 080020111.

"Jointly and Severally Liable Debtors":

NOVA TV d.d. Zagreb, Remetinečka c. 139, entered in the register of the Commercial Court in Zagreb, under the registration No. of entity (MBS): 080222668.

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OPERATIVNA KOMPANIJA d.o.o. Rijeka, Nikole Tesle 2, entered in the register of the Commercial Court in Rijeka, under the registration No. of entity (MBS): 080354416.

"Debtor":

NOVA TV d.d. Zagreb, Remetinečka c. 139, entered in the register of the Commercial Court in Zagreb, under registration No. of entity (MBS): 080222668.

"Parties" are Jointly and Severally Liable Debtors, or one Jointly and Severally Liable Debtor or Debtor on one side, and the Creditor on the other side.

"Affiliated Person" is any natural person or legal entity who is the present or former founder, shareholder, or member of the company, director or procurator of a Party, as well as any other natural person or legal entity directly or indirectly controlling the "Creditor" or "Jointly and Severally Liable Debtors", or who is under their direct or indirect control. Control implies the possibility of influencing the management of the company directly or indirectly, and/or the circumstance of direct or indirect holding of a business share or shares of the company. Appointed Affiliated Persons of the Creditor and of the jointly and Severally Liable Debtors are also considered Affiliated Persons.

"Appointed Affiliated Persons of the Creditor" are GRP MEDIA d.o.o., Zagreb, NARVAL AM d.o.o., Zagreb, STUDIO MILLENIUM d.o.o., Zagreb, together with their subsidiaries and affiliated companies, and Mr. Ivan Čaleta from Zagreb, director of the Creditor, Mr. Richard Anthony Sheldon from Great Britain, London W14 8NL, 12 Tollard House, 388 Kensington High Street, Mr. Damir Tus from Crikvenica, SAD 3, Mr. Neven Čičko from Zagreb, Mikulići 145, Mr. Ivan Blažičko from Zagreb, P.P. Njegoša 6, Ms. Darinka Bakran from Zagreb, Braće Korenika 2, Mr. Vlado Pukanić from Velika Gorica, N. pl. Škrleca Lomničkog 1, Ms. Ana-Marija Crnojević from Zagreb, former member of the board of NOVA TV d.d., Mr. Vjenceslav Bacci from Split, Drvenička 21, who are, for the purposes of this Agreement, exclusively considered Affiliated Persons of the Creditor.

"Appointed Affiliated Persons of the Jointly and Severally Liable Debtors" are CME Media Enterprises B.V. and Central European Media Enterprises Ltd, together with their subsidiaries and affiliated companies, Mr. Marijan Jurenc from the Republic of Slovenia, Radomlje, Prečna ulica No. 1, Mr. Tadej Horžen from the Republic of Slovenia, 8263 Cerklje ob Krki, Cerklje ob Krki 72, Mr. Dražen Mavrić from Zagreb, Srebrnjak 119a, Mr. Branko Čakarmiš from the Republic of Slovenia, 5271 Vipava, Cesta 18. aprila 3.

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"Obligation of the Affiliated Person" is any such obligation defined herein as obligation of a Party or Parties, for which, due to the nature of the obligation and to the circumstances, an Affiliated Person may also be responsible, as well as any obligation for which an Affiliated Person may explicitly be responsible under this Agreement. The Obligation of the Affiliated Person is also to act in accordance with all the provisions of this Agreement, in order to fulfil its purpose. The Obligation of the Appointed Affiliated Person of the Creditor and of the Jointly and Severally Liable Debtors, which persons are stated in Art. 7.3. hereof, is also to give a true and complete Statement of the Affiliated Person, with the obligatory wording as in Schedule 3 hereof.

"Existing business or other legal relation of the Parties" is any existing business or legal relation of the Parties or of the Parties and Affiliated Persons of the other side, which includes, but is not limited to acts, legal basis of acts, cases, claims, debts, amounts of moneys, accounts, guarantees, securities, liabilities, contracts, contested claims, agreements, promises, compensations of damages, breaches, violations, damages, judgments, legal remedies, motions, pledges and obligations, of any nature (legal, monetary or other), direct or indirect, determined or non-determined, known or unknown, suspected or unsuspected, fixed or current, hidden or not - such as could have been determined or shall be determined.

"Disputes"

A. Dispute before the Commercial Court in Zagreb, filed under No. P-4250/2004, pursuant to the claim of OPERATIVNA KOMPANIJA d.o.o. against GLOBAL KOMUNIKACIJE d.o.o., represented by the attorney Tanja Vranjican and the substitute proxy, attorney Zoran Krajinović, and the counter-claim of GLOBAL KOMUNIKACIJE d.o.o., represented by the attorney Tanja Vranjican and the substitute proxy, attorney Zoran Krajinović, against OPERATIVNA KOMPANIJA d.o.o., in which dispute a non-final judgment of first instance was passed on 12/07/2006, rejecting the claim of OPERATIVNA KOMPANIJA d.o.o., and accepting the counter-claim of GLOBAL KOMUNIKACIJE d.o.o., pursuant to which OPERATIVNA KOMPANIJA d.o.o. is obliged to pay to GLOBAL KOMUNIKACIJE d.o.o. the amount of HRK 68,444,562.00 (sixty-eight million four hundred forty-four thousand five hundred and sixty-two Croatian kuna) with legal default interest from 01/12/2004 (the first of December two thousand and four) until repayment, which shall amount, on 30/09/2007 (the thirtieth of September two thousand and seven), to HRK 101,955,851.65 (hundred and one million nine hundred fifty-five thousand eight hundred fifty-one Croatian kuna and sixty lipa), and to compensate the costs of litigation in the amount of HRK 737,000.00 (seven hundred thirty-seven thousand Croatian kuna).

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B. Dispute before the Commercial Court in Zagreb, filed under No. P-4144/2005, pursuant to the claim of GLOBAL KOMUNIKACIJE d.o.o., represented by the attorney Tanja Vranjican, against NOVA TV d.d., in which dispute a non-final judgment of first instance was passed on 01/08/2006 (the first of August two thousand and six), accepting the claim of GLOBAL KOMUNIKACIJE d.o.o., pursuant to which NOVA TV d.d. is obliged to pay to GLOBAL KOMUNIKACIJE d.o.o. the amount of HRK 68,444,562.00 (sixty-eight million four hundred forty-four thousand five hundred sixty-two Croatian kuna), with legal default interest from 01/12/2004 (the first of December two thousand and four) until repayment, which shall amount, on 30/09/2007 (the thirtieth of September two thousand and seven), to HRK 101,955,851.65 (hundred and one million nine hundred fifty-five thousand eight hundred fifty-one Croatian kuna and sixty lipa), and to compensate the costs of litigation in the amount of HRK 244,000.00 (two hundred forty-four thousand Croatian kuna).

C. Dispute before the Commercial Court in Zagreb, filed under No. P-426/2007, pursuant to the claim of NOVA TV d.d. against GLOBAL KOMUNIKACIJE d.o.o., represented by the Law Firm Župić & Partners for the declaration of nullity, in which a non-final decision of first instance was passed, rejecting the claim of the plaintiff, and ordering him to compensate to the defendant the costs of litigation amounting to HRK 366,000.00 (three hundred sixty-six thousand Croatian kuna).

D. Any other dispute or procedure between the Creditor and one or both Jointly and Severally Liable Debtors or their Affiliated Persons, filed before the court or another competent body, including bankruptcy or liquidation proceedings of a particular Party or of its Affiliated Person, procedures of adopting preceding and preliminary measures, administrative procedures, and disputes or other similar procedures.

E. Any other dispute filed by the Creditor, his Appointed Affiliated Person and/or Jointly and Severally Liable Debtors, their Appointed Affiliated Persons, against the founders, directors, shareholders or members, proxies, procurators, and/or employees or former founders, directors, shareholders or members, proxies, procurators, and/or employees of the other side.

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F. Any preliminary measure, administrative procedure or other similar procedure filed by one side against the other, or initiated at the motion of one side against the other.

"New Amount of Obligation": the amount of EUR 7,500,000.00 (seven million five hundred thousand euro) in HRK counter value at the mid exchange rate of the Croatian National Bank at the end of the business day prior to the date of payment, as compensation of damage for termination of the Agreements from "Disputes A and B"

"Full Amount of Obligation": the amount of HRK 101,955,850.00 (hundred and one million nine hundred fifty-five thousand eight hundred and fifty Croatian kuna), as compensation of damage for termination of the Agreements from "Disputes A and B"

"Advertising Time": the advertising time at NOVA TV in the value of HRK 14,730,000.00 (fourteen million seven hundred thirty thousand Croatian kuna), on the date of its realisation - broadcasting at NOVA TV, which is being ceded as compensation of damage for termination of the Agreements from "Disputes A and B", to the "Creditor" without compensation, in accordance with the Agreement from Schedule 1, which is a component part hereof and which shall be signed simultaneously with the entry into force hereof, and the "Creditor" can use the ceded time for his clients, not later than 31/12/2009 (thirty first December two thousand and nine), in accordance with the conditions of the Agreement from Schedule 1.

## SUBJECT OF THE AGREEMENT

### Article 2

2.1. By this Agreement, the Parties resolve the "Disputes" and all of their mutual relations and claims created up to the date of conclusion hereof, including relations between a Party and Affiliated persons of the other Party or Parties, which arise from or could arise from or are connected with Disputes A through F, including the main claim, the interest, the costs of litigation and the costs of representation.

By this Agreement, the Parties also resolve all other existing mutual relations from the Existing business or other legal relation of the Parties, from which could arise any other claim, as well as any other monetary and non-monetary claim, regardless of whether such claim or claims are mature or non-mature, known or unknown, and whether the obligation already arose from it, or shall arise in the future. By the entry into force hereof, all of the mentioned claims are completely abolished, and the Parties simultaneously replace them with the new obligations of "Jointly and Severally Liable Debtors" or of the "Debtor" towards the "Creditor", which are regulated hereby, and which represent the obligation of payment of the "New Amount of Obligation" and the obligation of non-collectable cession of "Advertising Time".

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2.2. Pursuant to the will of both Parties, this Agreement terminates all the existing and future obligations of the Parties arising from Disputes stated in A through F, including the main claim, the interest, the costs of litigation and the costs of representation, as well as any existing mutual obligations of the Parties, including any obligations between a Party and Appointed Affiliated Persons of the other Party or Parties, based on the "Existing business or other legal relation of the Parties", by replacing them with the obligation of payment of the "New Amount of Obligation" and of the cession of "Advertising Time". The claims of the companies NARVAL A.M. d.o.o., STUDIO MILLENIUM d.o.o. and of Mr. Richard Anthony Sheldon against NOVA TV d.d. from Art. 2.3. of the Agreement as described in Art. 7.2. hereof are not cancelled by the execution hereof.

2.3. "Jointly and Severally Liable Debtors" OPERATIVNA KOMPANIJA d.o.o. and NOVA TV d.d. undertake, not later than within 20 (twenty) business days from the date of entry into force (certification as to content) hereof, pursuant to Art. 7.1, but not prior to the fulfilment of the conditions from Art. 7.2. hereof, to pay the "New Amount of Obligation", by paying EUR 7,500,000.00 (seven million five hundred thousand euro) in HRK counter value at the mid exchange rate of the Croatian National Bank at the end of the business day prior to the date of payment, to the "Creditor", to the account of the "Creditor" GLOBAL KOMUNIKACIJE d.o.o., Zagreb, Ulica Grada Vukovara 269 d, account number: 2402006-1100500355, opened at Erste & Steiermärkische Bank d.d., Rijeka, branch office Zagreb, Ulica grada Vukovara 269 d, or in case of foreign remittance of the amount of EUR 7,500,000.00 (seven million five hundred thousand euro), by disbursement to the foreign exchange account of the "Creditor" GLOBAL KOMUNIKACIJE d.o.o., Zagreb, Ulica Grada Vukovara 269 d, open at Erste & Steiermärkische Bank d.d. Rijeka, branch office Zagreb, Ulica grada Vukovara 269 d, IBAN: HR 6924020061100500355, SWIFT code: ESBCHR22.

The stated amount may be paid in full or in part by any of the Jointly and Severally Liable Debtors, or by a third party on their behalf. The date of payment of the "New Amount of Obligation" shall be the date on which the irrevocable order was issued to the bank for the payment of the "New Amount of Obligation" to the above stated account, whereof the Creditor shall be informed by the Jointly and Severally Liable Debtors or by one of them, on the first business day after the issuing of the payment order, on the fax No. 00 3851 6184 892, and within 2 business days upon the issuing of the payment order, deliver to the same fax number and send by mail the confirmation of the bank of the payer that the funds were directed to the accounts of the Creditor, and the Creditor receives the funds to his account upon that order, unless the funds are not received on the account of the Creditor due to a preventable error or a fault of the bank.

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2.4. Apart from the payment of the "New Amount of Obligation", by this Agreement the Jointly and Severally Liable Debtor NOVA TV d.d. cedes to the "Creditor" the "Advertising Time", for the purpose of which Nova TV d.d. and the Creditor shall conclude the agreement from Schedule 1 hereto, simultaneously with the signing and the certification as to content hereof, i.e. with its entry into force in accordance with Art. 7.1. The agreement from Schedule 1 shall not enter into force until the conditions from Art. 7.2. hereof has been fulfilled. The Parties mutually determine that OPERATIVNA KOMPANIJA d.o.o. is not a debtor nor a jointly and severally liable debtor of the obligation of Advertising Time.

2.5. The Parties state that neither of them has instituted nor shall institute any criminal proceedings against the other side, its Affiliated Person or present or former shareholders or members, founders, proxies, procurators, directors, or other employees of a Party or of an Affiliated Person, nor has it initiated nor shall initiate any procedure which might result in the declaration of penal or misdemeanour responsibility. The Parties state that, to their best knowledge, the same actions have not been performed by any of their Affiliated Persons nor by their present or former shareholders or members, founders, proxies, procurators, directors, or other employees.

2.6. The Parties mutually agree that every side is responsible to other sides for the damage caused by violations of the obligations of the Affiliated Person by its Affiliated Person. The responsibility shall be joint and several with the Affiliated Person who caused the damage if this Affiliated Person has undertaken, separately and directly, towards the injured Party to observe the Obligations of the Affiliated Persons. The Party is also responsible for the accuracy of the statement of its Appointed Affiliated Person, jointly and severally with its Appointed Affiliated Person.

2.7. The Parties mutually establish and guarantee that neither they nor their Affiliated Persons hold any other monetary or non-monetary claim against the other Party or against its Affiliated Person, other than the claims of the Creditor from this Agreement and the claims of the companies NARVAL A.M. d.o.o., STUDIO MILLENIUM d.o.o. and of Richard Anthony Sheldon against NOVA TV d.d., from Art. 2.3. of the Agreement as described in Art. 7.2. hereof, nor are they aware of any such claims of third parties against the other Party or against its Affiliated Person.

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## FULFILMENT

### Article 3

3.1. In the event that this Agreement enters into force, and "Jointly and Severally Liable Debtors" fail to fulfil, upon maturity, their monetary obligation as determined by Art. 2.3. hereof, the "Creditor" shall, pursuant to this Agreement, be authorised to initiate enforcement proceedings, with the aim of enforcing the collection of the "Full Amount of Obligation", that is the amount of HRK 101,955,850.00 (hundred and one million nine hundred fifty-five thousand eight hundred and fifty Croatian kuna), reduced for the paid part of the "New Amount of Obligation" and for the value of the ceded and so-far realised (broadcast) Advertising Time. The Parties mutually determine that in case of enforced collection of the "Full Amount of Obligation", the obligation of "Advertising Time" from Art. 2.4., and the obligation of payment of the "New Amount of Obligation" from Art. 2.3. shall cease, and all the obligations of the Debtor and of Jointly and Severally Liable Debtors hereunder shall be considered fulfilled.

3.2. In the event that this Agreement enters into force, and the obligation of payment of the "New Amount of Obligation" is completely fulfilled, but the Debtor NOVA TV d.d. fails to fulfil its obligation as determined in Art. 2.4. hereof, the Creditor GLOBAL KOMUNIKACIJE d.o.o. shall be authorised under this Agreement - providing that he has previously informed NOVA TV d.d. in writing of the breach of the provision from Art. 2.4. and advised it to fulfil the obligation from the Agreement from Schedule 1 hereof in an additional term of 10 (ten) business days - to initiate enforcement proceedings for enforcing the collection of the amount of EUR 2,000,000.00 (two million euro) in HRK counter value at the mid exchange rate of the Croatian National Bank on the date of issuance of payment order, reduced for the value of the ceded and realised (broadcast) "Advertising Time". The enforced collection terminates the obligation of "Advertising Time" from Art. 2.4., and all of the obligations of the Debtor and of Jointly and Severally Liable Debtors hereunder are considered fulfilled. The Parties mutually establish that, for the purpose of regulating the fulfilment of obligation of "Advertising Time", the data and the reports of the agency from Art. 3 par. 4 of the Agreement from Schedule 1 hereto, and the findings and the opinion of the auditor in accordance with Art. 4 of the Agreement from Schedule 1 hereof shall be considered relevant. Should Nova TV validly and reasonably terminate that Agreement prior to its term, in accordance with the provisions of the Agreement from Schedule 1 hereto, for reasons stated in Art. 14 of that Agreement, and in the manner provided by the same provision, the Creditor shall lose its right to the enforced payment of a 35% value of the remaining un-broadcast "Advertising Time", while the remaining un-broadcast time can be collected in accordance with the conditions of the Agreement from Schedule 1 hereto. A reasonable rejection by NOVA TV of the broadcasting of the advertisements, for reasons stated in the Agreement from Schedule 1 hereto shall not be deemed non-fulfilment of the contractual obligations of NOVA TV d.d.

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DISPUTES

Article 4

4.1. By signing this Agreement and by its entry into force, the "Jointly and Severally Liable Debtors" withdraw and waive their claims set forth in the "Disputes" A and C, and are obliged to, on the first business day following the date of the signing hereof, inform the court that they withdraw and waive the claims set forth in "Disputes" A and C, and to that purpose, at certification as to content and the signing hereof, they shall deliver to the Creditor the corresponding original submissions on the withdrawal of the claim and on the waiving of the claims, and the court or other competent body may be informed thereof by the "Creditor", to which purpose he shall deliver to the court or to the competent body a copy of this settlement and of the corresponding submission.

4.2A. By signing this Agreement and by its entry into force, the "Creditor" withdraws and waives the claims set forth in "Disputes" A and B, and is obliged, on the first business day following the date of the signing hereof, inform the court that he withdraws the claim and waives the claims set forth in "Disputes" A and B, and to that purpose, at certification as to content and the signing hereof, he shall deliver to each of the Jointly and Severally Liable Debtors the corresponding original submissions on the withdrawal of the claim and on the waiving of the claim, and the court or other competent body may be informed thereof by the "Jointly and Severally Liable Debtors" or by one of them, to which purpose the Jointly and Severally Liable Debtors or one of them may deliver to the court or to other competent body a copy of this settlement and of the corresponding submission.

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4.2B. The Parties are obliged to deliver to one another the corresponding submissions from Article 4.1. and 4.2A., with the evidence of their receipt at the competent court, not later than on the second business day following the entry into force hereof.

4.3. The Parties mutually undertake to additionally deliver any such document, deed etc., as might be necessary to the other Party for the termination of a Dispute, administrative procedure, Existing business or other legal relation, other than documents representing business secret. Each Party undertakes and guarantees to make certain that the Affiliated Persons and their respective successors and proxies perform and deliver every such additional deed, document, cession or guarantee, and to undertake all other actions as might be necessary or otherwise reasonably requested by the other Party, all of the above in order to confirm and ensure the rights and obligations stipulated herein, and in order for the effect hereof to be complete.

4.4. Each of the Parties shall bear its own costs of "Disputes".

4.5. If, pursuant to a final court decision or otherwise, other than under this Agreement or by a written amendment hereto certified as to content by the notary public, any Party or any of its Affiliated Persons, acquires the right to the fulfilment of any monetary or non-monetary claim described in Article 2.1. and/or Article 2.2. hereof, the Parties state that neither they nor any of their Affiliated Persons shall initiate any proceedings for the realisation of this right. The Parties also state that, should any bankruptcy or liquidation proceedings over Operativna kompanija d.o.o. be initiated after the entry into force hereof, neither they nor any of their Affiliated Persons shall file their claims in that procedure, other than the claims of the Creditor against Operativna kompanija pursuant to Art. 2.3. or Art 3.1. hereof. The Creditor guarantees and confirms that the rights, the claims, and the requests which he or his Affiliated Persons have against the Jointly and Severally Liable Debtors or their Affiliated Persons pursuant to Art. 2.1. and/or Art. 2.2. hereof, and which terminate that is are replaced with new obligations pursuant to these Articles, had not been transferred nor ceded to third persons prior to the entry into force hereof, and that the mentioned rights do not pertain to other persons on any grounds. The Creditor also confirms that, according to his best knowledge, such rights, claims, and requests have not been transferred to third persons by his other Affiliated Persons, nor do they share them with other persons on any grounds.

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GOVERNING LAW

Article 5

5.1. Any dispute arising from this Agreement, which cannot be resolved by the Parties in an amicable manner, shall be resolved by the regular competent court in Zagreb, with Croatian law as governing law.

CERTIFICATION AS TO CONTENT

Article 6

6.1. The Parties undertake to submit this Agreement for confirmation (certification as to content) to a notary public, in order for the Agreement to acquire the nature of an enforcement deed.

6.2. "Jointly and Severally Liable Debtors" agree that, in the event that the "Jointly and Severally Liable Debtors" fail to fully pay the "New Amount of Obligation" upon maturity, the "Creditor" may, pursuant to this Agreement, initiate enforcement proceedings against one or both "Jointly and Severally Liable Debtors", for enforced collection of the "Full Amount of Obligation", that is of the amount of HRK 101,955,850.00 (hundred and one million nine hundred fifty-five thousand eight hundred and fifty Croatian kuna), reduced for the paid part of the "New Amount of Obligation", and for the value of the ceded and realised (broadcast) Advertising Time.

6.3. The amount of the due and unpaid claim of the "Creditor" from Art. 6.2. shall be determined by the "Creditor", by a written and certified statement, and by the confirmation of the bank of the "Creditor", by which the bank of the "Creditor" shall confirm that the "New Amount of Obligation" has not been paid to the bank account from Art. 2.3. hereof, within the term from Art. 2.3. hereof nor within 5 days after the lapse of that term, by the Jointly and Severally Liable Debtors and/or by a third party on behalf of Jointly and Severally Liable Debtors.

6.4. NOVA TV d.d. agrees that, in the event that NOVA TV d.d. fails to fulfil the obligations from the Agreement in Schedule 1 hereto, the "Creditor" GLOBAL KOMUNIKACIJE d.o.o. may, pursuant to this Agreement, upon maturity and after having advised as described under Art. 3.2., initiate enforcement proceedings against NOVA TV d.d. for enforced collection of the amount of EUR 2,000,000.00 (two million euro) in HRK counter value at the mid exchange rate of the Croatian National Bank on the date of issuance of the payment request, reduced for the value of the ceded and broadcast "Advertising Time", calculated in accordance with the provisions of the Agreement from Schedule 1.

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6.5. The amount of the due and unpaid claim of the "Creditor" from Article 6.4. shall be determined by the "Creditor", by a written and certified statement, and by the findings and the opinion of an auditor from KPMG Croatia d.o.o. za reviziju, who shall, in accordance with Article 4 of the Agreement from Schedule 1 hereof, having examined the documentation of the Debtor Nova TV d.d., of the Creditors and of the relevant clients of the Creditors, confirm that the Debtor Nova TV d.d. has failed to grant the conditions of advertising pursuant to Art. 4 par. 1 of the Agreement from Schedule 1 hereof, or pursuant to the evidence of delivery of the media plan and the accepted offer to the Jointly and Severally Liable Debtor NOVA TV d.d., in the manner and within the term from Art. 5 and 6 of the Agreement from Schedule 1 hereof, and from the printout of GB NIELSEN MEDIA RESEARCH d.o.o., or of another agency as stipulated by Art. 3 par. 4 of the Agreement from Schedule 1 hereof, confirm that the ordered advertising has not been performed. The evidence of a duly performed obligation of cautioning the Debtor NOVA TV d.d. pursuant to Art. 3.2. hereof, and the findings and the opinion of the auditor from KPMG Croatia d.o.o. za reviziju, confirming the calculation of the mature and unpaid claim of the Creditor have to be enclosed to the statement of the Creditor, or of another internationally recognized auditor of an important reputation, with the adequate experience and with the authority to perform this activity in the Republic of Croatia, if KPMG Croatia d.o.o. fails to draw the findings and the opinion within 39 business days, starting from the date on which the Creditor delivered to that auditor, by registered mail against receipt, the complete order for the drawing of the findings and of the opinion, together with all the documentation necessary for the drawing of the findings and of the opinion. The findings of the auditor do not have to be enclosed with the statement of the Creditor if the Creditor and the Debtor agree on the manner of calculation of the claim. In this case, the Creditor shall deliver the agreed calculation of the claim signed by the legal representatives of the Creditor and the Debtor Nova TV d.d.

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ENTRY INTO FORCE

Article 7

7.1 This Agreement shall enter into force when it has been signed by the legal representatives of the Parties and by the temporary manager of the Jointly and Severally Liable Debtor OPERATIVNA KOMPANIJA d.o.o., and confirmed (certified as to content) by a public notary in the Republic of Croatia.

7.2. The obligation of payment of the "New Amount of Obligation" from Art. 2.3. hereof shall not become due before the Agreements (the texts of which, with the obligatory content thereof, are scheduled hereto as Schedule No. 2) between the companies Narval A.M. d.o.o., Studio Millenium d.o.o. and Mr. Richard Anthony Sheldon on one side and the company NOVA TV d.d. on the other side have been concluded and have entered into force. The Agreement described in Art. 2.4. hereof and enclosed as Schedule 1 shall not enter into force before the Agreements (the texts of which with the obligatory content thereof are scheduled hereto as Schedule No. 2) between the companies Narval A.M. d.o.o., Studio Millenium d.o.o. and Mr. Richard Anthony Sheldon on one side and the company NOVA TV d.d. on the other side have been concluded and have entered into force.

7.3. Simultaneously with the signing hereof, each Party shall hand over to the other Party the originals of the Statements, given in person or by certified powers of attorney of the proxies, of the following Affiliated Persons of the Creditor: GRP MEDIA d.o.o., Mr. Ivan Čaleta from Zagreb, Mr. Damir Tus from Crikvenica, Mr. Neven Čičko from Zagreb, Mr. Ivan Blažičko from Zagreb, Ms. Darinka Bakran from Zagreb, Mr. Vlado Pukanić from Velika Gorica, with the wording as in the text from Schedule 3 hereof, certified as to content by a notary public, and the originals of the Statements of the following Affiliated Persons of the Jointly and Severally Liable Debtors: Mr. Marijan Jurenc from the Republic of Slovenia, Radomlje, Prečna ulica 1, Mr. Tadej Horžen from the Republic of Slovenia, 8263 Cerklje ob Krki, Cerklje ob Krki 72, Mr. Dražen Mavrić from Zagreb, Srebrnjak 119a, Mr. Branko Čakarmiš from the Republic of Slovenia, 5271 Vipava, Cesta 18. aprila 3, with the wording as in the text from Schedule 3 hereto, certified as to content by a notary public.

7.4. Simultaneously with the signing hereof, the Creditor delivers to the Jointly and Severally Liable Debtors the Resignation of Mr. Neven Čičko from the position of the temporary manager of the Jointly and Severally Liable Debtor OPERATIVNA KOMPANIJA d.o.o., with the wording as in the text from Schedule 3 hereof, certified as to the signature of the person resigning by a Croatian notary public.

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7.5. Simultaneously with the signing hereof, the Parties hand over to one another the submissions mentioned in Art. 4.1. and 4.2.A hereof.

## FINAL PROVISIONS

### Article 8

8.1. After the entry into force and the fulfilment hereof, the Parties shall inform the public thereof by a joint communication, emphasising the achievement of mutual satisfaction and understanding, and further successful cooperation. Should the one of the Parties or its Affiliated Person inform the public of this Agreement, of the agreement of the parties to this Agreement, or of the termination of Disputes, without the consent of the other Party, such act shall be considered disturbance of business performance of the other Party, and the provisions of the following Article 8.2 shall apply. If the public is notified of this Agreement, of the agreement of the parties to this Agreement, or of the termination of Disputes by an Affiliated Person of the Jointly and Severally Liable Debtor - Central European Media Enterprises Ltd, such conduct shall not be considered disturbance of business performance of the other Party, to the extent to which the respective person is obliged by law to perform such notification to the public, or forced to do so by the rules of the stock exchange on which its shares are quoted.

8.2. The "Creditor" and the "Jointly and Severally Liable Debtors" undertake that, after the conclusion and the entry into force hereof, neither they nor their Affiliated Persons shall directly or indirectly adversely affect or attempt to affect the business performance or disturb the business performance of the other side or disturb the business performance of the Affiliated Persons of the other side, regardless of whether the business performance takes place between the Parties, between the Parties and their Affiliated Persons or between any of the stated persons and third parties. Any reference by a Party and/or by its Affiliated Person before third parties, in public or before a competent court or body (other than if the Party refers to this Agreement before the competent court or body for protection from adverse influence on the business performance or due to disturbance of business performance of the respective Party or or its Affiliated Person), to the rights that cease pursuant to this Agreement, i.e. that are replaced by new obligations, or to these new obligations, which represents grounds for liability for damage of the other Party, is also considered disturbance of business performance of the other Party and/or its Affiliated Person. If a Party or its Affiliated Person causes damage to the other Party by its adverse influence in the manner described above, it is obliged to compensate this damage to the other Party.

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8.3. The Parties mutually determine that, pursuant to Art. 2.6 hereof, each Party is also liable to the other Party for any damage incurred by the mentioned disturbance of business performance of the other Party, in the case that such disturbance was performed by acts or failures of its Affiliated Persons.

#### Article 9

9.1. The Parties mutually determine that the provisions of Art. 2.1., 2.2., and Art. 4.2. hereof shall not apply to any business relations of the Parties, as might arise between the Parties after the execution and certification as to content hereof.

9.2. The parties mutually establish that this agreement does not apply to the business cooperation between the Jointly and Severally Liable Debtor NOVA TV d.d. and the Affiliated Person of the Creditor, the company GRP Media d.o.o., regarding the advertising of the client Beiersdorf d.o.o. within the programme of the Jointly and Severally Liable Debtor NOVA TV d.d., under the conditions from the Investment Term Sheet signed for the period from 01/04/2007 (the first of April two thousand and seven) to 31/03/2009 (the thirty first of March two thousand and nine), from which business cooperation arose the debt of the company GRP Media d.o.o. against the Jointly and Severally Liable Debtor NOVA TV d.d., which on 31/10/2007 (the thirty first of October two thousand and seven) amounts to HRK 837,015.57 (eight hundred thirty-seven thousand fifteen Croatian kuna and fifty-seven lipa) (VAT included). This agreement also does not apply to the business cooperation between the Jointly and Severally Liable Debtor NOVA TV d.d. and the Affiliated Person of the Creditor, the company GRP Media d.o.o., referring to the advertising of the clients Grudska pivovara d.o.o. and UNDP - Zagreb (United Nations Development Program) and from which business cooperation arises the debt against the Jointly and Severally Liable Debtor NOVA TV d.d., which on 31/10/2007 (the thirty first of October two thousand and seven) amounts to HRK 121,113.67 (one hundred twenty-two thousand one hundred and thirteen Croatian kuna and sixty seven lipa) (VAT included).

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Article 10

10.1. This Agreement has been concluded in 12 (twelve) copies in Croatian, four copies for each Party.

Article 11

11.1. In sign of acceptance of the rights and obligations hereunder, the "Creditor" and the "Jointly and Severally Liable Debtors" have set their hands to it.

In Zagreb, 26/11/2007

GLOBAL KOMUNIKACIJE d.o.o.

/s/ Darinka Bakran

Procurator, Ms. Darinka Bakran

NOVA TV d.d.

/s/ Dražen Mavrić

Chairman of the Board, Mr. Marijan Jurenc  
by the proxy, Mr. Dražen Mavrić

/s/ Dražen Mavrić

Member of the Board, Mr. Dražen Mavrić

OPERATIVNA KOMPANIJA d.o.o.

/s/ Tadej Horžen

Director, Mr. Tadej Horžen

/s/ Neven Čičko

Temporary Manager, Mr. Neven Čičko

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Narval A.M. d.o.o., Zagreb, Ulica grada Vukovara 269/D, represented by the proxy Mr. Mate Matić, attorney from Zagreb, pursuant to the power of attorney dated 26 November 2007

Studio Millenium d.o.o., Zagreb, Kneza Mislava 2, represented by the proxy Mr. Ante Župić, attorney from Zagreb, pursuant to the power of attorney dated 26 November 2007

on one side,

and

NOVA TV d.d. Zagreb, Remetinečka c. 139, represented by the Chairman of the Board Mr. Marijan Jurenec, who is represented by the limited power of attorney 26/11/2007 (the twenty-sixth of November two thousand and seven) by Mr. Dražen Mavrić, and by the member of the Board Mr. Dražen Mavrić,

on the other side

have concluded today the following

## AGREEMENT

### DEFINITIONS

#### Article 1

1.1. For the purposes of this Agreement, the terms herein stated below shall have the meaning and the content as determined by this Article:

"Creditors": Narval A.M. d.o.o., Zagreb, Ulica grada Vukovara 269/D, entered in the register of the Commercial Court in Zagreb, under the registration No. of entity (MBS): 080036567, Studio Millenium d.o.o., Zagreb, Kneza Mislava 2, entered in the register of the Commercial Court in Zagreb, under the registration No. of entity (MBS): 080418815.

"Debtor": NOVA TV d.d. Zagreb, Remetinečka c. 139, entered in the register of the Commercial Court in Zagreb, under the registration No. of entity (MBS): 080222668 and its Affiliated Persons.

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"Company" means the company OPERATIVNA KOMPANIJA d.o.o. Rijeka, Nikole Tesle 2, entered in the register of the Commercial Court in Rijeka, under the registration No. of entity (MBS): 080354416.

"Parties" are the Debtor on one side and a particular Creditor or the Creditors on the other side.

"Affiliated Person" is any natural person or legal entity who is the present or former founder, shareholder, or member of the company, director or procurator of a Party, as well as any other natural person or legal entity directly or indirectly controlling the "Creditors" or the "Debtor", or who is under their direct or indirect control. Control implies the possibility of influencing the management of the company directly or indirectly, and/or direct or indirect holding of a business share or shares of the company. Appointed Affiliated Persons of the Creditors and the Debtor are also considered Affiliated Persons.

"Appointed Affiliated Persons of the Creditors" are GRP MEDIA d.o.o., Zagreb, together with its subsidiaries and affiliated companies, and Mr. Ivan Čaleta from Zagreb, Mr. Richard Anthony Sheldon from Great Britain, London W14 8NL, 12 Tollard House, 388 Kensington High Street, Mr. Damir Tus from Crikvenica, SAD 3, Mr. Neven Čičko from Zagreb, Mikulići 145, Mr. Ivan Blažičko from Zagreb, P.P. Njegoša 6, Ms. Darinka Bakran from Zagreb, Braće Korenika 2, Mr. Vlado Pukanić from Velika Gorica, N. pl. Škrleca Lomničkog 1, Ms. Ana-Marija Crnojević from Zagreb, former member of the board of NOVA TV d.d., Mr. Vjenceslav Bacci from Split, Drvenička 21, who are, for the purposes of this Agreement, exclusively considered Affiliated Persons of the Creditors.

"Appointed Affiliated Persons of the Debtor" are CME Media Enterprises B.V. and Central European Media Enterprises Ltd, together with their subsidiaries and affiliated companies, Mr. Marijan Jurenc from the Republic of Slovenia, Radomlje, Prečna ulica 1, Mr. Tadej Horžen from the Republic of Slovenia, 8263 Cerklje ob Krki, Cerklje ob Krki 72, Mr. Dražen Mavrić from Zagreb, Srebrnjak 119a, Mr. Branko Čakarmiš from the Republic of Slovenia, 5271 Vipava, Cesta 18. aprila 3.

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"Obligation of the Affiliated Person" is any such obligation defined herein as obligation of a Party or Parties, for which, an Affiliated Person may be responsible due to the nature of the obligation and to the circumstances of a particular case, as well as any obligation for which an Affiliated Person may be explicitly responsible under this Agreement. The Obligation of the Affiliated Person is also to act in accordance with all the provisions of this Agreement, in order to fulfil its purpose. The Obligation of the Affiliated Person of the Creditors and the Debtor, the ones stated in Art. 5.6. hereof, is also to give a true and complete Statement of the Affiliated Person, with the mandatory content as in Schedule 1 hereof.

"Existing business or other legal relation of the Parties" is any existing business or legal relation of the Parties or of the Parties and the Affiliated Persons of the other side, which includes, but is not limited to acts, legal basis of claims, cases, claims, debts, amounts of moneys, accounts, guarantees, securities, liabilities, contracts, contested claims, agreements, promises, compensations of damages, breaches, violations, damages, judgments, legal remedies, motions, pledges and obligations, of any nature (legal, monetary or other), direct or indirect, determined or non-determined, known or unknown, suspected or unsuspected, fixed or current, hidden or not - such as could have been determined or shall be determined, as well as the legal relation of the Parties arising from the Agreement on the Sale and Purchase of Business Shares of Operativna kompanija d.o.o. No. OU-995/04. dated 8 July 2004.

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"Dispute" stands for:

Dispute before the Commercial Court in Zagreb filed under No. P-4038/2005 pursuant to the claim of Narval, Studio Millenium, Mr. Richard Anthony Sheldon, all represented by the attorney Zoran Krajinović, against Nova TV d.d. and OPERATIVNA KOMPANIJA d.o.o., in which dispute a non-final judgment of first instance was passed on 24/05/2006 (the twenty-fourth of May two thousand and six), terminating the Agreement on the Assignment of Business Shares of the company OPERATIVNA KOMPANIJA d.o.o., deciding that Narval, Studio Millenium and Mr. Richard Anthony Sheldon hold 2 business shares each, which represent 1117/4468 (eleven hundred and seventeen slash forty-four hundred and sixty-eight) of the part of the basic capital of the company in favour of Narval and Mr. Richard Anthony Sheldon, and which represent 1111/4468 (eleven hundred and eleven slash forty-four hundred and sixty-eight) of the part of the basic capital of the company in favour of Studio Millenium, ordering the company Nova TV d.d. to perform the necessary change in the book of business shares of the company OPERATIVNA KOMPANIJA d.o.o., replace the Declaration of Establishment by the Company Agreement, and ordering the companies Nova TV d.d. and OPERATIVNA KOMPANIJA d.o.o. to pay the amount of HRK 44,070.00 (forty-four thousand and seventy Croatian kuna) as costs of litigation to the companies Narval and Studio Millenium, and to Mr. Richard Anthony Sheldon, and during which procedure were ordered preliminary measures under No. P-4038/2005, namely the preliminary measure of 27/07/2006 (the twenty-seventh of July two thousand and six), forbidding the Debtor to alienate and to dispose of the total of 6 business shares, which together represent 3345/4468 (thirty-three hundred forty-five slash forty-four hundred sixty-eight) of the part of the basic capital of the company OPERATIVNA KOMPANIJA d.o.o., forbidding the Debtor Nova TV d.d. to exercise the rights from the stated business shares, forbidding the Debtor and the Company to perform acts which might cause damage to other persons stated in this item, and deciding on the registration of this preliminary measure into the book of business shares of the company OPERATIVNA KOMPANIJA d.o.o. and into the registration file of that company, and the preliminary measure of 18/12/2006 (the eighteenth of December two thousand and six), establishing a temporary board of the Company, determining that the temporary board is obliged to protect and maintain the assets of the Company, and deciding on the registration of the preliminary measure into the book of business shares of the company OPERATIVNA KOMPANIJA d.o.o. and into the registration file of that company, including the procedure before the Commercial Court in Rijeka, filed under No. R1-7/2007, at the proposal of Narval against OPERATIVNA KOMPANIJA d.o.o.

"Agreement" means the Agreement on Transfer of Business Shares of Operativna kompanija d.o.o. No. OU-995/04 of 8 July 2004 (the eighth of July two thousand and four), certified as to content by Mr. Vladimir Marčinko, notary public from Zagreb.

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SUBJECT OF THE AGREEMENT

Article 2

2.1. By this Agreement, the Parties resolve the "Dispute" and all of their mutual relations created up to the date of conclusion hereof, including the relations between a Party and the Affiliated Persons of the other Party or Parties, by waiving all of their monetary and non-monetary claims from the existing or future obligations which arise from or could arise from or are connected with the Dispute, including the main claim, the interest, the costs of litigation and the costs of representation, save the claim of the company GLOBAL KOMUNIKACIJE d.o.o. against NOVA TV d.d. and OPERATIVNA KOMPANIJA d.o.o. and their affiliated persons, from the Agreement stated in Art. 5.4. hereof, and the claim of Mr. Richard Anthony Sheldon against the Debtor from the Agreement stated in Art. 5.5. hereof.

By this Agreement, the Parties resolve all other existing mutual relations from the Existing business or other legal relation of the Parties, from which any other claim could arise, as well as any other monetary and non-monetary claim, regardless of whether such claim, or claims are mature or non-mature, known or unknown, and whether the obligation already arose from it, or shall arise in the future. By this Agreement all of the mentioned claims are completely abolished and the Parties replace them with the new obligation of payment of the Debtor from Art. 2.3. hereof.

By mutual will of the Parties, this Agreement terminates all the existing and future obligations of the Parties arising from the "Dispute", including the main claim, the interest, the costs of litigation and the costs of representation, as well as all existing mutual obligations of the Parties, including any obligations between a Party and the Appointed Affiliated Persons of the other Party or Parties based on the "Existing business or other legal relation of the Parties", by replacing them with the obligation of payment from Art. 2.3. hereof, save the claim of the company GLOBAL KOMUNIKACIJE d.o.o. from the Agreement stated in Art. 5.4. hereof, and the claim of Mr. Richard Anthony Sheldon against the Debtor from the Agreement stated in Art. 5.5. hereof.

2.2. By signing this Agreement, the "Creditors" confirm that the "Debtor" is the lawful holder of 50% (fifty percent) of business shares in the "Company", which business shares had previously belonged to the stated Creditors, which makes the Debtor the lawful holder of 75% (seventy-five percent) of business shares in the Company, and state that they withdraw the claim and waive the claim from Dispute A, and propose the invalidation of preliminary measures adopted and acts performed in Dispute A, and to that purpose, at the signing of this Agreement, they shall deliver the adequate original submissions to the "Debtor", which they shall forward to the court on the second business day following the signing hereof, and they shall also deliver to the Debtor the evidence that the submissions have been filed at the competent court, not later than the second business day following the execution hereof. The Parties mutually determine that each Party shall bear its own costs of Disputes.

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2.3. The "Debtor" undertakes to pay to the "Creditors" the stipulated amount of compensation for the transfer of business shares pursuant to the "Agreement", with no interest, within 10 (ten) days from the date of the signing hereof, as follows:

A/ the amount of HRK 111,700.00 (one hundred eleven thousand seven hundred kuna) to the account of NARVAL AM d.o.o. account No. 2491005-1100002709 at the bank Credo banka d.d. Split.

B/ the amount of HRK 111,700.00 (one hundred eleven thousand seven hundred kuna) to the account of STUDIO MILLENIUM d.o.o. account No. 2500009-1101001111 at the bank HYPO ALPE-ADRIA-BANK d.d. Zagreb.

The stated amount is payable in full or in part by the Debtor, or by a third party on his behalf, whereby the date of payment shall be the date on which the irrevocable order was issued to the bank for the payment of the mentioned amounts to the abovementioned accounts, of which the Debtor shall inform the Creditors, on the first business day following the issuance of the payment order, on the fax No. 00 3851 6184 892, and within 2 (two) business days after the issuance of the payment order, deliver to the same fax number and send by mail the confirmation of the bank of the payer that the funds were directed to the accounts of the Creditors, and the Creditors receive the funds to their accounts upon that order, unless the funds fail to arrive to the account of the Creditors due to a preventable error or a fault of the bank.

2.4. The Parties state that none of them has instituted nor shall institute any criminal proceedings against the other side, its Affiliated Persons or present or former shareholders or members, founders, proxies, procurators, directors, or other employees of the Party or of Affiliated Persons, nor has it initiated nor shall initiate any procedure which might result in declaration of penal or misdemeanour responsibility. The Parties state that, to their best knowledge, the same actions have not been performed by any of their Affiliated Persons and their and present or former shareholders or members, founders, proxies, procurators, directors, or other employees.

2.5. The Parties mutually undertake to additionally deliver to one another or to third parties any such document, deed etc., as might be necessary to the other Party for the termination of a Dispute, administrative procedure, Existing business or other legal relation, other than documents representing business secret. Every Party undertakes and guarantees to make certain that the Affiliated Persons and their respective successors and proxies perform and deliver every such additional deed, document, assignment or guarantee and undertake any other action as may be necessary or otherwise reasonably requested by the other Party, all in order to confirm and ensure the rights and obligations stipulated herein, and in order for the effect hereof to be complete.

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2.6. The Parties mutually agree that every side is responsible to other sides for the damage caused by violations of the obligations of the Affiliated Person by its Affiliated Person. The responsibility shall be joint and several with the Affiliated Person who caused the damage if this Affiliated Person has undertaken, separately and directly, towards the injured Party to observe the Obligations of the Affiliated Persons. The Party is also responsible for the accuracy of the statement of its Appointed Affiliated Person, jointly and severally with its Appointed Affiliated Person.

2.7. If, by a final court decision or in another way, other than under this Agreement or by a written amendment hereto certified as to content by the notary public, any Party or its Affiliated Person acquires the right to fulfil any monetary or non-monetary claim as described in Article 2.1. hereof, the Parties state that neither they nor any of their Affiliated Persons shall initiate any procedure for the purpose of realisation of that right, save the right to the collection of the claim of the company GLOBAL KOMUNIKACIJE d.o.o. from the Agreement mentioned in Art. 5.4. hereof, and the right to the collection of the claim of Mr. Richard Anthony Sheldon against the Debtor from the Agreement mentioned in Art. 5.5. hereof.

The Parties also state that if, after the entry into force hereof, bankruptcy or liquidation proceedings of the Company are initiated, neither they nor any of their Affiliated Persons shall register their claims in that procedure. The Creditors guarantee and confirm that the rights, the claims and the requests which they or their Affiliated Persons might have against the Debtor or against his Affiliated Persons pursuant to Art. 2.1. hereof and which terminate, that is are replaced with new obligations, pursuant to that Article hereof, had not been transferred nor ceded to third parties prior to the entry into force hereof, and that the mentioned rights do not pertain to other persons on any grounds. The Creditors also guarantee and confirm that neither they nor the Affiliated Persons of the Creditors have initiated, filed a motion for, nor do they conduct any court or arbitration disputes or proceedings, or any other procedure before a competent body, against the Debtor or against his Affiliated Persons, and that there are no grounds for such actions.

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2.8. The Parties mutually agree and guarantee that neither they nor their Affiliated Persons have any other monetary or non-monetary claim against the other Party or against its Affiliated Person, other than the claims of the Creditors from this Agreement, and the claim of GLOBAL KOMUNIKACIJE d.o.o. against NOVA TV d.d. and OPERATIVNA KOMPANIJA d.o.o. and their affiliated persons, from the Agreement mentioned in Art. 5.4. hereof, and the claim of Mr. Richard Anthony Sheldon against the Debtor from the Agreement mentioned in Art. 5.5. hereof, and that they are not aware of any such claims which a third party might have against the other Party or against its Affiliated Person.

#### CERTIFICATION AS TO CONTENT

#### Article 3

3.1. This Agreement is concluded, applied and enters into force when it has been signed by the legal representatives of the parties or their proxies, and certified as to content by a notary public.

3.2. The parties mutually establish that this agreement does not apply to the business cooperation between the Debtor NOVA TV d.d. and the Affiliated Person of the Creditor, GRP Media d.o.o., referring to the advertising of the client Beiersdorf d.o.o. within the programme of the Debtor NOVA TV d.d. under the conditions from the Investment Term Sheet signed for the period from 01/04/2007 (the first of April two thousand and seven) to 31/03/2009 (the thirty-first of March two thousand and nine) from which business cooperation arose the debt of the company GRP Media d.o.o. against the Debtor NOVA TV d.d. which on 31/10/2007 (the thirty-first of October two thousand and seven) amounts to HRK 837,015.57 (eight hundred thirty-seven thousand and fifteen Croatian kuna and fifty-seven lipa) (VAT included). Also, this agreement does not apply to the business cooperation between the Debtor NOVA TV d.d. and the Affiliated Persons of the Creditor, the company GRP Media d.o.o., referring to the advertising of the clients Grudska pivovara d.o.o. and UNDP (United Nations Development Program) and from which business cooperation arose the debt against the Debtor NOVA TV d.d. which on 31/10/2007 (the thirty-first of October two thousand and seven) amounts to HRK 121,113.67 (hundred and twenty-one thousand hundred and thirteen Croatian kuna and sixty-seven lipa) (VAT included).

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## GOVERNING LAW

### Article 4

4.1. Any dispute arising from this Agreement, which cannot be resolved by the Parties in an amicable manner, shall be resolved by the regular competent court in Zagreb, with Croatian law as governing law.

## FINAL PROVISIONS

### Article 5

5.1. Upon the entry into force and the fulfilment hereof, the Parties shall inform the public thereof by a joint communication, emphasising the achievement of mutual satisfaction and understanding, and further successful cooperation. Should one of the Parties or its Affiliated Person inform the public of this Agreement, of the agreement of the parties to this Agreement, or of the termination of Disputes without the consent of the other Party, such act shall be considered disturbance of business performance of the other Party, and the provisions of the following Article 5.2. shall apply. If the public is notified of this Agreement, of the agreement of the parties to this Agreement, or of the termination of Disputes by an Affiliated Person of the Debtor - Central European Media Enterprises Ltd, such conduct shall not be considered disturbance of business performance of the other Party, to the extent in which the respective person is legally obliged to perform such notification to the public, or forced to do so by the rules of the stock exchange on which its shares are quoted.

5.2. The "Creditors" and the "Debtor" undertake that neither they nor their Affiliated Persons shall, after the conclusion hereof, directly or indirectly adversely affect or attempt to affect the business performance or disturb the business performance of the other side or disturb the business performance of the Affiliated Persons of the other side, regardless of whether the business performance takes place between the Parties, between the Parties and their Affiliated Persons or between any of the stated persons and third parties. Any reference by one Party or by its Affiliated Person before third parties, in public, or before the competent court or body (other than when a Party refers to this Agreement before the competent court or body for protection from adverse influence on the business performance or due to disturbance of business performance of the respective Party or of its Affiliated Person), to the rights that cease pursuant to this Agreement, i.e. that are replaced by new obligations, or to such new obligations, which represents the grounds for liability for damage of the other Party, is also considered disturbance of business performance of one Party or its Affiliated Person. If one Party or of its Affiliated Person causes damage to the other Party by its adverse influence in the manner described above, it is obliged to compensate this damage to the other party.

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5.3. The Parties mutually agree that each Party is also responsible to the other Party for the damage caused by the mentioned disturbance of business performance of the other Party, in the case that such disturbance was incurred by actions or failures of its Affiliated Persons.

5.4. By the conclusion of this Agreement, the Creditors confirm that they are aware that, simultaneously with the conclusion hereof, the company GLOBAL KOMUNIKACIJE d.o.o. on one side and the companies NOVA TV d.d. and OPERATIVNA KOMPANIJA d.o.o. on the other side concluded another Agreement, with the content as scheduled in Schedule 2 hereto. The Creditors, as Affiliated Persons of the Creditor from the Agreement of Global komunikacije, explicitly confirm that they are aware of all the obligations of the Affiliated Persons under that Agreement and that they are personally and directly responsible for these obligations. This Agreement shall be scheduled to the Agreement concluded between GLOBAL KOMUNIKACIJE d.o.o. on one side and the companies NOVA TV d.d. and OPERATIVNA KOMPANIJA d.o.o. on the other side.

5.5. By the conclusion of this Agreement, the Creditors confirm that they are aware that, simultaneously with the conclusion hereof, an Agreement of identical content is concluded between the Debtor and Mr. Richard Anthony Sheldon, upon the entry into force of which the Debtor shall be the sole member and the lawful holder of a 100% (hundred percent) share in the Company.

5.6. Simultaneously with the execution hereof, the Parties hand over to each other the originals of the Statements, given in person or by certified powers of attorney of the proxies, of the following Affiliated Persons of the Creditor: GRP MEDIA d.o.o., Zagreb, Mr. Ivan Čaleta from Zagreb, Mr. Damir Tus from Crikvenica, Mr. Neven Čičko from Zagreb, Mr. Ivan Blažičko from Zagreb, Ms. Darinka Bakran from Zagreb, Mr. Vlado Pukanić from Velika Gorica, with the content as in the text from Schedule 3 hereto, certified as to content by a notary public, and the originals of the Statements of the following Affiliated Persons of the Jointly and Severally Liable Debtors: Mr. Marijan Jurenc from the Republic of Slovenia, Radomlje, Prečna ulica 1, Mr. Tadej Horžen from the Republic of Slovenia, 8263 Cerklje ob Krki, Cerklje ob Krki 72, Mr. Dražen Mavrič from Zagreb, Srebrnjak 119a, Mr. Branko Čakarmiš from the Republic of Slovenia, 5271 Vipava, Cesta 18. aprila 3, with the content as in the text from Schedule 3 hereto, certified as to content by a notary public.

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Article 6

6.1. This Agreement is concluded in 16 (sixteen) copies in Croatian, four copies for each Party.

Article 7

7.1. In sign of acceptance of the rights and obligations hereunder, the "Creditors" and the "Debtor" have set their hands to it.

In Zagreb, 26/11/2007

Narval A.M. d.o.o.

/s/ Mate Matić

Attorney, Mr. Mate Matić

Studio Millenium d.o.o.

/s/ Ante Župić

Attorney, Mr. Ante Župić

NOVA TV d.d.

/s/ Dražen Mavrić

Chairman of the Board, Mr. Marijan Jurenc  
by the proxy Mr. Dražen Mavrić

/s/ Dražen Mavrić

Member of the Board, Mr. Dražen Mavrić

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**Exhibit 21.01****Subsidiaries equity accounted affiliates and cost investments as at February 28 2008**

<b>Company Name</b>	<b>Effective Voting Interest</b>	<b>Jurisdiction of Organization</b>	<b>Type of Affiliate (1)</b>
Nova TV d.d.	100.0%	Croatia	Subsidiary
Operativna Kompanija d.o.o.	100.0%	Croatia	Subsidiary
Media House d.o.o.	100.0%	Croatia	Subsidiary
Internet Dnevnik d.o.o.	76.0%	Croatia	Subsidiary
CME Media Investments s r.o.	100.0%	Czech Republic	Subsidiary
VILJA a.s.	100.0%	Czech Republic	Subsidiary
CET 21 spol. s r.o.	100.0%	Czech Republic	Subsidiary
MEDIA CAPITOL, a.s.	100.0%	Czech Republic	Subsidiary
HARTIC a.s.	100.0%	Czech Republic	Subsidiary
Galaxie sport, s r.o.	100.0%	Czech Republic	Subsidiary
CME Slovak Holdings B.V.	100.0%	Netherlands	Subsidiary
CME Romania B.V.	100.0%	Netherlands	Subsidiary
Media Pro International S.A.	95.0%	Romania	Subsidiary
Media Vision SRL	95.0%	Romania	Subsidiary
MPI Romania B.V.	95.0%	Netherlands	Subsidiary
Pro TV S.A.	95.0%	Romania	Subsidiary
Sport Radio TV Media SRL	95.0%	Romania	Subsidiary
Media Pro Management S.A.	8.7%	Romania	Cost investment
Media Pro B.V.	10.0%	Netherlands	Cost investment
Music Television System S.R.L.	95.0%	Romania	Subsidiary
A.R.J., a.s.	100.0%	Slovak Republic	Subsidiary
Markiza-Slovakia spol. s r.o.	100.0%	Slovak Republic	Subsidiary
GAMATEX spol. s r.o.	100.0%	Slovak Republic	Subsidiary (in liquidation)
A.D.A.M. a.s.	100.0%	Slovak Republic	Subsidiary (in liquidation)
Media Invest, spol s.r.o.	100.0%	Slovak Republic	Subsidiary

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MMTV 1 d.o.o.	100.0%	Slovenia	Subsidiary
Produkcija Plus d.o.o.	100.0%	Slovenia	Subsidiary
POP TV d.o.o.	100.0%	Slovenia	Subsidiary
Kanal A d.o.o.	100.0%	Slovenia	Subsidiary
Euro 3 TV d.o.o.	42.0%	Slovenia	Equity-Accounted Affiliate
Fit & Fun d.o.o.	100.0%	Slovenia	Subsidiary
International Media Services Ltd.	60.0%	Bermuda	Subsidiary
CME Ukraine Holding GmbH	100.0%	Austria	Subsidiary
Innova Film GmbH	60.0%	Germany	Subsidiary
CME Cyprus Holding Ltd.	100.0%	Cyprus	Subsidiary
TV Media Planet Ltd.	60.0%	Cyprus	Subsidiary
Foreign Enterprise "Inter-Media"	60.0%	Ukraine	Subsidiary
Studio 1+1 LLC	60.0%	Ukraine	Consolidated Variable Interest Entity
Ukrainian Media Services LLC	99.9%	Ukraine	Subsidiary
Ukrpromptorg-2003 LLC	65.5%	Ukraine	Subsidiary
Gravis LLC	60.4%	Ukraine	Subsidiary
Delta JSC	60.4%	Ukraine	Subsidiary
Nart LLC	65.5%	Ukraine	Subsidiary
TV Stimul LLC	49.1%	Ukraine	Equity-Accounted Affiliate
Tor LLC	60.4%	Ukraine	Subsidiary
Zhysa LLC	60.4%	Ukraine	Subsidiary
Central European Media Enterprises N.V.	100.0%	Netherlands Antilles	Subsidiary
Central European Media Enterprises II B.V.	100.0%	Netherlands Antilles	Subsidiary
CME Media Enterprises B.V.	100.0%	Netherlands	Subsidiary
CME Development Corporation	100.0%	Delaware (USA)	Subsidiary
CME SR d.o.o.	100.0%	Serbia	Subsidiary
CME Czech Republic II B.V.	100.0%	Netherlands	Subsidiary

(1) All subsidiaries have been consolidated in our Financial Statements. All equity-accounted affiliates have been accounted for using the equity method. All cost investments have been accounted for using the cost method

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**Exhibit 23.01**

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-01560, 333-60295, 333-110959, and 333-130405 on Form S-8 of our reports dated February 28, 2008, relating to the financial statements and financial statement schedules of Central European Media Enterprises Ltd. (which report expresses an unqualified opinion) and management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Central European Media Enterprises Ltd. for the year ended December 31, 2007.

DELOITTE & TOUCHE LLP

London, United Kingdom

February 28, 2008

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**Exhibit 24.01**

**POWER OF ATTORNEY**

Each person whose signature appears below, constitutes and appoints Michael Garin and Wallace Macmillan, 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 2007 of Central European Media Enterprises Ltd., a Bermuda corporation, 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 26, 2008

/s/ Ronald S. Lauder

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Ronald S. Lauder

/s/ Michael Garin

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Michael Garin

/s/ Igor Kolomoisky

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Igor Kolomoisky

/s/ Herbert Kloiber

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Herbert Kloiber

/s/ Bruce Maggin

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Bruce Maggin

/s/ Christian Stahl

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Christian Stahl

/s/ Herb Granath

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Herbert A. Granath

/s/ Wallace Macmillan

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Wallace Macmillan

/s/ Charles Frank

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Charles Frank

/s/ Alfred W. Langer

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Alfred W. Langer

/s/ Ann Mather

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Ann Mather

/s/ Eric Zinterhofer

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Eric Zinterhofer

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Michael Garin, 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/ Michael Garin  
Michael Garin  
Chief Executive Officer  
February 28, 2008

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**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Wallace Macmillan, 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/ Wallace Macmillan  
Wallace Macmillan  
Chief Financial Officer  
February 28, 2008

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**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 year ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Michael Garin, Chief Executive Officer of the Company, and Wallace Macmillan, 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/ Michael Garin  
Michael Garin  
Chief Executive Officer

February 28, 2008

/s/ Wallace Macmillan  
Wallace Macmillan  
Chief Financial Officer

February 28, 2008

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