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, 2008

☐ **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	**98-0438382**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
Clarendon House, Church Street, Hamilton	**HM CX Bermuda**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

Indicate by check mark whether 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, 2008 (based on the closing sale price of US$ 90.53 of the registrant's Common Stock, as reported by the Nasdaq Global Select Market on such date) was approximately US$ 3.3 billion.

Number of shares of Class A Common Stock outstanding as of February 20, 2009: 36,024,273

Number of shares of Class B Common Stock outstanding as of February 20, 2009: 6,312,839

DOCUMENTS INCORPORATED BY REFERENCE

Document	Location in Form 10-K in Which Document is Incorporated
Registrant's Proxy Statement for the 2009 Annual General Meeting of Shareholders	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$" or "dollars" are to U.S. dollars, all references to "BGN" are to Bulgarian leva, all references to "HRK" are to Croatian kuna, all references to "CZK" are to Czech korunas, all references to "RON" are to the New Romanian lei, all references to "SKK" are to Slovak korunas, all references to "UAH" are to Ukrainian hryvnia, all references to "Euro" or "EUR" are to the European Union Euro and all references to "GBP" or "£" are to British pounds. The exchange rates as of December 31, 2008 used in this report are BGN/US$ 1.41; HRK/US$ 5.21; CZK/US$ 19.35; RON/US$ 2.83; SKK/US$ 21.39; UAH/US$ 7.7; EUR/US$ 0.72 and GBP/US$ 0.68.

Forward-Looking Statements

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

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

Important factors that contribute to such risks include, but are not limited to, those factors set forth under "Risk Factors" as well as the following: the effect of the credit crisis and economic downturn in our markets as well as in the United States and Western Europe; decreases in television advertising spending and the rate of development of the advertising markets in the countries in which we operate; the impact of any additional investments we make in our Bulgaria, Croatia and Ukraine operations; our effectiveness in implementing our strategic plan for the Studio 1+1 group in Ukraine; our ability to make future investments in television broadcast operations; our ability to develop and implement strategies regarding sales and multi-channel distribution; changes in the political and regulatory environments where we operate and application of relevant laws and regulations; the timely renewal of broadcasting licenses and our ability to obtain additional frequencies and licenses; and our ability to 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

CME 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 Bulgaria, 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

CME 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. We have ownership interests in license companies and operating companies in each market in which we operate. 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 entering into agreements with advertisers, advertising agencies and sponsors to place advertising on air of the television channels that we operate. Other than in Bulgaria and Slovenia, the license companies also act as operating companies. 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, 2008 and a chart that details our simplified corporate structure.

Company Name	Effective Voting Interest	Type of Affiliate	TV Channels
Bulgaria			
Operating Companies:			
LG Consult EOOD	80.0%	Consolidated Subsidiary	N/A
Ring TV EAD ("Ring TV")	80.0%	Consolidated Subsidiary	RING TV
License Company:			
TV2 EOOD	80.0%	Consolidated Subsidiary	TV2
Croatia			
License Company:			
Nova TV d.d. ("Nova TV (Croatia)")	100.0%	Consolidated Subsidiary	NOVA TV (Croatia)
Czech Republic			
License Company:			
CET 21 spol s.r.o. ("CET 21")	100.0%	Consolidated Subsidiary	TV NOVA (Czech Republic) NOVA CINEMA and NOVA SPORT
Romania			
Operating Companies:			
Media Pro International S.A. ("MPI")	95.0%	Consolidated Subsidiary	N/A
Media Vision S.R.L. ("Media Vision")	95.0%	Consolidated Subsidiary	N/A
License Company:			
Pro TV S.A. ("Pro TV")	95.0%	Consolidated Subsidiary	PRO TV, ACASA, PRO CINEMA, PRO TV INTERNATIONAL, MTV ROMANIA and SPORT.RO
Slovak Republic			
License Company:			
MARKIZA-SLOVAKIA, spol. s.r.o. ("Markiza")	100.0%	Consolidated Subsidiary	TV MARKIZA
Slovenia			
Operating Company:			
Produkcija Plus d.o.o. ("Pro Plus")	100.0%	Consolidated Subsidiary	N/A
License Companies:			
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
Ukraine			
Operating Companies:			
Innova Film GmbH ("Innova")	100.0%	Consolidated Subsidiary	N/A
International Media Services Ltd. ("IMS")	100.0%	Consolidated Subsidiary	N/A
1+1 Production	100.0%	Consolidated Subsidiary	N/A
TV Media Planet Ltd. ("TV Media Planet")	100.0%	Consolidated Subsidiary	N/A
License Company:			
Studio 1+1 LLC ("Studio 1+1")	100.0%	Consolidated Subsidiary	STUDIO 1+1
Gravis LLC ("Gravis")	60.4%	Consolidated Subsidiary	CITI (1)
Gravis – Kino LLC ("Gravis-Kino") (2)	60.4%	Consolidated Subsidiary	KINO
Tor LLC ("Tor") (3)	60.4%	Consolidated Subsidiary	KINO
Zhysa LLC ("Zhysa") (3)	60.4%	Consolidated Subsidiary	KINO

(1) We owned CITI until February 10, 2009. See Part II, Item 8, Note 23 "Subsequent Events". We now hold no ownership in Gravis.
(2) On January 26, 2009 we acquired 100% ownership of Gravis-Kino.
(3) Zhysa and Tor hold local terrestrial licenses which allow them to re-broadcast the KINO signal. On January 14, 2009, we acquired 100% ownership of Zhysa and Tor.

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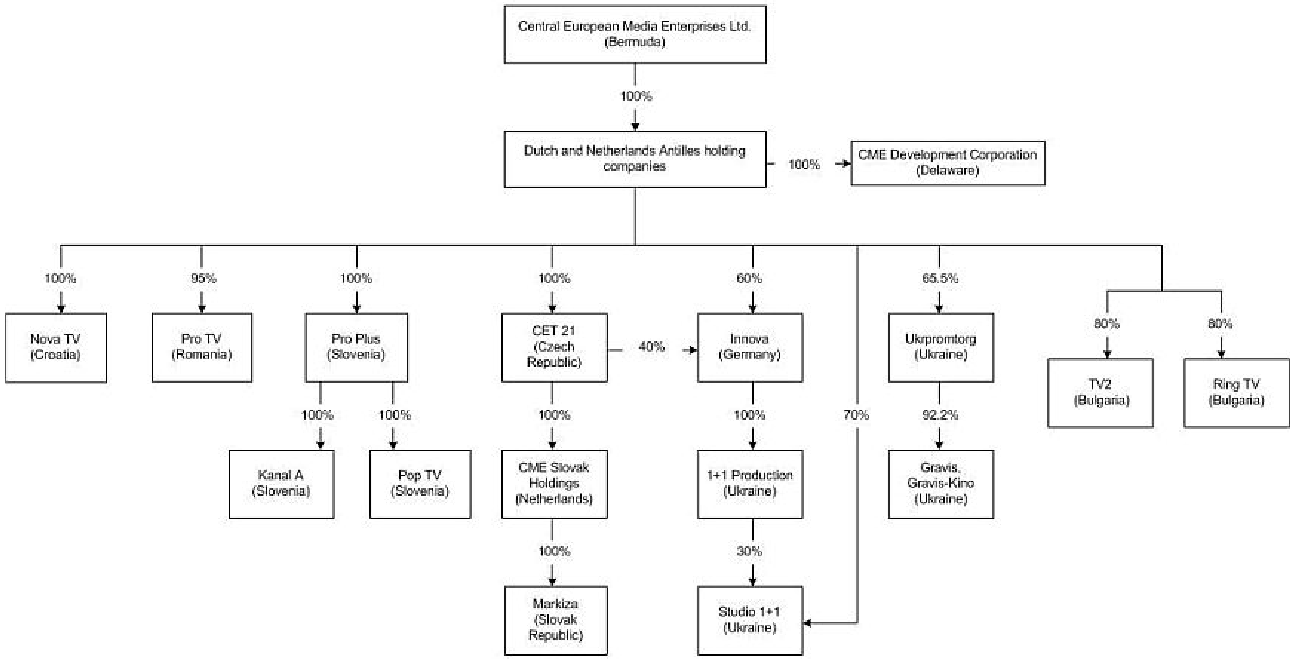
SIMPLIFIED CORPORATE OWNERSHIP STRUCTURE
CONTINUING OPERATIONS
(AS AT DECEMBER 31, 2008)



OPERATING ENVIRONMENT

Our television channels reach an aggregate of approximately 87.6 million people in seven countries with a combined population of approximately 97 million people. The rankings of our channels in the markets in which they broadcast are reflected below.

Country	TV Channels	Launch Date	Technical Reach (1)	2008 All Day Audience Share (2)	Market Rank (2)
Bulgaria	TV2	November 2007 (3)	80.3%	2.0%	8
	RING TV	September 1998 (3)	58.6%	0.3%	22
Croatia	NOVA TV (Croatia)	August 2000 (4)	89.0%	22.5%	3
Czech Republic	TV NOVA (Czech Republic)	February 1994 (5)	97.3%	41.5%	1
	NOVA SPORT	April 2002 (6)	20.7%	n/a	n/a
	NOVA CINEMA(7)	December 2007	37.9%	0.5%	7
Romania	PRO TV	December 1995	98.6%	16.5%	1
	ACASA	February 1998	90.1%	8.1%	3
	PRO CINEMA	April 2004	75.0%	2.0%	10
	SPORT.RO	July 2003 (8)	63.8%	1.6%	13
	MTV ROMANIA	June 2002 (9)	56.3%	0.6%	30
Slovak Republic	TV MARKIZA	August 1996	99.4%	35.1%	1
Slovenia	POP TV	December 1995	95.7%	25.4%	1
	KANAL A	October 1991 (10)	93.7%	15.0%	3
Ukraine	STUDIO 1+1	January 1997	98.5%	12.0%	2
	KINO	August 1993 (11)	52.5%	0.6%	19
	CITI	March 1994 (11)	8.2%	0.1%	18

(1) Source: Bulgaria: TNS; Croatia: AGB Nielsen Media Research; Czech Republic: ATO - Mediaresearch; Romania: GFK; Slovak Republic: PMT / TNS SK; Slovenia: AGB Nielsen Media Research; Ukraine: GFK. “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: Bulgaria: TNS; Croatia: AGB Nielsen Media Research; Czech Republic: ATO – Mediaresearch; Romania: GFK; Slovak Republic: PMT / TNS; Slovenia: AGB Nielsen Media Research; Ukraine: GFK. Sales target group all day audience share and market rank.

(3) We acquired TV2 and RING TV in August 2008.

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

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

(6) We acquired NOVA SPORT in September 2005.

(7) Technical reach for NOVA CINEMA includes the entrance of DBV-T (December 15, to December 31, 2008)

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

(9) We acquired the license to broadcast MTV ROMANIA in December 2007.

(10) We acquired KANAL A in October 2000.

(11) We acquired KINO and CITI in January 2006 and relaunched them in July 2006 and December 2006, respectively. We disposed of the CITI channel in February 2009.

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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 Reached (in millions) (3)	Television Households Reached (%) (3)	Cable Penetration (3)
Bulgaria	7.6	5.9	2.3	99%	60%
Croatia	4.6	3.7	1.3	97%	16%
Czech Republic	10.2	9.9	3.8	98%	23%
Romania	21.3	19.9	7.0	97%	67%
Slovak Republic	5.4	5.0	1.6	98%	43%
Slovenia	2.0	1.9	0.6	98%	65%
Ukraine	45.9	41.3	16.4	97%	32%
Total	**97.0**	**87.6**	**33.0**		

(1) Source: Global Insight.

(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 the transmitter. The technical reach is separate from the independent third party measurement that determines audience shares.

(3) Source: Bulgaria: TNS, Croatia: AGB Nielsen Media Research,; Czech Republic: ATO Mediaresearch (Continual Study); Romania: GFK– Establishment Survey; Slovak Republic: TNS; Slovenia: AGB Nielsen Media Research –Establishment Survey 2008; Ukraine: GFK.

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:

Bulgaria:	Council for Electronic Media
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 and Bulgaria 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 (e.g., video-on-demand and mobile television) transmissions of 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 being written and produced mainly by residents of the EU or Council of Europe member states or pursuant to co-production agreements between such states and other countries. In addition, the AVMS Directive also preserves the requirement that at least 10% of either broadcast time or programming budget is dedicated to programs made by European producers who are independent of broadcasters. News, sports, games, advertising, teletext services and teleshopping are excluded from the calculation of these quotas. The AVMS Directive has relaxed regulations in respect of advertising shown in linear broadcasts and has extended some of those rules to non-linear broadcasts. In general, rules restricting when programming can be interrupted by advertising in linear broadcasting have been abolished except in the case of movies, news and childrens programming, where programming can be interrupted once every thirty minutes or more. In addition, broadcasters may use product placement in most genres, subject to the identification of such practices and limitations on prominence. Member states have two years to implement the AVMS Directive, and may adopt stricter conditions than those set forth in 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:

Bulgaria	The license of TV2 expires in February 2010.
Croatia	The license of NOVA TV (Croatia) expires in March 2010.
Czech Republic	The license of TV NOVA (Czech Republic) expires in January 2017. The NOVA SPORT license expires in September 2020. The satellite license for NOVA CINEMA expires in November 2019.
Romania	Licenses expire on dates ranging from April 2009 to May 2017.
Slovak Republic	The license of TV MARKIZA 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 time expires in July 2014. The satellite license expires in April 2018. Licenses used for the KINO and CITI channels expire on dates ranging from March 2010 to April 2016.

Digital Terrestrial Television Transition

In the transition from analog to digital terrestrial broadcasting each jurisdiction is following a similar set of steps - although the approach being applied is not uniform. Typically, legislation governing the transition to digital is adopted addressing the licensing of operators of the digital networks as well as the licensing of digital broadcasters, technical parameters concerning the allocation of frequencies to be used for digital services (including those currently being used for analog services), broadcasting standards to be provided, the timing of the transition and, ideally, principles to be applied in the transition, including transparency and non-discrimination. As a rule, these are embodied in a technical transition plan (“TTP”) that, in most jurisdictions, is agreed among the relevant Media Council, the national telecommunications agency (which is generally responsible for the allocation and use of frequencies) and the broadcasters.

The TTP will typically include the following: the timeline and final switchover date, time allowances for the phases of the transition, allocation of frequencies for digital broadcasting and other digital services, methods for calculating digital terrestrial signal coverage and penetration of set top boxes, parameters for determining whether the conditions for switchover have been satisfied for any phase, the technical specifications for broadcasting standards to be utilized and technical restrictions on parallel broadcasting in analog and terrestrial during the transition phase.

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

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 2010. The license currently held by CET 21 allows for national digital terrestrial broadcasting of TV NOVA (Czech Republic) in any multiplex. Such license may be extended for an additional eight years, to 2025, upon application by CET 21. In addition, CET 21 was granted a license for national digital terrestrial broadcasting of NOVA CINEMA. This license is valid until the completion of transition to digital terrestrial broadcasting in the Czech Republic, at which time we expect a new license will be granted. 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 the tender offer for the multiplex operator under the TTP for the Slovak Republic. In addition, in January 2009 Markiza was granted a digital license for a niche channel which must be launched by January 2011.

Draft legislation governing the transition to digital is under discussion in Bulgaria and Croatia. We anticipate that legislation will be adopted during 2009 that will address digital licensing and the TTP for each market in a comprehensive way. We expect that our anchor channels will receive digital licenses in these markets.

The Romanian governmental authorities have adopted amendments to existing legislation which provide that analog broadcasters are entitled to receive digital licenses; however, specific regulations to govern the transition to digitalization are yet to be adopted by the Romanian Media Council. The existing law provides that broadcasters within the same multiplex are entitled to choose their own operator, whether one of those broadcasters, a separate company set up by those broadcasters or a third party.

The Ukrainian governmental authorities have issued generic legislation in respect of the transition to digital. In addition, the Ukrainian Media Council has 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. The Ukrainian Media Council recently held a tender for licenses for additional digital frequencies that will be made available for niche channels in the switchover to digital, and is currently soliciting proposals for technical development of certain digital multiplexes. However, there has been no indication as to when a TTP will be adopted in Ukraine.

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

OPERATIONS BY COUNTRY

BULGARIA

General

Bulgaria, which acceded to the European Union on January 1, 2007, is a parliamentary democracy with a population of approximately 7.6 million people. Per capita GDP is estimated to be US$ 6,154 in 2008 with a GDP growth rate in 2008 of 5.8%. According to our estimates, in local currency the Bulgarian television advertising market grew by approximately 6 - 8% in 2008 and was worth approximately US$ 175 - 185 million. We acquired our Bulgaria operations on August 1, 2008 and operate two channels, TV2, a national terrestrial channel, and RING TV, a cable sports channel.

License Holder

TV2 EOOD holds a national terrestrial programming license for Bulgaria and has primary responsibility for our broadcasting operations in Bulgaria.

Operations

TV2's target audience is the 18-49 all demographic and RING TV's target audience is 18-54 male. The chart below summarizes the all day and prime time audience share figures in the TV2 target group:

	2004	2005	2006	2007	2008
TV2					
All day	-	-	-	0.1%	2.0%
Prime time	-	-	-	0.1%	1.8%
RING TV					
All day	1.0%	0.6%	0.5%	0.3%	0.3%
Prime time	0.8%	0.5%	0.5%	0.3%	0.3%

Source: TNS.

Programming

TV2 broadcasts 24 hours per day and its programming strategy is to appeal to a broad audience through a wide range of programming, including news, sitcoms, police series, soap operas and game shows. Approximately 46% of TV2's programming is locally produced.

TV2 is required to comply with several restrictions on programming. These include the requirement that 30% of broadcast time consist of locally produced programming and 24% of programming be produced by independent producers in the EU. TV2's most successful program in 2008 was the broadcast of the Bulgarian National Football League. Local programs that delivered the best performance in 2008 were 'Azis Late Night Show' and 'Urban Legends'.

RING TV broadcasts 24 hours per day and targets a male audience with programming such as football matches and volleyball. Approximately 8% of RING TV's programming is locally produced, including a live studio show 'Open Ring', all live sport events, 'Blitz News' and 'Live Sports News', which achieved an audience share of 5.1%. RING TV's most successful program in 2008 was the broadcast of Bulgarian National Football League matches.

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Advertising

Our Bulgaria operations derive revenues principally from the sale of commercial advertising time on the TV2 and RING TV channels and revenue from cable providers who pay for the right to carry RING TV. Advertising is sold through a contracted advertising agency. Our Bulgarian channels currently serve a variety of advertisers, including Eurofootball, ITV Partner, Bella, Tehnomarket Europa, Danone and Wallmark. The top ten advertising clients on our Bulgarian channels contributed approximately 31% of our total Segment Net Revenues in Bulgaria in 2008.

Within the Bulgarian advertising market, television accounts for approximately 55% 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. The public broadcaster, BNT, which is also financed through a compulsory television license fee, is restricted to broadcasting advertising for 4 minutes per hour and no more than 15 minutes per day. 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

In addition to TV2, Bulgaria is served by the national public broadcaster BNT and two significant privately owned national broadcasters, bTV and Nova TV, as well as a number of smaller cable or satellite channels. Despite the much larger audience share of bTV and Nova TV, we consider bTV and Nova TV to be TV2's direct competitors. In terms of its current audience share, TV2 is comparable to the larger cable or satellite channels in the Bulgarian market, including DIEMA +, DIEMA 2, FOX LIFE and TV7.

The chart below provides a comparison of the all day audience share and technical reach in our target group of our Bulgarian channels to those of our main competitors:

Main Television Channels	Ownership	Year of first transmission	Signal distribution	All day audience share (2008)	Technical reach
bTV	News Corp	2000	Cable / Terrestial / Satellite	36.5%	99.9%
NOVA TV	MTG	1994	Cable / Terrestial / Satellite	16.9%	95.3%
BNT	Public television	1959	Cable / Terrestial / Satellite	9.7%	99.5%
DIEMA +	MTG	1999	Cable / Terrestial / Satellite	3.6%	67.3%
TV2	**CME**	**2007**	**Cable / Terrestial / Satellite**	**2.0%**	**80.3%**
RING TV	**CME**	**1998**	**Cable / Satellite**	**0.5%**	**58.6%**
Others				30.8%	
				100%	

Source: TNS.

Regulation and License Renewal

TV2 operates under a programming license and twenty seven regional technical permits issued by Council for Electronic Media Communications Regulation Commission respectively.

Ownership

We indirectly own an 80% voting and economic interest in each of TV2 EOOD, which holds the license for TV2, and RING TV, which operates the RING TV cable sports channel.

CROATIA

General

Croatia is a parliamentary democracy with a population of approximately 4.6 million people. Per capita GDP is estimated to be US$ 13,491 in 2008 with a GDP growth rate in 2008 of 3.4%. According to our estimates, in local currency the Croatian television advertising market remained at the same level in 2008 as 2007 and was worth approximately US$ 155 - 165 million. We operate one national television channel in Croatia, NOVA TV (Croatia).

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)'s target demographic is 18-49. The chart below summarizes the all day and prime time audience share figures for NOVA TV (Croatia) in that target group:

	2004	2005	2006	2007	2008
All day	15.6%	14.0%	15.7%	18.8%	22.5%
Prime time	13.5%	14.5%	17.3%	19.7%	25.4%

Source: AGB Nielsen Media Research.

Programming

NOVA TV (Croatia) broadcasts approximately 22 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 35% of NOVA TV (Croatia)’s programming is locally produced. The most successful locally produced programs in 2008 were the reality show ‘The Farm’ and entertainment shows such as ‘Don’t Forget the Lyrics’ and ‘Moment of Truth’. We also continued to broadcast some of last year’s well received programs such as ‘Nad Lipom 35’ (‘35 Lime Street’) and a crime magazine show ‘Istraga’ (‘Investigation’). Our central news continued to grow in audience share with an average share for 2008 of 29%, representing a growth of 38% from 2007.

NOVA TV (Croatia) has secured exclusive broadcast rights in Croatia for a variety of popular American and European series, films and soap operas produced by major international studios, including Sony, Paramount 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.

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, Agrokor, Procter & Gamble, Vipnet, L'Oréal, Wrigley and Reckitt Benckiser. The top ten advertising clients of NOVA TV (Croatia) contributed approximately 32% of its total Segment Net Revenues in 2008.

Within the Croatian advertising market, television advertising accounts for approximately 49% 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 HRT, which is also financed through a compulsory television license fee, is restricted to broadcasting 9 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 public and privately owned broadcasters.

Competition

In addition to NOVA TV (Croatia), Croatia is served by HRT1 and HRT2, two channels operated by the public broadcaster HRT, and privately owned broadcaster RTL.

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

Main Television Channels	Ownership	Year of first transmission	Signal distribution	All day audience share (2008)	Technical reach
RTL	Bertelsmann	2004	Terrestrial / satellite / cable	26.4%	96.9%
HRT 1	Public Television	1956	Terrestrial / satellite / cable	24.3%	96.3%
NOVA TV (Croatia)	**CME**	**2000**	**Terrestrial / satellite / cable**	**22.5%**	**89.0%**
HRT 2	Public Television	1972	Terrestrial / satellite / cable	15.1%	96.1%
Others				11.7%	
				100.0%	

Source: AGB Nielsen Media Research.

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. According to the Electronic Media Law, a license may be extended by the Croatian Media Council if requested by a license holder six months before the expiration of the relevant license, so long as the requesting broadcaster has conducted its business in accordance with the 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), the operating company for 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 2008 is estimated to be US$ 22,575 with a GDP growth rate in 2008 of 4.2%. According to our estimates, in local currency the Czech Republic television advertising market grew by 7 - 9% in 2008 and was worth approximately US$ 490 - 500 million. We operate one national television channel in the Czech Republic, TV NOVA (Czech Republic), and two cable/satellite channels, NOVA SPORT and NOVA CINEMA.

License Holders

CET 21 holds the national terrestrial broadcast licenses for TV NOVA (Czech Republic) and NOVA CINEMA, as well as the satellite and digital licenses for NOVA SPORT.

Operations

TV NOVA (Czech Republic)'s target demographic is 15-54. The chart below summarizes the all day and prime time audience share figures for TV NOVA (Czech Republic) in that target group:

	2004	2005	2006	2007	2008
All day	42.6%	42.4%	43.6%	43.0%	41.5%
Prime time	45.6%	43.6%	47.3%	46.8%	45.8%

Source: ATO – Mediaresearch.

NOVA SPORT

NOVA SPORT, which was rebranded from GALAXIE SPORT in October 2008, currently has carriage agreements with the large cable distributors and with all direct-to-home ("DTH") distributors in the Czech Republic and the Slovak Republic. NOVA SPORT reaches approximately 1.66 million subscribers out of the approximately 2.78 million households receiving cable in the combined markets. We estimate that

NOVA CINEMA

NOVA CINEMA is a niche channel focusing on films and series and is distributed via cable and satellite throughout the Czech Republic. Since December 15, 2008, NOVA CINEMA has also been broadcast via its new digital terrestial licence. NOVA CINEMA reached approximately 18.3% of households in the Czech Republic as at December 31, 2008 and is available in Digital Video Broadcasting - Terrestrial ("DVB-T"), cable and on satellite. We estimate that NOVA CINEMA had an all day audience share of 0.5 % in 2008.

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 38% of the programming on TV NOVA (Czech Republic) is locally produced, including 'Televizni noviny' ('TV News'), locally produced sitcom 'Comeback', locally produced crime series 'Kriminalka Andel' ('Crime Department Andel'), 'Soukrome Pasti' ('Private Traps', individual short fiction stories addressing relevant and sometimes controversial topics), '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', the nightly news program of TV NOVA (Czech Republic) 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'), 'Comeback' and 'Kriminalka Andel' ('Crime Department Andel') are also among the top-rated shows in the 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 shall, (i) 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.

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 shall, (i) 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.

NOVA SPORT broadcasts high quality sports and sport-related programming in the Czech Republic and the Slovak Republic. NOVA SPORT has secured broadcast license rights to some of the most popular sports programming in its markets, including the National Hockey League, the FA Premier League , the FA Cup, the French Football League, Barca TV, 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. The program schedule also contains sport documentaries on popular sports in the Czech and Slovak Republics.

NOVA CINEMA broadcasts new and older movies and popular American series, as well as a mixture 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, CS Group, Procter & Gamble, T-Mobile, Nestlé, Henkel, Laboratories Garnier and Reckitt Benckiser. The top ten advertisers on TV NOVA (Czech Republic) contributed approximately 29% of its total Segment Net Revenues in 2008.

NOVA SPORT derives its revenues principally from cable subscription fees and carries a low volume of advertising. NOVA CINEMA was a cable and satellite channel until December 2008, when it was moved to DVB–T distribution. Previously NOVA CINEMA derived its revenue from cable subscription fees and carried a low volume of advertising. Beginning in January 2009, NOVA CINEMA has derived its revenue only from advertising.

Within the Czech Republic advertising market, television accounts for approximately 45% of total advertising spending. Television 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. From January 1, 2008, public broadcaster CT, which is also financed through a compulsory television license fee, has been restricted to broadcasting advertising for a maximum of 0.75% of its daily broadcast time on its main channel (excluding teleshopping), 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.

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Competition

In addition to TV NOVA (Czech Republic), the Czech Republic is served by two national channels, CT1 and CT2, operated by the public broadcaster, and by the national privately owned broadcaster TV Prima.

The chart below provides a comparison of the all day audience share and technical reach in our target group of our Czech Republic channels to those of their competitors:

Main Television Channels	Ownership	Year of first transmission	Signal distribution	All day audience share (2008)	Technical reach
TV NOVA (Czech Republic)	**CME**	**1994**	**Terrestrial / satellite and digital**	**41.5%**	**97.3%**
CT 1	Public Television	1953	Terrestrial / satellite / digital	17.3%	97.4%
TV Prima	Modern Times Group/Local owners	1993	Terrestrial / satellite / digital	17.0%	94.5%
CT 2	Public Television	1970	Terrestrial / satellite / digital	6.8%	95.8%
NOVA CINEMA (1)	**CME**	**2007**	**Cable / satellite / digital**	**0.5%**	**37.9%**
NOVA SPORT	**CME**	**2002**	**Cable / satellite**	**n/a**	**20.7%**
Others				16.9%	
				100.0%	

Source : ATO – Mediaresearch.

(1) Technical Reach for NOVA CINEMA includes DBV-T (December 15, to December 31, 2008).

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

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. In addition an extension of 8 years will be given to a license holder if it meets the criteria and receives a compensation license for DVB-T broadcasting. TV NOVA met such criteria in December 2008 and applied for the extension in January 2009. The extension is administrative and is expected to be granted during the first half of 2009. The proceedings are formal.

Ownership

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

ROMANIA

General

Romania is a parliamentary democracy with a population of approximately 21.3 million people. Per capita GDP is estimated to be US$ 8,983 in 2008 with a GDP growth rate of 8.0% in 2008. According to our estimates, in local currency the Romanian television advertising market grew by approximately 27 - 29% in 2008 and was worth approximately US$ 465 - 475 million.

We operate six television channels in Romania, including PRO TV, ACASA, PRO CINEMA, SPORT.RO, MTV ROMANIA and PRO TV INTERNATIONAL, a channel distributed by satellite outside the country featuring programs re-broadcast from other Romanian channels.

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 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.

PRO TV’s target demographic is 18-49. The chart below summarizes the all day and prime time audience share figures for our Romanian channels in PRO TV’s target group:

	2004	2005	2006	2007	2008
PRO TV					
All day	20.5%	20.9%	20.7%	18.3%	16.5%
Prime time	23.7%	22.8%	22.9%	21.5%	19.7%
ACASA					
All day	9.7%	9.6%	8.5%	7.5%	8.1%
Prime time	10.3%	11.2%	9.0%	7.1%	9.4%
SPORT.RO					
All day	1.2%	1.5%	1.5%	1.7%	1.6%
Prime time	1.0%	1.4%	1.3%	1.3%	1.2%
PRO CINEMA					
All day	0.8%	1.5%	1.8%	2.2%	2.0%
Prime time	0.8%	1.3%	1.5%	1.9%	1.8%
MTV ROMANIA (1)					
All day	1.0%	0.8%	0.8%	0.9%	0.6%
Prime time	0.5%	0.5%	0.5%	0.6%	0.5%

Source: GFK , TNS/AGB International.
(1) We acquired MTV Romania in December 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 48% of PRO TV's programming is comprised of locally produced programming, including news and sports programs as well as the local productions such as ‘Happy New Year’, ‘Dansez pentru tine’ (‘Dancing For A Dream’), ‘Made In Romania’ and ‘O-la-la’. Apart from UEFA Champions League football matches and our main news program, ‘Happy New Year’ and ‘Dancing For A Dream’ were the top-rated shows in 2008.

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 Brothers 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 48% of all material be locally produced. From January 1, 2008, PRO TV complied 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 including local content 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 42% of ACASA’s programming is locally produced, including ‘Inima de tigan’ (‘Gypsy Heart’), ‘Regina’ (‘The Queen’), and ‘Ingerasii’ (‘Little Angels’). ‘Inima de tigan’ (‘Gypsy Heart’) was the top-rated show on ACASA in 2008.

PRO CINEMA broadcasts 24 hours per day and is focused on those types of movies, series and documentaries that are popular among the upwardly mobile demographic, which is an attractive advertising target group. Local productions make up 21% of the programming. 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 43% of the programming, the majority being general 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 43% of the programming, the majority being general 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 such as ‘A Shot at Love’, ‘Cribs’ and ‘Hogan Knows Best’. Approximately 55% of MTV ROMANIA’s programming is locally produced.

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 Procter & Gamble, Vodafone, Orange, Cosmote & Germano, Unilever, L’Oréal, and Coca-Cola. The top ten advertising clients on our Romanian channels contributed approximately 26% of our total Segment Net Revenues in Romania in 2008.

Within the Romanian advertising market, television accounts for approximately 61% 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 then 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 among Romanian broadcasters in respect of national all day audience share. Other competitors include the public broadcaster TVR, which operates TVR 1 and TVR 2, and privately owned broadcasters Antena 1 and Prima TV.

The chart below provides a comparison of the all day audience share and technical reach in PRO TV's target group of our Romanian channels to those of our main competitors:

Main Television Channels	Ownership	Year of first transmission	Signal distribution	All day audience share (2008)	Technical reach
PRO TV	**CME**	**1995**	**Terrestrial / satellite / cable**	**16.5%**	**98.6%**
Antena 1	Local owner	1993	Terrestrial / satellite / cable	9.4%	93.7%
ACASA	**CME**	**1998**	**Satellite / cable**	**8.1%**	**90.1%**
Prima TV	SBS	1994	Terrestrial / satellite / cable	5.3%	91.6%
TVR 1	Public Television	1956	Terrestrial / satellite / cable	4.0%	99.2%
PRO CINEMA	**CME**	**2004**	**Satellite / cable**	**2.0%**	**75.0%**
TVR 2	Public Television	1968	Terrestrial / satellite / cable	1.6%	95.8%
SPORT.RO	**CME**	**2003**	**Satellite / cable**	**1.6%**	**63.8%**
MTV ROMANIA	**CME**	**2002**	**Satellite / cable**	**0.6%**	**56.3%**
Others				50.9%	
				100.0%	

Source: GFK, TNS/AGB International.

Our Romanian channels also compete for audience share with other cable and satellite stations. There is increased competition for audience share from new niche channels distributed over cable and satellite, which is reflected in the audience share of 50.9% for other stations for the year ended December 31, 2008, as compared to 44.1% for the year ended December 31, 2007.

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. To date, licenses have been renewed as they expire.

Ownership

We own a 95% voting and economic interest in Pro TV. Adrian Sarbu, our President and Chief Operating Officer, owns the remaining 5% voting and economic interest in Pro TV.

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 ("Media Pro"), provides programming and production services to Pro TV.

We also have a put option agreement with Mr. 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 Media Pro (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 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 and entertainment.

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

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$ 17,994 in 2008 with a GDP growth rate in 2008 of 6.9%. According to our estimates, in local currency the Slovak Republic television advertising market grew by approximately 6 - 8% in 2008 and was worth approximately US$ 210 - 215 million. We operate one national television channel, TV MARKIZA in the Slovak Republic.

License Holder

Markiza holds a national terrestrial broadcast license for TV MARKIZA.

Operations

TV MARKIZA's target demographic is 12+. The chart below summarizes all day and prime time audience share figures for TV MARKIZA:

	2004	2005	2006	2007	2008
All day	33.7%	31.2%	33.7%	35.5%	35.1%
Prime time	35.4%	32.9%	35.9%	39.5%	37.7%

Source: PMT, TNS.

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 27% of TV MARKIZA's programming is locally produced, including 'Televizne noviny' ('TV News'), 'Sportove noviny' ('Sports News'), 'Susedia' ('Neighbours'), 'Slovensko hlada Superstar 3' ('Pop Idol 3'), 'Bailando' (a dance show), 'Let's dance' and 'Slovensko ma talent ('Got Talent'). These programs are consistently the top-ranked shows in the Slovak Republic.

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 Brothers, NBC Universal, CBS Paramount, Dreamworks/Paramount, Grandview-Castle, and Buena Vista. All foreign language programming (other than those 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 12% 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-COTY, Procter & Gamble, Henkel, L'Oréal, VUB Group, Nestlé and Danone. TV MARKIZA's top ten advertisers contributed 36% of the channel's total Segment Net Revenues in 2008.

Within the Slovak advertising market, television accounts for approximately 47% 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 12 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 12 minutes per hour, but between 7:00 p.m. and 10:00 p.m. may broadcast only 8 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. TV MARKIZA also competes with the privately owned broadcaster TV JOJ.

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

Main Television Channels	Ownership	Year of first transmission	Signal distribution	All day audience share (2008)	Technical reach
TV MARKIZA	**CME**	**1996**	**Terrestrial / satellite / cable**	**35.1%**	**99.4%**
TV JOJ	Local owner	2002	Terrestrial / satellite / cable	16.9%	88.8%
STV 1	Public Television	1956	Terrestrial / satellite / cable	16.4%	99.9%
STV 2	Public Television	1969	Terrestrial / satellite / cable	5.8%	99.4%
Others				25.8%	
				100.0%	

Source: 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. These stations do not compete for advertising revenues in the Slovak Republic.

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.

Ownership

We own 100% of the voting and economic interests in Markiza, which is the licence holder for TV MARKIZA.

SLOVENIA

General

Slovenia is a parliamentary democracy with a population of approximately 2.0 million people. Per capita GDP is estimated to be US$ 27,864 in 2008, the highest per capita GDP in Central and Eastern Europe, with a GDP growth rate in 2008 of 4.3%. According to our estimates, in local currency the Slovenian television advertising market grew by approximately 7 - 9% during 2008 and was worth approximately US$ 100 - 105 million. We operate two national television channels in Slovenia, POP TV and KANAL A.

License Holders

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

Operations

POP TV and KANAL A

POP TV and KANAL A's target demographic is 18-49. The chart below summarizes the all day and prime time audience share figures for POP TV and KANAL A in that target group:

	2004	2005	2006	2007	2008
POP TV					
All day	26.6%	27.2%	29.1%	26.1%	25.4%
Prime time	32.6%	33.9%	36.0%	32.2%	31.9%
KANAL A					
All day	10.4%	11.4%	12.0%	14.3%	15.0%
Prime time	12.3%	13.5%	13.8%	15.3%	15.5%

Source: AGB Nielsen Media Research.

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 32% of programming is locally produced, including 'Neighbours' a version of Slovakia's 'Susiedia', 'Preverjeno!' ('Confirmed!'), 'Trenja' ('Friction'), and reality show 'The Farm 2', which had the highest audience share and ratings for any reality show in Slovenia. 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 35% in 2008) such as 'World on Kanal A', the reality show 'Big Brother' and acquired foreign programs, including films and series.

Pro Plus, the operating company for our Slovenia operations, 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 Brothers, 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 Spar, Benckiser Adriatic, Procter & Gamble, SI Mobil, L'Oréal, Wrigley, Henkel and Ferrero, although no advertiser dominates the market. During 2008, we serviced a wide variety of advertisers, the majority through advertising agencies. The top ten advertisers on POP TV and KANAL A contributed approximately 28% of our total Segment Net Revenues in Slovenia in 2008.

Within the Slovenian advertising market, television accounts for approximately 58% of total advertising spending. 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

In addition to POP TV and KANAL A, Slovenia is served by two national public television channels, SLO 1 and SLO 2, and privately owned broadcaster TV3.

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

Main Television Channels	Ownership	Year of first transmission	Signal distribution	All day audience share (2008)	Technical reach
POP TV	**CME**	**1995**	**Terrestrial / cable**	**25.4%**	**95.7%**
SLO 1	Public Television	1958	Terrestrial / satellite / cable	16.5%	99.9%
KANAL A	**CME**	**1991**	**Terrestrial / cable**	**15.0%**	**93.7%**
SLO 2	Public Television	1967	Terrestrial / satellite / cable	7.7%	99.2%
TV3	Modern Times Group	1995	Terrestrial / cable	6.8%	78.2%
Others				28.6%	
				100.0%	

Source: AGB Nielsen Media Research.

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 expires in August 2012.

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 45.9 million people. Per capita GDP is estimated to be US$ 3,928 in 2008, the lowest of all our markets, with a GDP growth rate in 2008 of 2.1%. According to our estimates, the Ukrainian television advertising market declined by approximately 3 – 5% in 2008 and was worth approximately US$ 450 - 460 million (excluding political advertising and sponsorship).

We operate one national television channel in Ukraine, STUDIO 1+1, the regional channel KINO and, until February 2009, the local channel CITI (see Part II, Item 8, Note 23, “Subsequent Events”).

License Holders

Studio 1+1 holds the broadcasting licenses for the STUDIO 1+1 channel.

KINO is broadcast 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.

Operations

STUDIO 1+1

STUDIO 1+1's target demographic is 18+. The chart below summarizes the all day and prime time audience share figures in STUDIO 1+1 in that target group:

	2004	2005	2006	2007	2008
All day	21.9%	20.2%	18.4%	16.0%	12.0%
Prime time	27.5%	22.2%	23.0%	18.5%	13.2%

Source: GFK Ukraine.

KINO and CITI

KINO reaches approximately 53% of television households and broadcasts on average 19 hours per day with an all day 15-50 audience share of 0.6%. CITI reaches approximately 8.2% 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 0.1%. In January and February of 2009, we entered into a number of agreements with our partners in KINO and CITI pursuant to which we acquired 100% of KINO from, and transferred our ownership in CITI to our former partners (see Part II, Item 8, Note 23, "Subsequent Events").

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 2008, approximately 56% 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 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 Brothers, 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

Until December 31, 2008, the sale of Studio 1+1's advertising was outsourced to Video International-Prioritet LLC and certain of its affiliates (the "Video International Group"), a Ukrainian subsidiary of a Russian advertising sales company, in which we have neither an economic nor a voting interest. The sale of KINO's advertising was also outsourced to Video International Group until December 31, 2008, when the relevant agreement expired. On December 24, 2008, Studio 1+1 and certain affiliates terminated agreements relating to the sale of advertising and sponsorship on STUDIO 1+1 and KINO with the Video International Group. The effective date of these terminations is March 24, 2009. In connection with these terminations, Studio 1+1 is required to pay a termination penalty equal to (i) 12% of the average monthly advertising revenues and (ii) 6% of the average monthly sponsorship revenues for advertising and sponsorship sold by Video International Group for the six months prior to the termination date, multiplied by six. Since January 1, 2009, the Studio 1+1 group has been selling advertising and sponsorship on STUDIO 1+1 and KINO directly. The Studio 1+1 group derives revenues principally from the sale of commercial advertising to large multinational firms such as Procter & Gamble, Kraft Foods, UMC, Colgate – Palmolive Group, Unilever, Bittner and Nestle, as well as large Ukrainian companies like Volun Holding, Obolon and Kyiv Star. The top ten advertising clients of STUDIO 1+1 contributed approximately 36% of STUDIO 1+1's total Segment Net Revenues in 2008.

Gravis derives revenue from the sale of commercial advertising time on KINO and CITI. KINO targets smaller national advertisers and CITI aims to attract Kiev-based clients. Some of the biggest KINO and CITI advertisers are Procter & Gamble, Obolon, Unilever, Meloni, Nestlé, Ukrtelecom and Wrigley. The top ten advertising clients of KINO and CITI contributed approximately 53% of the total Segment Net Revenues of KINO and CITI in 2008.

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 Kanal.

The chart below provides a comparison of the all day audience share and technical reach of STUDIO 1+1 to those of its competitors. Audience shares reflect the STUDIO 1+1 target group:

Main Television Channels	Ownership	Year of first transmission	Signal distribution	Audience share (2008)	Technical reach
Inter	Local owners	1996	Terrestrial / satellite / cable	21.0%	99.0%
STUDIO 1+1	**CME**	**1997**	**Terrestrial / satellite / cable**	**12.0%**	**98.5%**
STB	Local owner (same as Novy Kanal and ICTV)	1997	Terrestrial	8.0%	96.5%
ICTV	Local owner (same as Novy Kanal and STB)	1992	Terrestrial	7.8%	96.1%
Novy Kanal	Local owner (same as ICTV and STB)	1998	Terrestrial	7.2%	97.2%
UT-1	Public Television	1965	Terrestrial / cable	1.9%	97.3%
Others				42.1%	
				100.0%	

Source: GFK Ukraine, ATO - Mediaresearch.

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

Regulation and License Renewal

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 time expires in July 2014. The satellite license expires in April 2018. Licenses used for the KINO and CITI channels expire on dates ranging from March 2010 to April 2016.

Ownership

We own 100% of the voting and economic interests in the entities comprising the Studio 1+1 group.

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. On February 20, 2009, we increased our ownership to 100% in the entities that own the KINO channel and sold our 60.4% interest in the CITI channel (see Part II, Item 8, Note 23, "Subsequent Events").

CORPORATE OPERATIONS

In addition to 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, 2009, our operating companies had a total of approximately 4,100 employees (including contractors) in Amsterdam, Bucharest, Ljubljana, London and Prague. 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 19, "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.

Risks Relating to our Financial Position

We cannot predict the extent to which adverse economic and political conditions in the countries in which we operate will adversely affect our results of operations.

The results of our operations rely heavily on advertising revenue and demand for advertising is affected by prevailing general and regional economic conditions. The financial turmoil affecting the global financial markets and banking system has resulted in a tightening of credit and a low level of liquidity, which has had an adverse impact on economic growth in the United States as well as in countries across Western and Central and Eastern Europe, many of which have fallen into recession. There has been a widespread withdrawal of investment funding from the Central and Eastern European markets and companies with investments in them, particularly Ukraine, Bulgaria and Romania. Furthermore, the continued economic downturn has adversely affected consumer and business spending, access to credit, liquidity, investments, asset values and unemployment rates and has contributed to a strengthening of the dollar against many of the currencies in which we report our consolidated revenues. These adverse economic conditions have had a negative impact on the advertising industries in our markets, leading our customers to reduce the amounts they spend on advertising. This has resulted in a decrease in demand for our advertising airtime. In addition, the occurrence of disasters, acts of terrorism, civil or military conflicts or general political instability, such as that resulting from the dispute between Ukraine and Russia over natural gas supplies, may create further economic uncertainty that reduces advertising spending. We cannot predict the severity of the impact of the continuance or occurrence of any of these events on our financial position, results of operations and cash flows.

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

We generate almost all of our revenues from the sale of advertising airtime on our television channels. In addition to general economic conditions, other factors that may affect our advertising revenues are the pricing of our advertising time as well as television viewing levels, changes in our programming strategy, changes in audience preferences, our channels' technical reach, technological developments relating to media and broadcasting, competition from other broadcasters and operators of other media platforms, seasonal trends in the advertising market in the countries in which we operate, and shifts in population and other demographics. A reduction in advertising spending in our markets has put pressure on prices at which we sell television advertising because of pressure to reduce prices from advertisers and discounting by competitors, particularly in Ukraine. Reduced advertising spending and discounting of the price of television advertising in our markets and the competition from broadcasters seeking to attract similar audiences may have an impact on our ability to maintain or increase our advertising sales. Our ability to maintain television viewing levels and to generate gross rating points depends in part on our maintaining investments in television programming and productions at a sufficient level to continue to attract these audiences. Significant or sustained reductions in investments in programming, production or other operating costs in response to reduced advertising spending in our markets may have an adverse impact on our television viewing levels. A significant decline in advertising sales could have a material adverse effect on our financial position, results of operations and cash flows.

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 requires 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 economic conditions in our markets continue to deteriorate, if our assumptions regarding future operating results prove to be inaccurate, if our costs increase due to competitive pressures or other unanticipated developments, or if our investment plans change, we may need to obtain additional financing. The recent tightening of the credit markets and the impact of the continued economic downturn on our operations may constrain our ability to obtain financing, whether through public or private debt or equity offerings, proceeds from the sale of assets or other financing arrangements. It is not possible to ensure that additional debt financings will be available within the limitations on the incurrence of additional indebtedness contained in the indentures 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 our EUR 100.0 million loan agreement dated July 21, 2006 with the European Bank for Reconstruction and Development ("EBRD") and our EUR 50.0 million loan agreement dated August 22, 2007 with EBRD (the "EBRD Loan"). 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. Moreover, such financings, if available at all, may not be available on acceptable terms. If we cannot obtain adequate capital or obtain it on acceptable terms, this could have an adverse effect on our financial position, results of operations and cash flows.

Our increased debt service obligations following the issuance of the Senior Notes, Convertible Notes and drawdowns under the EBRD Loan may restrict our ability to fund our operations.

We have significant debt service obligations under our Senior Notes, Convertible Notes and the EBRD Loan and we are restricted in the manner in which our business is conducted (see Part II, Item 8, Note 6 "Senior Debt"). Our high leverage could have important consequences for 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 the implementation of our strategic plans.

If more of our goodwill, indefinite-lived intangible assets and long-lived assets become impaired we may be required to record additional significant charges 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 slower growth rate in our markets, future cash flows and a decline in our stock price and market capitalization. We recorded an impairment charge of US$ 336.7 million in 2008 in respect of our Bulgaria and Ukraine operations and a charge of US$ 0.7 million in respect of our Croatia operations in 2006. 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 slower growth rate in our markets, future cash flows and a decline in our stock price and market capitalization. We recorded an impairment charge of US$ 336.7 million in 2008 in respect of our Bulgaria and Ukraine operations and a charge of US$ 0.7 million in respect of our Croatia operations in 2006. Although we considered all current information in respect of calculating our impairment charge for 2008, our stock price has continued to fall substantially since December 31, 2008. This constitutes an indication that the value of our goodwill, indefinite-lived intangible assets and long-lived assets may have fallen further since January 1, 2009, and we may be required to record additional impairment charges in the first quarter of 2009. In addition, if our cash flow forecasts for our operations deteriorate further, or discount rates continue to increase, we may be required to recognize additional impairment charges in later periods.

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

Our reporting currency is the dollar but our consolidated revenues and costs, including programming rights expenses and interest on debt, are divided across a range of currencies. The strengthening of the dollar against these currencies has had an adverse impact on our reported results for 2008. In addition, our EUR 245.0 million 8.25% Senior Notes due 2012 (the "2005 Senior Notes") and our EUR 150.0 million Senior Floating Rate Notes due 2014 (the "2007 Senior Notes", and, together with the 2005 Senior Notes, the "Senior Notes") and the EBRD Loan are denominated in Euros. We have not attempted to hedge the foreign exchange exposure on the principal amount of the Senior Notes or the EBRD Loan. We may continue to experience significant gains and losses on the translation of our segment revenues, the Senior Notes and the EBRD Loan into dollars due to movements in exchange rates between the Euro, the currencies of our local operations and the dollar.

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, US$ 475.0 million 3.50% Senior Convertible Notes due 2013 (the “Convertible Notes”), the EBRD Loan 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 were insufficient to fund our debt service obligations, we would face substantial liquidity problems. We may be obliged to reduce or delay capital or other material expenditures at our channels, 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 position, results of operations and cash flows.

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

Our Senior Notes and Convertible Notes are rated BB by Standard and Poor’s, who have also rated our corporate credit as BB. Moody’s Investors Services have rated both our Senior Notes and our corporate credit as Ba2. These ratings reflect each agency’s opinion of our financial strength, operating performance and ability to meet our debt obligations as they become due. Credit rating agencies have begun to monitor companies much more closely during recent months and have made liquidity, and the key ratios associated with it such as gross leverage ratio and net leverage ratio, a particular priority. We expect that our ratios will exceed their current ranges over the course of 2009 and it is therefore probable that our credit rating will be downgraded (see Part II, Item 7, V(d) “Cash Outlook”). In the event our debt or corporate credit ratings are lowered by the ratings agencies, our ability to raise additional indebtedness may be more difficult and we will have to pay higher interest rates, which may have an adverse effect on our financial position, results of operations and cash flows.

Under the Senior Notes, Convertible 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, the indenture pursuant to which our Convertible Notes were issued (the “2008 Indenture”) 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 any of the Indentures, the 2008 Indenture or the EBRD Loan, the trustees under our Indentures and the 2008 Indenture or EBRD would have the ability to sell all or a portion of all of these assets in order to pay amounts outstanding under such debt instruments.

Risks Relating to our Operations

If we fail to successfully implement our strategic goals for Ukraine, our operating results and cash flows will be materially adversely affected.

In June 2008, we completed the acquisition of an additional 30% interest in the Studio 1+1 group from our partners, increasing our beneficial ownership interest to 90%; and in October 2008, we completed the acquisition of the remaining 10% interest in the Studio 1+1 group (see Part II, Item 8, Note 3 "Acquisitions and Disposals, Ukraine"). In February 2009, we completed the buyout of our minority partners in the KINO channel and the sale of our interest in the CITI channel (see Part II, Item 8, Note 23 "Subsequent Events"). In addition, in connection with the termination of our advertising sales arrangements with Video International Group, we created an in-house sales department to sell advertising on our channels in Ukraine. As a result of these events, we have complete ownership of all of our broadcasting assets in Ukraine and have taken a series of measures to improve the overall standing and performance of the STUDIO 1+1 and KINO channels. Successful implementation will depend on several factors, including but not limited to general economic conditions in Ukraine, the ability of our in-house sales team to sell advertising, our ability to integrate the operations of our Ukraine channels, our achieving cost savings by consolidating these operations, the cost and popularity of local productions and Russian-language programming, our ability to achieve higher ratings and audience share, the implementation of new management processes, the strength of the local management team, the ability of our internet properties in Ukraine to generate revenues as well the ability of the Ukrainian government to maintain political stability. There can be no assurance that we will be able to successfully implement a new strategy in Ukraine, and any such failure will have a material adverse effect on our financial position, results of operations and cash flows.

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

Our business and operations continue to experience rapid growth, including through acquisition. The acquisition and integration of new businesses, including our acquisition of broadcasting assets in Bulgaria in August 2008, 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 manage our growth effectively 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. Furthermore, there can be no assurances that changes in the regulatory environment or improvements in technology will not favor other advertising media or other television broadcasters. Increases in competition among advertising media arising from the development of new forms of advertising media and distribution could result in a decline in the appeal of television as an advertising medium generally or of our channels specifically. A decline in television advertising spending in any period or in specific markets would have an adverse effect on our financial position, results of operations and cash flows.

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

Television programming is one of the most significant components of our operating costs, particularly in Ukraine. The commercial success of our channels depends substantially on our ability to develop, produce or acquire programming that matches audience tastes, attracts high audience shares and generates advertising revenues. The costs of acquiring 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 may also increase due to the implementation of new laws and regulations mandating the broadcast of a greater number of locally produced programs, changes in audience tastes in our markets in favor of locally produced content, and competition for talent. In addition, we typically acquire syndicated programming rights under multi-year commitments before we can predict whether such programming will perform well in our markets. In the event any such programming does not attract adequate audience share, it may be necessary to increase our expenditures by investing in additional programming as well as to write down the value of such underperforming programming. Any increase in programming costs or write-downs could have a material adverse effect on our financial condition, results of operations and cash flows.

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

Countries in which we have operations are migrating from analog terrestrial broadcasting to digital terrestrial broadcasting. Each country has independent plans 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 terrestrial 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 retain audience share and attract advertisers as such technologies penetrate our markets. New technologies that enable viewers to choose when and what content to watch, as well as to fast-forward or skip advertisements may cause changes in consumer behavior that could impact our business. In addition, compression techniques and other technological developments allow for an increase in the number of channels that may be broadcast in our markets and expanded programming offerings that may be offered to highly targeted audiences. Reductions in the cost of launching additional channels could lower entry barriers for new channels and encourage the development of increasingly targeted niche programming on various distribution platforms. Our television broadcasting operations may be required to expend substantial financial and managerial resources 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.

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

In certain of our markets, Adrian Sarbu, our President and Chief Operating Officer (who is a shareholder in our Romania operations), 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 interest 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 and the EBRD Loan. 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. In the past, 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 and 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 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 analog broadcasting licenses expire at various times between April 2009 and September 2020. Any non-renewal or termination of any other broadcasting or operating licenses or other authorizations or material modification of the terms of any renewed licenses may have a material adverse effect on our financial position, results of operations and cash flows.

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

Our revenue generating operations are located in Central and Eastern Europe. These markets pose different risks to those posed by investments in more developed markets and the impact in our markets of unforeseen circumstances on economic, political or social life is greater. The economic and political systems, legal and tax regimes, standards of corporate governance and business practices of countries in this region continue to develop. Government policies may be subject to significant adjustments, especially in the event of a change in leadership. This may result in social or political instability or disruptions, potential political influence on the media, inconsistent application of tax and legal regulations, arbitrary treatment before judicial or other regulatory authorities and other general business risks, any of which could have a material adverse effect on our financial 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.

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 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.

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

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

Risks Relating to our Common Stock

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 ten 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 our shares of Class B common stock held by CME Holdco L.P. 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 directors Adele (Guernsey) L.P. is entitled to recommend for appointment) or certain transactions, including issuances of CME common stock that may result in 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 Operations" as well as the following: general economic and business trends, variations in quarterly operating results, license renewals, regulatory developments in our operating countries and the EU, 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 analysts' perception of us and other companies that investors or securities analysts deem comparable in the television broadcasting industry. In addition, stock markets in general have experienced extreme price and volume fluctuations that have often been unrelated to and disproportionate to the operating performance of broadcasting companies. These broad market and industry factors may materially reduce the market price of shares of our Class A common stock, regardless of our operating performance.

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

As at February 25, 2009, we have a total of 1.3 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 Republic) 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, the Convertible Notes are convertible into shares of our Class A common stock and mature on March 15, 2013. Holders of the Convertible Notes have registration rights with respect to the shares of Class A common stock underlying the Convertible Notes. Prior to December 15, 2012, the Convertible Notes will be convertible following certain events and from that date, at any time through March 15, 2013. From time to time up to and including December 15, 2012, we will have the right to elect to deliver (i) shares of our Class A common stock or (ii) cash and, if applicable, shares of our Class A common stock upon conversion of the Convertible Notes. At present, we have elected to deliver cash and, if applicable, shares of our Class A common stock. (see Part II, Item 8, Note 6 "Senior Debt"). To mitigate the potentially dilutive effect of a conversion of the Convertible Notes on our Class A common stock, we have entered into two capped call transactions. In connection therewith we have purchased call options with respect to a certain number of shares of our Class A common stock that are exercisable in the event of a conversion of the Convertible Notes or at maturity on March 15, 2013. We may receive cash or shares of our Class A common stock upon the exercise of an option (see Part II, Item 8, Note 6 "Senior Debt"). We cannot predict what effect, if any, an issuance of shares of our common stock, including the Class A common stock underlying options or the Convertible Notes, any issuances of shares of our Class A or Class B common stock in connection with future financings, or the entry into trading of previously issued unregistered shares of our Class A common stock, will have on the market price of our shares. If more shares of common stock are issued, the economic interest of current shareholders may be diluted and the price of our shares may be adversely affected.

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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 as we require. We believe that suitable additional space is available on acceptable terms in the event of an expansion of our businesses. The table below provides a brief description of our significant properties.

Location	Property	Use
Hamilton, Bermuda	Leased office	Registered Office, corporate
Amsterdam, Netherlands	Leased office	Corporate Office, corporate
London, United Kingdom	Leased office	Administrative Center, corporate
Sofia, Bulgaria	Leased buildings	Office and studio space, TV2 and RING TV
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 and KINO
Zug, Switzerland	Leased office	Office space, IMS

For further information on the cash resources that 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. However, 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.

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 20, 2009, the last reported sales price for shares of Class A Common Stock was US$ 6.43.

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

Price Period	High (US$ / Share)	Low (US$ / Share)
2008		
Fourth Quarter	66.47	9.07
Third Quarter	89.42	61.99
Second Quarter	106.99	86.34
First Quarter	114.17	78.50
2007		
Fourth Quarter	123.49	93.36
Third Quarter	100.85	76.91
Second Quarter	100.74	86.85
First Quarter	88.92	70.95

At February 20, 2009, there were 215 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 17, "Stock-Based Compensation").

DIVIDEND POLICY

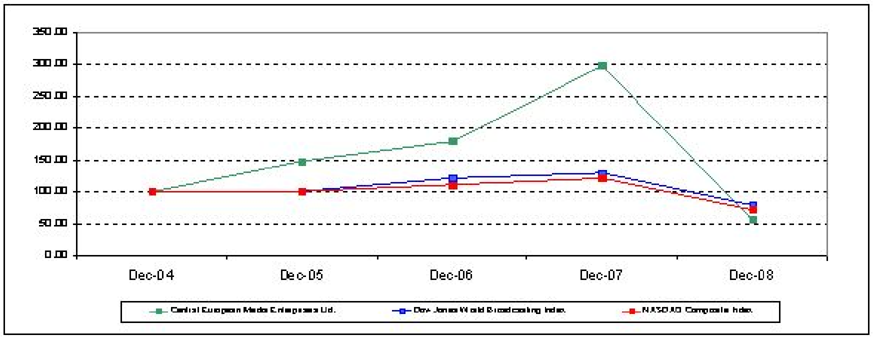
We have not declared or paid and have no present intention to declare or pay in the foreseeable future any cash dividends in respect to any class of our shares of Common Stock.

PURCHASE OF OWN STOCK

We did not purchase any of our own stock in 2008.

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, 2004 and December 31, 2008.



Value of US$ 100 invested at December 31, 2004 as of December 31, 2008:

Central European Media Enterprises Ltd.	$	55.81
NASDAQ Composite Index	$	79.39
Dow Jones World Broadcasting Index [(1)]	$	72.49

[(1)] This index includes 69 companies, many of which are non-U.S. based. Accordingly, we believe that the inclusion of this index is useful in understanding our stock performance compared to companies in the television broadcast and cable industry.

ITEM 6. SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA

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

The following tables set forth the selected consolidated financial data for each of the years in the five-year period ended December 31, 2008. 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, 2008, 2007 and 2006 and the consolidated balance sheet data as of December 31, 2008 and December 31, 2007 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, 2005 and 2004 and the balance sheet data as of December 31, 2006, 2005 and 2004 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, 2008	2007	2006	2005	2004
	(US$ 000's, except per share data)				
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Net revenues	$ 1,019,934	$ 838,856	$ 602,646	$ 400,978	$ 182,339
Operating (loss) / income	(127,797)	210,456	142,971	52,196	18,671
Net (loss) / income from continuing operations	(251,759)	93,048	27,641	42,835	15,938
Net (loss) / income on discontinued operations	(3,785)	(4,480)	(7,217)	(513)	2,524
Net income / (loss)	$ (255,544)	**$ 88,568**	**$ 20,424**	**$ 42,322**	**$ 18,462**
PER SHARE DATA:					
Net (loss) / income per common share from:					
Continuing operations – basic	$ (5.95)	$ 2.25	$ 0.69	$ 1.24	$ 0.57
Continuing operations – diluted	(5.95)	2.23	0.68	1.21	0.55
Discontinued operations – basic	(0.09)	(0.11)	(0.18)	(0.01)	0.09
Discontinued operations – diluted	(0.09)	(0.11)	(0.18)	(0.01)	0.09
Net (loss) / income – basic	(6.04)	2.14	0.51	1.22	0.66
Net (loss) / income – diluted	$ (6.04)	$ 2.12	$ 0.50	$ 1.19	$ 0.63
Weighted average common shares used in computing per share amounts (000's)					
Basic	42,328	41,384	40,027	34,664	27,871
Diluted	42,328	41,833	40,600	35,430	29,100
CONSOLIDATED BALANCE SHEET DATA:					
Cash	$ 107,433	$ 142,812	$ 145,902	$ 71,658	$ 152,568
Other current assets	387,962	392,280	271,763	215,268	112,481
Non-current assets	1,913,338	1,803,343	1,401,335	1,101,924	179,590
Total assets	**$ 2,408,733**	**$ 2,338,435**	**$ 1,819,000**	**$ 1,388,850**	**$ 444,639**
Current liabilities	228,673	234,470	184,461	206,961	109,745
Non-current liabilities	1,175,694	681,003	572,584	488,099	18,965
Minority interests	3,187	23,155	26,189	13,237	4,861
Shareholders' equity	1,001,179	1,399,807	1,035,766	680,553	311,068
Total liabilities and shareholders' equity	**$ 2,408,733**	**$ 2,338,435**	**$ 1,819,000**	**$ 1,388,850**	**$ 444,639**

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" on page 4 and "Risk Factors" in Part I, Item 1A.

Contents

l. Executive Summary

Continuing Operations

The following table provides a summary of our consolidated results for the years ended December 31, 2008 and 2007:

	For the Years Ended December 31, (US$ 000's)					
		2008		**2007**		***Movement***
Net revenues	$	1,019,934	$	838,856	$	181,078
Operating (loss) / income		(127,797)		210,456		(338,253)
Net (loss) / Income	**$**	**(255,544)**	**$**	**88,568**	**$**	**(344,112)**
Net cash generated from continuing operating activities	$	135,555	$	106,695	$	28,860

The deterioration in our operating income is principally due to the recognition of a non-cash impairment charge of US$ 336.7 million in respect of our operations in Ukraine and Bulgaria (see Item 8, Note 4, "Goodwill and Intangible Assets").

Station Performance

In 2008 our established operations in Croatia, the Czech and Slovak Republics, Romania, and Slovenia performed very strongly. We acquired the interests of the minority partners in our Ukraine (STUDIO 1+1) operations and re-launched the station in 2008, incurring significant costs as a result. We also acquired new operations in Bulgaria during 2008 which incurred startup losses.

In 2008 we reported growth in total Segment Net Revenues of 21.6%. Aside from our Ukraine (STUDIO 1+1) operations, each of our stations showed growth in excess of 15.9%, with particularly strong growth in the Czech Republic and Romania.

Total Segment EBITDA grew by 6.9%. We generated a total Segment EBITDA margin of 34.0% compared to the 39.0% margin reported in 2007 (Segment EBITDA is defined and reconciled to our consolidated results in Item 8, Note 19, "Segment Data"). Our total segment results were affected by losses in our developing markets of Ukraine and Bulgaria. In Ukraine our two operating segments generated Segment EBITDA losses of US$ 34.8 million compared to Segment EBITDA of US$ 23.5 million in 2007, and our new operations in Bulgaria generated Segment EBITDA losses of US$ 10.2 million. Excluding these, in 2008 we generated Segment EBITDA of US$ 390.7 million, an increase of 30.2% over 2007, and a total Segment EBITDA margin of 42.5%, compared to 42.1% in 2007.

Our net cash generated from continuing operations increased by 27.0% in 2008.

During the first half of 2008, our Segment results benefited from a general weakening of the dollar against the currencies in which our results are generated. This situation reversed in the second half of the year, and by December 31, 2008 the currencies of all our markets except the Slovak Republic were weaker against the dollar than they had been at the start of the year. We were not impacted by the weakening general economic conditions that have affected many Western countries until very late in the year. Rapidly growing economic uncertainty in the last quarter of 2008 led to a significant reduction in GDP growth rates in most of our markets and our advertising sales in December were lower than we had anticipated in some markets.

Key Events

In late 2007 we began negotiations with our minority partners in the Studio 1+1 group to acquire their remaining 40.0% interest. On January 31, 2008, we entered into a framework agreement which established a mechanism for us to acquire a 30.0% interest and an option to acquire the final 10.0% interest at agreed prices.

We completed the acquisition of the first 30.0% interest in June 2008, paying cash consideration of US$ 223.2 million (including acquisition costs) and began to implement our plan to maximize the potential of the STUDIO 1+1 channel by establishing a multi-channel broadcasting platform. This included installing a new management team and significantly restructuring our operations.

On September 10, 2008, we exercised our option to purchase the remaining 10.0% interest. We completed this purchase on October 17, 2008 for cash consideration of US$ 109.1 million. We have taken responsibility for advertising sales for Ukraine operations with effect from January 1, 2009 and have set up an in-house sales department following the termination of our agreements with the Video International Group.

In December 2008, we also announced that we had entered into a preliminary agreement to buy out our minority partners in Gravis-Kino in exchange for our interest in CITI for net consideration of US$ 10.0 million and to take a 10.0% interest in Glavred Media Holding LLC for cash consideration of US$ 12.0 million. These transactions, which were completed in February 2009, will enable us to integrate the KINO channel with STUDIO 1+1 to build an efficient multi-channel broadcasting platform (see Item 8, Note 23, "Subsequent Events").

Although we strongly believe these transactions will ultimately maximize the value of our operations in Ukraine, our operations were vulnerable to the sharp decline in the market that commenced in November and December of 2008 and which is expected to continue in 2009 and 2010 We therefore concluded that some of our Ukraine assets had become impaired in the fourth quarter. Accordingly, we recorded an impairment charge of US$ 271.9 million in respect of both of our Ukraine operations (see Item 8, Note 4 “Goodwill and Intangible Assets: Impairment of Goodwill, Indefinite-Lived Intangible Assets and Long-Lived Assets”).

During 2008 we also made the first expansion of our geographic footprint since 2005 through an acquisition in Bulgaria. In July we announced our acquisition of an indirect 80.0% interest in TV2, which operates a start-up national terrestrial channel, and Ring TV, which operates a sports cable channel, for total cash consideration of US$ 152.3 million. The acquisition of TV2 and RING TV provides an opportunity for us to establish a leading multi-channel broadcasting platform in a new market. Unfortunately, the Bulgarian economy was also heavily impacted by the global financial crisis in the fourth quarter and is expected to continue to suffer in 2009 and 2010. We therefore recorded impairment charges of US$ 64.9 million in respect of our Bulgarian operations (see Item 8, Note 4 “Goodwill and Intangible Assets: Impairment of Goodwill, Indefinite-Lived Intangible Assets and Long-Lived Assets”).

In smaller transactions we expanded into radio with our acquisition of Radio Pro in Romania, and in the Czech Republic enhanced our internet operations and announced a licensing agreement to launch a localized MTV channel in 2008. In April 2008, we acquired certain assets of Radio Pro, the owner of two leading radio channels in Romania, for RON 47.2 million (approximately US$ 20.6 million at the date of payment). In May 2008 we acquired Jyxo, an information technology provider and blog.cz, operator of the leading blog site in the Czech Republic, which we also acquired, for up to US$ 11.6 million if certain operational targets are met (see Item 8 Note 3 “Acquisitions and Disposals: Romania). In September, 2008, we announced a multi-year licensing agreement with MTV Networks International to launch a localized MTV channel in the Czech Republic, with the opportunity to also distribute the channel in the Slovak Republic via cable and satellite. We expect the channel to launch during 2009.

In March 2008, we issued US$ 475.0 million of 3.5% Senior Convertible Notes, the proceeds of which were used to acquire the additional ownership interests in our Ukraine operations and for general corporate purposes. In connection with the issuance of the Convertible Notes we purchased capped call options over shares of our Class A Common Stock.

Late in the year we had a number of executive management changes. Marina Williams, our Executive Vice President, resigned in October to pursue other professional opportunities. Michael Garin retired as Chief Executive Officer at the end of December 2008 and resigned from the Board of Directors of CME in February 2009. Adrian Sarbu, our Chief Operating Officer, was appointed President and Chief Operating Officer from January 1, 2009.

Future Trends

Economic conditions in our markets worsened significantly at the end of 2008 and economic news in the first two months of 2009 has been generally negative. There is a wide range of GDP and economic predictions for our markets for 2009, but the majority of these anticipates substantially worse conditions than in 2008 and the consensus projections, which steadily deteriorated in the last months of 2008, have sharply declined in the first months of 2009.

The first quarter of the year is the main period in which we negotiate advertising contracts with our clients. In light of these deteriorating economic conditions, advertisers are uncertain about the level of spending they are prepared to commit and this has slowed our progress in closing advertising sales contracts for 2009. As a result, the level of advertiser demand for gross rating points (“GRPs”) and the consequent effect on pricing is currently unclear. We therefore cannot predict with certainty how our advertising sales will develop in 2009. We now expect that total advertising spending will decline in 2009 in most or all of the countries in which we operate. The extent of the decline will probably be in a single digit percentage range, although if the current economic conditions continue or worsen the level of decline could be substantially greater. We cannot predict with any degree of accuracy how the effect of such a decline will impact television advertising. In Ukraine uniquely poor economic conditions lead us to expect a decline of the television advertising market of up to 60%.

Since June 30, 2008 the dollar has strengthened considerably against most European currencies, including the Euro and the local currencies of our station operations. In general, an increase in the strength of the dollar against the functional currencies of the markets in which we operate will reduce the dollar value of the segment sales and segment EBITDA that we report. This trend has continued in the early months of 2009 and analyst predictions suggest that further weakening is likely.

We have been taking actions to reduce costs to protect profits and to conserve liquidity. These steps include staff reductions in our operations and our headquarters, pay constraints, the deferral of certain operating expenditures, the deferral or cancellation of capital expenditures and managing our broadcast schedules to reduce the rate of programming cost growth. We have also modified our development strategies for Ukraine and Bulgaria and significantly reduced our planned levels of investment expenditure. Notwithstanding these cost reductions, our goal continues to be to maintain the high audience shares and the strength of our brands that we currently enjoy in our key markets, as we believe this is essential to the long term value of CME. We intend to maintain sufficient investment to protect these strengths. Taking all these factors into account, we now expect that we will see a decline in Segment Net Revenues and Segment EBITDA in 2009 in local currency in some or all of our markets.

When the global economic climate improves, we expect growth will resume in our markets. As a result, we expect that over the medium term we will see a return to higher levels of GDP growth, as higher well as general advertising and television advertising spending growth in our markets than in Western European or U.S. markets.

Broadcast

The large audience share that we enjoy in most of our markets is due both to the commercial strength of our brands and 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 advent of digital terrestrial broadcasting as well as the introduction of alternative distribution platforms for content (including additional direct-to-home ("DTH") services, the internet, internet protocol TV ("IPTV"), mobile television and video-on-demand services) will cause audience fragmentation and change the competitive dynamics in our operating countries in the medium term. Due to our integrated multichannel and internet business model, we do not expect that the impact on our advertising share will be significant.

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, including by launching new niche channels to target niche audiences as these new technologies develop.

Internet

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 in new media. We operate a complex internet business in each of our markets and expect to continue to launch targeted services in order to support or achieve leading positions in terms of unique users. We believe that the strength of our brands, our news programming and other 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 and to monetize those assets over time. We intend to continue the development of our non-broadcast activities in order to create offerings and launch services on the internet and mobile platforms that complement our broadcast schedules and generate additional revenues.

Financial Position

We believe our financial resources are sufficient to meet our current financial obligations. We do not have any imminent refinancing need; as the earliest maturity date of our Senior Notes or Convertible Notes is in 2012 and our EBRD Loan, which is scheduled to amortize from May 2009, does not mature until 2011. However, further deterioration in the advertising market or continued strengthening of the dollar against the currencies of the markets in which our cash flow is generated would reduce our liquidity reserves. We may also be constrained in accessing new funding due to prevailing credit market conditions and our increasing leverage as Segment EBITDA falls. We will continue to review opportunities to raise additional liquidity, including restructuring our debt and issuing equity or additional local debt as market conditions allow.

CME Strategy

We enjoy very strong positions in our core markets. This is based on brand strength, audience share leadership, the depth and experience of local management and local content production. Historically, these strengths have supported price leadership, high margins, and strong cash flows. We expect these strengths will give our operations resilience in the current economic downturn and the opportunity to benefit as and when growth resumes.

We intend also to take a number of steps to enhance the performance of the business over the medium term. Our priorities in this regard include:

Optimizing the value of our resources through diversification of revenue sources:

- we intend to reorganize our operating structure into three areas - (broadcast) channel operations, content, and internet – to leverage our content strengths to develop a significant new revenue source over the medium term; and

- as this structure becomes established, we intend to continue our transformation from a television broadcaster to a broad based media company by capitalizing on our core strengths and expanding our revenue base into five main sources: advertising, subscription, content distribution, internet and management services.

Further development of our operations:

- we will continue developing our Bulgaria and Ukraine operations in a controlled manner to secure consistent performance and a leading position in those markets; and.

- we will assess opportunities arising from current economic conditions to launch or acquire additional channels and internet operations in our region in order to expand our offerings, target niche audiences and increase our advertising inventory when financially prudent.

In the near term, while current difficult economic conditions continue, we will maintain a strong focus on cost control to protect both profitability and liquidity, while ensuring that this does not lead to the erosion of our brands and competitive strength.

ll. General Market Information

Emerging Markets

Our revenue generating operations are in Bulgaria, 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 economic structures, 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 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 select markets, the United States, United Kingdom, Greece and Italy were ranked A2 in 2008, Hungary and Poland were ranked A3 and Russia and Turkey were ranked B.

Country	2008 Rating	Details of 2008 Rating	2007 Rating	2006 Rating	2005 Rating
Bulgaria	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.	-	-	-
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 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 probability is still acceptable on average.	A4	A4	A4
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	A1	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. In January 2009, Coface downgraded a number of countries because of the credit crisis; Croatia, Slovenia and Ukraine have been placed on a negative watch.

European Union Accession

The Czech Republic, the Slovak Republic and Slovenia acceded to the EU in May 2004, and Romania and Bulgaria 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. This reduction in political and economic risks 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, 2008, 90% of our Segment 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 generally accounts for a higher proportion of total advertising spending than in 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 2008 (1)	Total Advertising Spending per Capita 2008 (US$) (2)	Total Advertising Spending as a % of GDP 2008 (2)	TV Advertising Spending per Capita (US$) 2008 (2)	TV Advertising Spending as a % of Total Advertising Spending 2008 (2)
Bulgaria	7.6	$ 6,154	$ 45.9	0.75%	$ 23.7	55%
Croatia	4.6	$ 13,491	$ 73.0	0.54%	$ 35.5	49%
Czech Republic	10.2	$ 22,575	$ 108.3	0.48%	$ 48.8	45%
Romania	21.3	$ 8,983	$ 36.3	0.40%	$ 22.0	61%
Slovak Republic	5.4	$ 17,994	$ 83.9	0.47%	$ 39.4	47%
Slovenia	2.0	$ 27,864	$ 88.6	0.32%	$ 51.4	58%
Ukraine	45.9	$ 3,928	$ 22.5	0.57%	$ 9.9	44%

(1) Source: Global Insight.

(2) Source: Global Insight and 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 2008 (1)	Total Advertising Spending per Capita 2008 (US$) (2)	Total Advertising Spending as a % of GDP 2008 (2)	TV Advertising Spending per Capita (US$) 2008 (2)	TV Advertising Spending as a % of Total Advertising Spending 2008 (2)
Greece	11.2	$ 31,712	$ 370.2	1.17%	$ 111.6	30%
Hungary	10.0	$ 14,013	$ 96.6	0.69%	$ 39.6	41%
Italy	58.6	$ 39,386	$ 257.2	0.65%	$ 128.9	50%
Poland	38.0	$ 11,350	$ 75.7	0.67%	$ 35.4	47%
Russia	141.8	$ 12,188	$ 75.1	0.62%	$ 39.5	53%
Turkey	75.8	$ 8,466	$ 31.0	0.37%	$ 16.7	54%
UK	61.0	$ 34,283	$ 324.6	0.95%	$ 84.6	26%
USA	308.8	$ 46,233	$ 546.0	1.18%	$ 238.2	44%

(1) Source: Global Insight.
(2) Source: Global Insight and CME estimates.

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

Country	2004	2005	2006	2007	2008
Bulgaria (1)	-	–	-	-	$ 175 - $ 185
Croatia (1)	$ 110 – $ 120	$ 115 – $ 125	$ 120 – $ 130	$ 140 – $ 150	$ 155 - $ 165
Czech Republic (1)	$ 260 – $ 270	$ 285 – $ 295	$ 310 – $ 320	$ 390 – $ 400	$ 490 - $ 500
Romania	$ 110 – $ 120	$ 165 – $ 175	$ 235 – $ 245	$ 375 – $ 385	$ 465 - $ 475
Slovak Republic	$ 80 - $ 90	$ 90 – $ 100	$ 105 – $ 115	$ 165 – $ 170	$ 210 - $ 215
Slovenia	$ 55 – $ 65	$ 60 - $ 70	$ 70 - $ 80	$ 85 – $ 90	$ 100 - $ 105
Ukraine (2)	$ 140 - $ 150	$ 220 - $ 230	$ 310 - $ 320	$ 470 - $ 480	$ 450 - $ 460

Market sizes are quoted at average dollar exchange rates throughout each year.
(1) We acquired our Croatia operations in July 2004, our Czech Republic operations in May 2005 and our Bulgaria operations in August 2008.
(2) 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	2004	2005	2006	2007	2008
Bulgaria (1)	-	-	-	-	6 – 8%
Croatia (1)	-	(1 – 3)%	2 - 5%	4 – 7%	0%
Czech Republic (1)	-	3 – 5%	0 - 1%	8 – 12%	7 – 9%
Romania	20 - 30%	25 - 35%	30 – 40%	50 - 60%	27 – 29%
Slovak Republic	14 - 16%	8 - 10%	5 - 7%	25 - 30%	6 – 8%
Slovenia	8 - 11%	9 - 11%	9 - 11%	8 - 10%	7 – 9%
Ukraine (2)	25 - 35%	45 - 55%	25 - 35%	25 - 35%	(3 - 5)%

(1) We acquired our Croatia operations in July 2004, our Czech Republic operations in May 2005 and our Bulgaria operations in August 2008.
(2) Excludes political advertising and sponsorship.

Television Advertising Sales

Spot and Non-Spot Revenues. For the purposes of our management's discussion and analysis of financial condition and results of operations, total television and radio 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 schedules.

Audience Ratings and Share. When describing our performance we refer to "audience share", which represents the share attracted by a channel as a proportion of the total audience watching television, and "ratings", which represents the number of people watching a channel (expressed as a proportion of the total population measured). Audience share and ratings information is measured in each market by international measurement agencies, using peoplemeters, which quantify audiences for different demographics and sub geographies of the population measured throughout the day. Our channels schedule programming intended to attract audiences within specific "target" demographics that we believe will be attractive to advertisers. For each of our segments we show all day and prime time audience share and program ratings information for our channels and their major competitors, based on our channels' target demographics.

Spot Sales. Our main unit of sale is the commercial gross rating point ("GRP"). This is a measure of the number of people watching when the advertisement is aired. Generally we will contract with a client to provide an agreed number of GRPs for an agreed price ("cost per point" or "CPP"). Much less frequently, and usually only for small niche channels, we may sell on a fixed spot basis where an advertisement is placed at an agreed time for a negotiated price that is independent of the number of viewers. The price per GRP package varies depending on the season and time of day the advertisement is aired, the volume of GRPs purchased, requirements for special positioning of the advertisement, the demographic group that the advertisement is targeting (in a multi-channel environment) and other factors. Our larger advertising customers generally enter into annual contracts which usually run from April to March and set the pricing for a committed volume of GRPs.

Generally, demand for broadcast advertising is highest in the fourth quarter of the year, followed by the second quarter; demand for broadcast advertising tends to be lowest in the third quarter of the year.

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 Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic, Slovenia and two Ukraine 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.

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 the 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, 2008, 2007 and 2006 see Part II, Item 8, Note 19, “Segment Data”.

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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)					
	2008	(1)	2007	(1)	2006	(1)
Segment Net Revenues						
Bulgaria (2)	$ 1,263	0%	-	-%	-	-%
Croatia (NOVA TV)	54,651	5%	$ 37,193	5%	$ 22,310	4%
Czech Republic (3)	376,546	37%	279,237	33%	208,387	34%
Romania (4)	274,627	27%	215,402	26%	148,616	25%
Slovak Republic (TV MARKIZA) (5)	132,692	13%	110,539	13%	73,420	12%
Slovenia (POP TV and KANAL A)	80,697	8%	69,647	8%	54,534	9%
Ukraine (STUDIO 1+1)	96,738	10%	125,323	15%	96,413	16%
Ukraine (KINO, CITI) (6)	2,720	0%	1,515	0%	726	0%
Total Segment Net Revenues	**$ 1,019,934**	**100%**	**$ 838,856**	**100%**	**$ 604,406**	**100%**
Represented by:						
Broadcast operations	$ 1,010,404	100%	$ 835,232	100%	$ 601,416	100%
Non-broadcast operations	9,530	0%	3,624	0%	2,990	0%
Total Segment Net Revenues	**$ 1,019,934**	**100%**	**$ 838,856**	**100%**	**$ 604,406**	**100%**
Segment EBITDA						
Bulgaria	$ (10,185)	(3)%	-	-%	-	-%
Croatia (NOVA TV)	(5,415)	(2)%	$ (13,882)	(4)%	$ (14,413)	(7)%
Czech Republic	208,655	60%	156,496	49%	100,488	46%
Romania	111,783	33%	93,075	29%	65,860	30%
Slovak Republic (TV MARKIZA)	50,228	15%	41,532	13%	20,805	10%
Slovenia (POP TV and KANAL A)	25,413	7%	22,767	7%	19,842	9%
Ukraine (STUDIO 1+1)	(32,944)	(9)%	27,000	8%	29,973	14%
Ukraine (KINO, CITI)	(1,855)	(1)%	(3,536)	(2)%	(1,795)	(2)%
Total Segment EBITDA	**$ 345,680**	**100%**	**$ 323,452**	**100%**	**$ 220,760**	**100%**
Represented by:						
Broadcast operations	$ 354,387	103%	$ 327,330	101%	$ 221,046	100%
Non-broadcast operations	(8,707)	(3)%	(3,878)	(1)%	(286)	0%
Total Segment EBITDA	**$ 345,680**	**100%**	**$ 323,452**	**100%**	**$ 220,760**	**100%**
Segment EBITDA Margin (7)	**34%**		**39%**		**37%**	

(1) Percentage of Total Segment Net Revenues / Total Segment EBITDA.
(2) We acquired our Bulgaria operations (TV2, RING TV) on August 1, 2008.
(3) Our Czech Republic operations comprise TV NOVA, NOVA SPORT and NOVA CINEMA, which was launched in December 2007.
(4) Romanian channels are PRO TV, PRO CINEMA, ACASA, PRO TV INTERNATIONAL, SPORT.RO and MTV ROMANIA for the years ended December 31, 2008 and 2007 and PRO TV, PRO CINEMA, ACASA and PRO TV INTERNATIONAL for the year ended December 31, 2006.
(5) Our Slovak Republic operations were accounted for as an equity affiliate until January 23, 2006.
(6) We acquired our Ukraine (KINO, CITI) operations on January 11, 2006 and disposed of the CITI channel in February 2009.
(7) We define Segment EBITDA margin as the ratio of Segment EBITDA to Segment Net Revenues.

ANALYSIS BY GEOGRAPHIC SEGMENT

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

(A) BULGARIA

We acquired our Bulgaria operations on August 1, 2008. We hold an indirect 80.0% voting and economic interest in each of TV2, a start-up national channel, and RING TV, a cable sports channel. TV2 was launched in November 2007.

Since acquiring our Bulgaria operations, we have been focused on establishing the necessary infrastructure and resources for the development of the operations, drawing on experienced management support from Romania and other markets while we build the new local management team. We have expanded the existing management team with particular attention to programming, marketing, sales and technical capability. The location of the broadcasting operations has been secured with sufficient floor space for our immediate development plans. This space is under refurbishment and progress has been made in consolidating operations with the closure of two of three satellite offices in December 2008.

TV2 launched its news service 'Novinite' on October 20, 2008 and now delivers three bulletins per night. In August 2008, we acquired the rights to broadcast the Bulgarian National Football League for the next five years. The top five games aired in 2008 achieved audience share of over 6.5% on RING TV. In December 2008, we secured exclusive rights for the UEFA Champions League and UEFA Cup for the next 3 seasons.

We intend to relaunch TV2 and RING TV in the second and third quarters of 2009, respectively.

Market Background: We estimate that the net television advertising market in Bulgaria was approximately US$ 175 -185 million in 2008. Economic projections for Bulgaria in 2009 are poor and continue to worsen. Due to the resulting uncertainty among advertisers, we are closing sales contracts for 2009 more slowly than we anticipated, and as a result we cannot accurately predict future market development. However, we currently expect the local currency total advertising market to decline by a single-digit percentage in 2009. If market conditions continue to worsen, a further decline in the total advertising market can be expected.

TV2 and RING TV Audience Share and Ratings Performance

For sales purposes, TV2's target audience demographic is 18-49. All audience data shown below is based on the target demographic of TV2.

	For the five months from acquisition to December 31, 2008
All day audience share	2.0%
All day ratings	0.2%
Prime time audience share	1.7%
Prime time ratings	0.5%

Our major competitors are the privately owned broadcaster bTV and NOVA TV and the public broadcaster BNT. From August 1, 2008 to December 31, 2008, bTV had an all day audience share of 36.1%, NOVA TV had an all day audience share of 18.2% and BNT had an all day audience share of 10.0%. In terms of its audience share, TV2 currently is comparable to the larger cable or satellite channels in the Bulgarian market: DIEMA + and DIEMA 2, with all day audience shares for the period from August 1, 2008 to December 31, 2008 of 4.4% and 1.1%, respectively, FOX LIFE with 2.4% and TV7 with 0.9%.

Prime time audience share for the five months ended December 31, 2008 was 41.1% for bTV, 22.8% for NOVA TV and 10.0% for BNT. Prime time audience shares for the period from August 1, 2008 to December 31, 2008 for DIEMA +, DIEMA 2, FOX LIFE and TV7 were 3.0%, 0.8%, 1.3% and 0.8%, respectively.

BULGARIA SEGMENT FINANICIAL INFORMATION

	For the period from acquisition to December 31, 2008 (US$ 000's)
Spot revenues	$ 666
Non-spot revenues	597
Segment Net Revenues	**$ 1,263**
Represented by:	
Broadcast operations	$ 1,261
Non-broadcast operations	2
Segment Net Revenues	**$ 1,263**
Segment EBITDA	**$ (10,185)**
Represented by:	
Broadcast operations	$ (10,182)
Non-broadcast operations	(3)
Segment EBITDA	**$ (10,185)**
Segment EBITDA Margin	**(806)%**

- **Segment Net Revenues** for the five months from acquisition to December 31, 2008 were US$ 1.3 million. Spot revenues were US$ 0.7 million. Non-spot revenues were US$ 0.6 million, primarily from cable revenues.

- **Segment EBITDA** losses for the period from acquisition to December 31, 2008 were US$ 10.2 million. We incurred programming costs of US$ 6.5 million, which included a writedown of programming of US$ 0.5 million, other operating costs of US$ 2.3 million and selling, general and administrative costs of US$ 2.7 million.

(B) CROATIA

In 2008, NOVA TV (Croatia) experienced significant improvements in audience share, Segment Net Revenues and Segment EBITDA. NOVA TV (Croatia) achieved positive Segment EBITDA not only in the fourth quarter, in line with the development plan we published in 2005, but also in the second quarter. These developments reflected broad-based programming success, especially with local programming. Of particular note are the strong audience share achievements with the reality show 'The Farm' and the format 'Don't Forget The Lyrics'. 'Moment of Truth', a new local game show launched in September, finished its first season with an average audience share of 29.6%. Our main evening news program increased its target audience share by more than 35%.

The number of unique daily users of our internet sites increased by approximately 31% in 2008. Several new themed microsites were launched targeted at women, children, sports, and other niche groups.

Market Background: We estimate that the television advertising market in Croatia experienced no growth in local currency between 2007 and 2008, reflecting a reduction in demand from international advertisers in the fourth quarter. Economic projections for Croatia in 2009 are poor and continue to worsen. Due to the resulting uncertainty among advertisers we cannot predict future market development accurately. However, we currently expect the local currency total advertising market to decline by a single-digit percentage in 2009. If market conditions continue to worsen, a further decline in the total advertising market can be expected.

NOVA TV (Croatia) Audience Share and Ratings Performance

For advertising sales purposes, the NOVA TV (Croatia) target audience is the 18-49 demographic and all audience data in this section is shown on this basis.

	For the Years Ended December 31,		
	2008	**2007**	***Movement***
All day audience share	22.5%	18.8%	*3.7 %*
All day ratings	3.4%	3.0%	*0.4 %*
Prime time audience share	**25.4%**	**19.7%**	*5.7 %*
Prime time ratings	**8.8%**	**7.2%**	*1.6 %*

Our major competitors are the two channels of the public broadcaster, HRT1 and HRT2, with all day audience shares for the year ended December 31, 2008 of 24.3% and 15.1%, respectively, and privately owned broadcaster RTL, with an all day audience share of 26.4%.

NOVA TV (Croatia) whose prime time audience share increased from 19.7% in 2007 to 25.4% in 2008 was ranked second in the market. Prime time audience share for RTL decreased from 30.1% to 27.1% over the same period, while the prime time audience shares of HRT1 and HRT2 decreased from 24.6% to 22.6% and from 18.4% to 16.3% respectively.

Prime time ratings for NOVA TV (Croatia) increased from 7.3% in 2007 to 8.8% in 2008, while the total prime time ratings for the Croatian market decreased from 36.7% in 2007 to 34.8% in 2008.

During the three months ended December 31, 2008, the prime time audience share of NOVA TV (Croatia) increased from 19.4% to 23.9%. The prime time audience share of HRT1 increased from 23.7% to 24.6% over the same period, while those of RTL and HRT2 decreased from 33.1% to 28.8% and from 16.5% to 13.1%, respectively.

	For the Years Ended December 31, (US$ 000's)							
			Movement				Movement	
	2008	2007	% Act[(1)]	% Lfl[(2)]	2007	2006	% Act[(1)]	% Lfl[(2)]
Spot revenues	$ 45,946	$ 29,675	*54.8 %*	*44.4 %*	$ 29,675	$ 16,442	*80.5 %*	*65.1 %*
Non-spot revenues	8,705	7,518	*15.8 %*	*4.9 %*	7,518	5,868	*28.1 %*	*14.9 %*
Segment Net Revenues	**$ 54,651**	**$ 37,193**	***46.9 %***	*36.2 %*	**$ 37,193**	**$ 22,310**	***66.7 %***	*51.7 %*
Represented by								
Broadcast operations	$ 54,083	$ 36,901	*46.6 %*	*35.8 %*	$ 36,901	$ 22,298	*65.5 %*	*50.6 %*
Non-broadcast operations	568	292	*94.5 %*	*94.3 %*	292	12	*nm% (3)*	*nm% (3)*
Segment Net Revenues	**$ 54,651**	**$ 37,193**	***46.9 %***	*36.2 %*	**$ 37,193**	**$ 22,310**	***66.7 %***	*51.7 %*
Segment EBITDA	**$ (5,415)**	**$ (13,882)**	***(61.0)%***	*(64.1)%*	**$ (13,882)**	**$ (14,413)**	***3.7 %***	*10.7 %*
Represented by								
Broadcast operations	$ (3,503)	$ (13,814)	*74.6 %*	*76.7 %*	$ (13,814)	$ (14,302)	*3.4 %*	*10.4 %*
Non-broadcast operations	(1,912)	(68)	*nm% (3)*	*nm% (3)*	(68)	(111)	*38.7 %*	*47.3 %*
Segment EBITDA	**$ (5,415)**	**$ (13,882)**	***(61.0)%***	*(64.1)%*	**$ (13,882)**	**$ (14,413)**	***3.7 %***	*10.7 %*
Segment EBITDA Margin	**(10)%**	**(37)%**	***27 %***	*28 %*	**(37)%**	**(65)%**	***28 %***	*26 %*

(1) Actual ("%Act") reflects the percentage change between two years.
(2) Like for Like ("%Lfl") or constant currency reflects the impact of applying the current period average exchange rates to the prior period revenues and costs.
(3) Number is not meaningful.

- **Segment Net Revenues** for the year ended December 31, 2008 increased by 47%, compared to year ended December 31, 2007. In constant currency, Segment Net Revenues increased by 36%. Spot revenues for 2008 increased by 55%, or 44% in constant currency, compared to 2007 due to the continuing significantly higher volume of GRPs sold at increased prices, although in November and December we sold a lower proportion of the GRPs that we generated compared to the prior year. Non-spot revenues increased by 16% in 2008 compared to 2007 and there was an increase of 5% in constant currency primarily as a result of lower telephone-based services revenues ("Call TV").

  Segment Net Revenues for the year ended December 31, 2007 increased by 67%, compared to 2006. In constant currency, Segment Net Revenues grew by 52%. Spot revenues increased by 81%, or 65% in constant currency, 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%, or 15% in constant currency, 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.

- **Segment EBITDA** losses for the year ended December 31, 2008 decreased by 61% compared to year ended December 31, 2007. In constant currency, Segment EBITDA losses decreased by 64%.

  Costs charged in arriving at Segment EBITDA for 2008 increased by 9% in constant currency compared to year ended December 31, 2007. Cost of programming increased by 14% in constant currency primarily due to a higher proportion of locally produced programs included in our schedule, such as 'The Farm' and 'Moment Of Truth' and a programming write off and impairment totalling US$ 0.6 million. Other operating costs increased by 17% in constant currency due to staff-related costs and broadcast operating expenses. Staff-related costs increased due to increases in headcount relating to the continuing development of the company and performance-related bonuses. Broadcast operating expenses increased primarily due to satellite transmission costs and maintenance costs. Selling, general and administrative expenses were 19% lower in constant currency primarily due to due to reduced marketing expenses.

Segment EBITDA losses for the year ended December 31, 2007 fell by 4% compared to the year ended December 31, 2006. In constant currency, Segment EBITDA losses fell by 11%.

Costs charged in arriving at Segment EBITDA for 2007 increased by 28% in constant currency compared to 2006. Cost of programming grew by 37% in constant currency as a result of continued investment in high-quality programming to improve performance. Programming syndication grew by 34% in constant currency and production expenses showed an increase of 43% in constant currency 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 11% in constant currency, primarily due to staff bonuses awarded due to a significant improvement in operating results. Selling, general and administrative expenses increased by 18% in constant currency.

(C) CZECH REPUBLIC

TV NOVA (Czech Republic) maintained its clear leadership position in the market with an average prime time share in its target group of 45.8%. Strong local production, including new programming such as the critically acclaimed “Women’s Stories”, the first Czech forensic crime series “Kriminalka” and the first true Czech sitcom “Comeback”, in addition to continuing successful series, reality formats such as “X Factor” and news programming, continued to underpin this performance. NOVA CINEMA grew to take the number 2 position in the “other stations” (cable and satellite) category and began broadcasting in DVB-T from December 15, 2008 with an initial coverage in its target group of 43%. We anticipate that this will increase our ability to monetize these ratings in 2009. We expect to launch the localized Czech version of MTV in the second half of 2009. Prima, our leading competitor, has announced that it intends to launch a digital second channel “Prima Cool” during 2009.

The number of unique daily users to our internet sites grew from 69 thousand in December 2007 to 578 thousand in December 2008, propelled by the launch of a new news portal tn.cz, the acquisition of Jyxo, s.r.o. and the leading Czech blog site in May, and the successful launch of Catch Up TV in the fall.

Market Background: We estimate that the television advertising market in the Czech Republic grew by approximately 7% to 9% in constant currency during 2008 although it declined noticeably in December. Economic projections for the Czech Republic in 2009 are poor and continue to worsen. Due to the resulting uncertainty among advertisers we cannot predict future market development accurately. However, we currently expect the local currency total advertising market to decline by a single-digit percentage in 2009. If market conditions continue to worsen, a further decline in the total advertising market can be expected.

TV NOVA (Czech Republic) Audience Share and Ratings Performance

For advertising sales purposes, the TV NOVA (Czech Republic) target audience is the 15-54 demographic and all audience data in this section is shown on this basis.

	For Years Ended December 31, 2008	2007	Movement
All day audience share	41.5%	43.0%	*(1.5)%*
All day ratings	4.7%	4.8%	*(0.1)%*
Prime time audience share	**45.8%**	**46.8%**	*(1.0)%*
Prime time ratings	**13.5%**	**14.1%**	*(0.6)%*

Our main competitors are the two channels operated by the public broadcaster, CT1 and CT2, with all day audience shares for 2008 of 17.3% and 6.8%, respectively, and privately owned broadcaster TV Prima, with an all day audience share of 17.0%.

Prime time audience share for CT1 decreased from 21.0% in 2007 to 18.2% in 2008, while the shares of CT2 and TV Prima decreased from 6.1% to 5.6% and from 17.4% to 17.1%, respectively.

Prime time ratings for TV NOVA (Czech Republic) were 13.5% in 2008 compared to 14.1% in 2007, while total prime time ratings in the Czech Republic declined from 30.0% in 2007 to 29.4% in 2008.

During the three months ended December 31, 2008, the prime time audience share of TV NOVA (Czech Republic) was 47.0% compared to 46.4% for the same period in 2007. The prime time audience share of TV Prima increased from 15.9% to 16.8%, while the prime time audience shares of CT1 and CT2 decreased from 21.3% to 18.3% and from 5.7% to 4.2%, respectively over the same period.

	For the Years Ended December 31, (US$ 000's)							
			Movement				*Movement*	
	2008	**2007**	***% Act(1)***	***% Lfl(2)***	**2007**	**2006**	***% Act(1)***	***% Lfl(2)***
Spot revenues	$ 345,077	$ 254,545	*35.6 %*	*15.8 %*	$ 254,545	$ 181,965	*39.9 %*	*24.2 %*
Non-spot revenues	31,469	24,692	*27.4 %*	*8.2 %*	24,692	26,422	*(6.5)%*	*(16.4)*
Segment Net Revenues	**$ 376,546**	**$ 279,237**	***34.8 %***	*15.1 %*	**$ 279,237**	**$ 208,387**	***34.0 %***	*19.1 %*
Represented by								
Broadcast operations	$ 374,100	$ 278,785	*34.2 %*	*14.6 %*	$ 278,785	$ 207,671	*34.2 %*	*19.3 %*
Non-broadcast operations	2,446	452	*441.2 %*	*392.5 %*	452	716	*(36.9)%*	*(48.9)%*
Segment Net Revenues	**$ 376,546**	**$ 279,237**	***34.8 %***	*15.1 %*	**$ 279,237**	**$ 208,387**	***34.0 %***	*19.1 %*
Segment EBITDA	**$ 208,655**	**$ 156,496**	***33.3 %***	*14.6 %*	**$ 156,496**	**$ 100,488**	***55.7 %***	***37.0 %***
Represented by								
Broadcast operations	$ 212,618	$ 157,362	*35.1 %*	*16.1 %*	$ 157,362	$ 100,724	*56.2 %*	*37.4 %*
Non-broadcast operations	(3,963)	(866)	*357.6 %*	*(271.7)%*	(866)	(236)	*(266.9)%*	*(192.6)%*
Segment EBITDA	**$ 208,655**	**$ 156,496**	***33.3 %***	*14.6 %*	**$ 156,496**	**$ 100,488**	***55.7 %***	*37.0 %*
Segment EBITDA Margin	**55%**	**56%**	***(1)%***	*(1)%*	**56%**	**48%**	***8 %***	*7 %*

(1) Actual ("%Act") reflects the percentage change between two years.
(2) Like for Like ("%Lfl") or constant currency reflects the impact of applying the current period average exchange rates to the prior period revenues and costs.
(3) Number is not meaningful.

- **Segment Net Revenues** for the year ended December 31, 2008 increased by 35% compared to the year ended December 31, 2007. In constant currency, Segment Net Revenues increased by 15%. Spot revenues increased by 36%, or 16% in constant currency, in 2008 compared to 2007 and non-spot revenue revenues increased by 27%, or 8% in constant currency. The increase in spot revenues was primarily due to an increase in prices, in particular our success in increasing the amount spent by advertisers in off prime time and in the low season. The volume of GRPs sold in 2008 was broadly in line with 2007, although in December we sold a lower proportion of the GRPs that we generated compared to the prior year. The increase in non-spot revenues was primarily due to a dedicated internet sales team, the acquisition of websites and services including Blog.cz and Jyxo.cz in May 2008, as well as the launch of TN.cz and the upgrading of our website, NOVA.cz to include video-on-demand capability.

  Segment Net Revenues for the year ended December 31, 2007 increased by 34% compared to the year ended December 31, 2006. In constant currency, Segment Net Revenues increased by 19%. Spot revenues increased by 40%, or 24% in constant currency, as a result of price increases and an increase in the volume of GRPs sold, while non-spot revenues fell by 7%, or 16% in constant currency, primarily due to lower telephone-based services revenues in a subsidiary that was sold in November 2007.

- **Segment EBITDA** for the year ended December 31, 2008 increased by 33% compared to the year ended December 31, 2007, resulting in an EBITDA margin of 55% compared to 56% in 2007. In constant currency, Segment EBITDA increased by 15%.

  Costs charged in arriving at Segment EBITDA for 2008 increased by 16% in constant currency compared to 2007. Cost of programming grew by 24% in constant currency primarily due to increased scheduling of locally-produced fiction, which typically delivers higher ratings but is more expensive than acquired programming. Other operating costs increased by 13%, primarily due to higher headcount, particularly in the area of our expanding internet operations, as well as higher fees paid for digital transmission. Selling, general and administrative expenses decreased by 4% in constant currency, primarily due to cost savings in the cost of renting facilities and equipment following the construction of our own facility in 2007.

  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 constant currency, Segment EBITDA increased by 37%.

  Costs charged in arriving at Segment EBITDA for 2007 increased by 2% in constant currency compared to 2006 reflecting the effective implementation of cost controls. Our cost of programming grew by 4% in constant currency due to the increased cost per hour of programming driven by market-wide competition. Other operating costs increased by 4% in constant currency, primarily due to higher salary costs and performance-related bonuses. Selling, general and administrative expenses decreased by 6% in constant currency.

(D) ROMANIA

Our Romania operations enjoyed another successful year with revenue growth in constant currency of 32% and Segment EBITDA margins in excess of 40%. They were the only major channel group to maintain its average prime-time audience share in PRO TV's target audience. Local programming continued to perform strongly with 'Regina', the spin-off from the successful 'Gypsy Heart' series, delivering an audience share of 24.2%. Assets of Radio Pro were acquired in April to provide a differentiated approach to the youth audience targeted by our MTV channel, and has been integrated successfully into PRO TV. The Romanian management team has also provided strong support to our developing operations in Ukraine and Bulgaria.

Our internet operations saw an increase in unique daily users of approximately 121% during 2008. Sport.ro is the leading sports news website in a highly competitive segment. Stirileprotv.ro, a news website, was launched successfully in the late summer. Thirteen themed microsites were launched in 2008.

Our creative achievement was recognized in September with the award of an International News Emmy for PRO TV's report "Any Idea What Your Kid Is Doing Right Now?" which focused on the issue of child abandonment. This was the first International News Emmy awarded to an Eastern European broadcaster.

Market Background: We estimate that the television advertising market grew by approximately 27% to 29% in local currency during 2008. However, there was a marked decline in the market in November and December due to budget cuts by advertisers.

Economic projections for Romania in 2009 are poor and continue to worsen. Due to the resulting uncertainty among advertisers, the progress of sales contract negotiation in the early months of 2009 has been slower than usual and consequently we cannot predict future market development accurately. However, we currently expect the local currency total advertising market to remain flat or decline by a single-digit percentage in 2009. If market conditions continue to worsen, a further decline in the total advertising market can be expected.

Romania Audience Share and Ratings Performance (Combined for all CME Romanian channels)

For advertising sales purposes, our Romanian channels have different target audience demographics: PRO TV - 18-49 urban; ACASA - 15-49 female urban; PRO CINEMA - 18-49 urban; SPORT.RO - male all urban; and MTV ROMANIA - 15-34 urban. All audience data shown in this section below is based on the target demographic of PRO TV.

	For Years Ended December 31,		
	2008	**2007**	***Movement***
All day audience share	28.8%	30.6%	*(1.8)%*
All day ratings	4.5%	4.1%	*0.4 %*
Prime time audience share	32.6%	32.4%	*0.2 %*
Prime time ratings	10.8%	9.6%	*1.2 %*

Our main competitors are privately owned broadcaster Antena 1, which had an all day audience share for 2008 of 9.4%, and the two channels operated by the public broadcaster, TVR1 and TVR2, which had all day audience shares of 4.0% and 1.6%, respectively.

Prime time audience share for TVR1 decreased from 7.1% in 2007 to 4.7% in 2008, while the prime time audience shares of TVR2 and Antena 1 decreased from 2.6% to 1.4% and from 12.9% to 11.4%, respectively.

Prime time ratings for PRO TV were 6.5% in 2008 compared to 6.3% in 2007 while total prime time ratings for the Romania market increased from 29.3% in 2007 to 33.1% in 2008.

During the three months ended December 31, 2008, the combined prime time audience share of PRO TV, ACASA, PRO CINEMA, SPORT.RO and MTV ROMANIA was 34.1% compared to 32.5% for the same period in 2007. The prime time audience share of TVR 1 decreased from 6.4% to 3.4%, while the prime time audience share of Antena 1 increased from 11.2% to 12.0% over the same period.

	For the Years Ended December 31, (US$ 000's)							
			Movement				*Movement*	
	2008	**2007**	*% Act(1)*	*% Lfl(2)*	**2007**	**2006**	*% Act(1)*	*% Lfl(2)*
Spot revenues	$ 253,649	$ 202,414	*25.3 %*	-	$ 202,414	$ 140,242	*44.3 %*	-
Non-spot revenues	20,978	12,988	*61.5 %*	-	12,988	8,374	*55.1 %*	-
Segment Net Revenues	**$ 274,627**	**$ 215,402**	***27.5 %***	-	**$ 215,402**	**$ 148,616**	***44.9 %***	-
Represented by								
Broadcast operations	$ 273, 270	$ 214,976	*27.1 %*	-	$ 214,976	$ 148,616	*44.7 %*	-
Non-broadcast operations	1,357	426	*218.5 %*	-	426	-	-	-
Segment Net Revenues	**$ 274,627**	**$ 215,402**	***27.5 %***	-	**$ 215,402**	**$ 148,616**	***44.9 %***	-
Segment EBITDA	**$ 111,783**	**$ 93,075**	***20.1 %***	-	**$ 93,075**	**$ 65,860**	***41.3 %***	-
Represented by								
Broadcast operations	$ 112,523	$ 93,585	*20.2 %*	-	$ 93,585	$ 65,976	*41.8 %*	-
Non-broadcast operations	(740)	(510)	*45.1 %*	-	(510)	(116)	*(339.7)%*	-
Segment EBITDA	**$ 111,783**	**$ 93,075**	***20.1 %***	-	**$ 93,075**	**$ 65,860**	***41.3 %***	-
Segment EBITDA Margin	**41%**	**43%**	***(2)%***	-	**43%**	**44%**	***(1)%***	-

(1) Actual (%Act) reflects the percentage change between two years.
(2) The functional currency of our Romania operations changed from the dollar to the New Romanian lei with effect from January 1, 2008. We therefore do not apply the current period average exchange rates to the prior period revenues and costs.

- **Segment Net Revenues** for the year ended December 31, 2008 increased by 27%, compared to the year ended December 31, 2007. Spot revenues increased by 25% and non-spot revenues increased by 62%. The functional currency of our Romania operations changed from the dollar to the New Romanian lei with effect from January 1, 2008; for comparative purposes, Segment Net Revenues increased by 32% in New Romanian lei in 2008. The increase in net spot revenues is attributable to an increase in prices which more than offset a decline in the volume of GRPs sold. We sold a lower proportion of the GRPs that we generated in 2008 than in 2007; a trend that increased sharply in November and December when advertisers reduced spending significantly. The increase in non-spot revenue of 62% was primarily due to increased cable tariff revenue generated by PRO TV INTERNATIONAL, SPORT.RO, PRO CINEMA and MTV ROMANIA, launched in December 2007. MTV ROMANIA contributed approximately US $5.7 million to Romania's Segment Net Revenues for the year ended December 31, 2008.

  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.

- **Segment EBITDA** for the year ended December 31, 2008 increased by 20%, compared to the year ended December 31, 2007, resulting in an EBITDA margin of 41%, compared to 43% in 2007. In constant currency, Segment EBITDA increased by 25%.

Costs charged in arriving at Segment EBITDA for 2008 increased by 33%, compared to 2007. Cost of programming grew by 35%, reflecting the increased investment required to maintain our ratings in the face of increased competition. Production expenses increased by 46% mainly due to an 85% increase in the number of hours of locally-produced content broadcast compared to 2007, albeit at reduced cost per hour of production. Other operating costs increased by 37% primarily due to salary related expenses, including higher headcount. Broadcast operating expenses increased by 34% mainly due to the acquisition of Radio Pro. Selling, general and administrative expenses grew by 17%, reflecting increases in marketing and research costs.

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 2007 increased by 48% compared to 2006. Cost of programming grew 50%. 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 New 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.

(E) SLOVAK REPUBLIC

The television advertising market reverted to modest growth in 2008 following the more spectacular development in 2007 which had been driven by a combination of a surge in general economic growth and the entry of a new mobile operator on the market creating substantial additional advertising demand. TV Markiza’s local currency revenues increased by 5% and segment EBITDA margins were maintained at almost 38%. Our leading competitor, TV JOJ, was the only channel to increase prime time audience share in 2008, becoming the second channel on the market, and this was due primarily to the launch of a successful locally produced series and the increase of technical coverage from 82% to 90% during the year. TV JOJ launched a second channel “Joj Plus” in October. Our application for a second channel licence in the Slovak Republic was approved in January 2009.

A new Audiovisual Fund Act and changes to the Broadcasting Act will reduce the amount of total broadcast time that state TV can devote to advertising from the current 3.0% by 0.5% per year until it is limited to 0.5% in 2012. From 2009, licensed broadcasters will be required to contribute 2.0% of their revenues to the Audiovisual Fund.

We saw an increase of approximately 45% in the number of daily unique visitors to our websites during 2008 assisted by the successful launch of a news website and extended and improved website features.

Market Background: We estimate that the television advertising market in the Slovak Republic grew by approximately 6% to 8% in local currency in 2008. Economic projections for the Slovak Republic in 2009 are poor and continue to worsen. Due to the resulting uncertainty among advertisers we cannot predict future market development accurately. However, we expect the local currency total advertising market to decline by a single-digit percentage in 2009. If market conditions continue to worsen, a further decline in the total advertising market can be expected.

Other Information: The Slovak Republic adopted the Euro on January 1, 2009.

TV MARKIZA Audience Share and Ratings Performance

For advertising sales purposes, TV MARKIZA’s target audience is the 12+ demographic and all audience data shown below is on this basis.

	For Years Ended December 31, 2008	2007	Movement
All day audience share	35.1%	35.5%	*(0.4)%*
All day ratings	4.5%	4.8%	*(0.3)%*
Prime time audience share	**37.7%**	**39.5%**	*(1.8)%*
Prime time ratings	**13.6%**	**14.8%**	*(1.2)%*

Our principal competitor is the main channel operated by a privately owned company, TV JOJ, with an all day audience share of 16.9% in 2008. The all day audience share of STV1, the only significant public broadcaster, was 16.4% in 2008.

Prime time audience share for STV1 decreased from 19.0% in 2007 to 17.8% in 2008, while prime time share for TV JOJ increased from 16.9% to 19.6%. Prime time ratings for TV MARKIZA were 13.6% in 2008 compared to 14.8% in 2007. Total prime time ratings for the market decreased from 37.4% in 2007 to 36.0% in 2008.

During the three months ended December 31, 2008, the prime time audience share of TV MARKIZA decreased to 38.3% from 43.2% in the same period in 2007. The prime time audience share of STV 1 decreased from 17.0% to 16%, while TV JOJ's audience share increased from 16.9% to 21.1% in the same period.

	For the Years Ended December 31, (US$ 000's)		Movement				Movement	
	2008	**2007**	***% Act[(1)]***	***% Lfl[(2)]***	**2007**	**2006**	***% Act[(1)]***	***% Lfl[(2)]***
Spot revenues	$ 122,527	$ 106,445	*15.1 %*	*1.0 %*	$ 106,445	$ 69,336	*53.5 %*	*26.7 %*
Non-spot revenues	10,165	4,094	*148.3 %*	*115.2 %*	4,094	4,084	*0.2 %*	*(16.5)%*
Segment Net Revenues	**$ 132,692**	**$ 110,539**	***20.0 %***	*5.3 %*	**$ 110,539**	**$ 73,420**	***50.6 %***	*24.3 %*
Represented by								
Broadcast operations	$ 132,367	$ 110,158	*20.2 %*	*5.4 %*	$ 110,158	$ 73,266	*50.4 %*	*29.3 %*
Non-broadcast operations	325	381	*(14.7)%*	*(26.7)%*	381	154	*147.4 %*	*90.5 %*
Segment Net Revenues	**$ 132,692**	**$ 110,539**	***20.0 %***	*5.3 %*	**$ 110,539**	**$ 73,420**	***50.6 %***	*24.3 %*
Segment EBITDA	**$ 50,228**	**$ 41,532**	***20.9 %***	*7.6 %*	**$ 41,532**	**$ 20,805**	***99.6 %***	*59.9 %*
Represented by								
Broadcast operations	$ 51,452	$ 41,957	*22.6 %*	*9.0 %*	$ 41,957	$ 20,879	*101.0 %*	*53.7 %*
Non-broadcast operations	(1,224)	(425)	*188.0 %*	*(140.7)%*	(425)	(74)	*nm%(3)*	*nm%(3)*
Segment EBITDA	**$ 50,228**	**$ 41,532**	***20.9 %***	*7.6 %*	**$ 41,532**	**$ 20,805**	***99.6 %***	*59.9 %*
Segment EBITDA Margin	**38%**	**38%**	***0 %***	*1 %*	**38%**	**28%**	***10 %***	*9 %*

(1) Actual ("%Act") reflects the percentage change between two years.
(2) Like for Like ("%Lfl") or constant currency reflects the impact of applying the current period average exchange rates to the prior period revenues and costs.
(3) Number is not meaningful.

- **Segment Net Revenues** for the year ended December 31, 2008 increased by 20% compared to the year ended December 31, 2007. In constant currency, Segment Net Revenues increased by 5%. The increase in spot revenues was mainly due to an increase in prices offsetting a decrease in the volume of GRPs sold. Non-spot revenues grew mainly due to an increase in sponsorship of new formats, such as 'Elan je Elan', 'Lets Dance' and 'Got Talent'.

  Segment Net Revenues for the year ended December 31, 2007 increased by 51% compared to the year ended December 31, 2006. In constant currency, Segment Net Revenues increased by 24%. The majority of spot revenue growth was driven by price increases, with a modest increase in the volume of GRPs sold.

- **Segment EBITDA** for the year ended December 31, 2008 increased by 21% compared to the year ended December 31, 2007, and the EBITDA margin remained constant at 38% for both years. In constant currency, Segment EBITDA increased by 8%.

  Costs charged in arriving at Segment EBITDA for 2008 increased by 4% in constant currency compared to 2007. Cost of programming increased by 21% in constant currency, which is mainly attributable to a reallocation of the costs of production staff that were previously included within other operating costs; without this reallocation, programming costs increased by 4% in constant currency. Syndication expenses were higher compared to 2007 due to an increase in the volume of local series included in the schedule as well as increased prices of foreign programs. Our significant investment in our websites increased internet programming costs. Other operating costs declined by 22% in constant currency, reflecting the reallocation described above. Without this reallocation, other operating costs increased by 7% in constant currency. Selling, general and administrative costs increased by 2% in dollars but decreased by 10% in constant currency due to the implementation of a variety of cost saving initiatives.

  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. In constant currency, EBITDA increased by 60% in 2007 compared to 2006.

  Costs charged in arriving at Segment EBITDA for 2007 increased by 10% in constant currency compared to 2006. The cost of programming increased by 14% in constant currency in 2007 compared to 2006, reflecting the level of competition for programming. Other operating costs increased by 9% in constant currency in 2007 as a result of an increase in salaries and incentive bonus payments reflecting the station's improved performance. Selling, general and administrative costs decreased by 1% in constant currency.

(F) SLOVENIA

Our Slovenia operations increased Segment Revenues by 16% in 2008, or 10% in constant currency terms, assisted by strong growth in our non-broadcast revenues which more than doubled. Segment EBITDA margin fell from 32.7% to 31.5%. Our prime-time audience share in our target group was maintained at 47%. The reality show 'The Farm 2' was our most successful program, achieving an audience share of 43%, the highest share for any reality show in Slovenia. Both of our channels obtained national DTT licenses and began broadcasting on the digital terrestrial platform in September. We upgraded our news set and launched news using HD technology for the first time in December.

Our internet sites saw a 60% increase in unique daily users in 2008. In addition to the launch of six niche microsites, noteworthy developments include the success of our Big Brother website for which over 31,000 access cards were sold.

Market Background: We estimate the television advertising market in Slovenia grew by approximately 7% to 9% in local currency in 2008, reflecting strong growth in the first nine months of the year followed by a sharp decline in the fourth quarter. Economic projections for Slovenia in 2009 are poor and continue to worsen. Due to the resulting uncertainty among advertisers we cannot predict future market development accurately. However, we currently expect the local currency total advertising market to decline by a single-digit percentage in 2009. If market conditions continue to worsen, a further decline in the total advertising market can be expected.

POP TV and KANAL A Combined Audience Share and Ratings Performance

For advertising sales purposes, each of POP TV's and KANAL A's target audience is the 18-49 demographic and all audience data shown in this section is on this basis:

	For the Years Ended December 31,		
	2008	**2007**	***Movement***
All day audience share	40.4%	40.4%	*0.0 %*
All day ratings	4.5%	4.6%	*(0.1)%*
Prime time audience share	47.4%	47.5%	*(0.1)%*
Prime time ratings	11.6%	11.9%	*(0.3)%*

Our major competitors are the two channels operated by the public broadcaster, SLO1 and SLO2, with all day audience shares for 2008 of 16.5% and 7.7%, respectively, and privately owned broadcaster TV3, with an all day audience share of 6.8%.

Prime time audience share for TV3 increased from 4.2% in 2007 to 6.5% in 2008, helped by its coverage of the European Football Championships in June 2008. The prime time audience shares of SLO 1 and SLO 2 decreased from 19.9% to 18.9% and from 6.7% to 6.2%, respectively.

Combined prime time ratings for our channels decreased from 11.9% in 2007 to 11.6% in 2008. Total prime time ratings for the market declined from 24.9% in 2007 to 24.6% in 2008.

During the three months ended December 31, 2008, our combined prime time audience share increased to 51.0% from 49.1% in the same period in 2007. The prime time audience share of TV3 increased from 4.1% to 6.4% over the same period, while the prime time audience shares of SLO 1 and SLO2 declined to 18.1% from 20.2% and from 6.2% to 5.1%, respectively.

	For the Years Ended December 31, (US$ 000's)							
			Movement				*Movement*	
	2008	**2007**	*% Act(1)*	*% Lfl(2)*	**2007**	**2006**	*% Act(1)*	*% Lfl(2)*
Spot revenues	$ 69,497	$ 60,559	*14.8 %*	*8.7 %*	$ 60,559	$ 50,682	*19.5 %*	*8.5 %*
Non-spot revenues	11,200	9,088	*23.2 %*	*18.5 %*	9,088	3,852	*135.9 %*	*114.3 %*
Segment Net Revenues	**$ 80,697**	**$ 69,647**	***15.9 %***	*10.0 %*	**$ 69,647**	**$ 54,534**	***27.7 %***	*16.0 %*
Represented by								
Broadcast operations	$ 75,963	$ 67,574	*12.4 %*	*6.7 %*	$ 67,574	$ 52,426	*28.9 %*	*17.3 %*
Non-broadcast operations	4,734	2,073	*128.4 %*	*114.2 %*	2,073	2,108	*(1.7)%*	*(15.6)%*
Segment Net Revenues	**$ 80,697**	**$ 69,647**	*15.9 %*	*10.0 %*	**$ 69,647**	**$ 54,534**	***27.7 %***	*16.0 %*
Segment EBITDA	**$ 25,413**	**$ 22,767**	***11.6 %***	*8.8 %*	**$ 22,767**	**$ 19,842**	***14.7 %***	*4.2 %*
Represented by								
Broadcast operations	$ 24,620	$ 24,249	*1.5 %*	*(1.5)%*	$ 24,249	$ 19,518	*24.2 %*	*12.1 %*
Non-broadcast operations	793	(1,482)	*153.5 %*	*154.8 %*	(1,482)	324	*nm%(3)*	*nm%(3)*
Segment EBITDA	**$ 25,413**	**$ 22,767**	*11.6 %*	*8.8 %*	**$ 22,767**	**$ 19,842**	***14.7 %***	*4.2 %*
Segment EBITDA Margin	**31%**	**33%**	***(2)%***	*(1)%*	**33%**	**36%**	***(3)%***	***(4)%***

(1) Actual ("%Act") reflects the percentage change between two years.
(2) Like for Like ("%Lfl") or constant currency reflects the impact of applying the current period average exchange rates to the prior period revenues and costs.
(3) Number is not meaningful.

- **Segment Net Revenues** for the year ended December 31, 2008 increased by 16% compared to the year ended December 31, 2007. In constant currency, Segment Net Revenues increased by 10%. Spot revenues increased by 9% in 2008 in constant currency compared to 2007, due to increased spending from existing customers and increased prices. We sold a higher proportion of the GRPs that we generated in the first nine months of 2008 than in the same period of 2007, however this trend reversed sharply in November and December when advertisers reduced spending significantly. Non-spot revenues increased by 19% in constant currency compared to 2007, primarily driven by an increase in internet revenues.

  Segment Net Revenues for the year ended December 31, 2007 increased by 28% compared to the year ended December 31, 2006. In constant currency, Segment Net Revenues increased by 16%. Spot revenues increased by 9% in 2007 in constant currency compared to 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 reclassification, spot revenues would have increased by 16% in constant currency. Non-spot revenues increased by 113% in constant currency compared to 2006; excluding the impact of the sponsorship reclassification, non-spot revenues increased by 20% in constant currency, primarily driven by telephone voting and internet revenues.

- **Segment EBITDA** for the year ended December 31, 2008 increased by 12% compared to the year ended December 31, 2007. In constant currency, Segment EBITDA increased by 9%.

  Costs charged in arriving at Segment EBITDA for 2008 increased by 11% in constant currency compared to 2007. Cost of programming increased by 11% in constant currency due to an increase in the cost of acquired programming as a result of increased competition. Other operating costs increased by 12% in constant currency due primarily to the development of our internet department. Selling, general and administrative expenses increased by 9% primarily due to higher travel expenses, as staff from our Slovenia operations undertook development work at our other operations.

Segment EBITDA for the year ended December 31, 2007 increased by 15% compared to the year ended December 31, 2006. In constant currency, Segment EBITDA increased by 3%.

Costs charged in arriving at Segment EBITDA for 2007 increased by 23% in constant currency compared to 2006. Cost of programming increased by 28% in constant currency due to investments in programming to maintain our leading position in the market in light of increased competition. Other operating costs increased by 14% due primarily to higher staff costs as a result of increased headcount. Selling, general and administrative expenses increased by 17% primarily due to higher marketing and research costs and broadcast equipment costs.

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

(G) UKRAINE (STUDIO 1+1)

On June 30, 2008, we acquired an additional 30% interest in our Ukraine (STUDIO 1+1) operations. On October 17, 2008, we completed the exercise of our call option to acquire the remaining 10% interest held by our former partners, taking our ownership to 100%. With the support of specialist management teams from other CME stations, we began restructuring the operating processes within Studio 1+1 in April 2008 and made certain interim changes to senior management and management structures before appointing our new senior management team in August. The organizational and operational models were revised to support improved performance and drive cost savings in 2009, resulting in substantial reductions in headcount. We have established dubbing, fiction and non-fiction production units, improved programming acquisition, planning and scheduling procedures and successfully relaunched “TSN”, our news programming. We terminated our agreements with the external sales house Video International Group at the end of the fourth quarter of 2008 and created an in-house sales department that took responsibility for sales from January 2009.

There was a significant decline in our financial performance in 2008 due to a combination of declining revenues and increased costs. Even excluding the impact of political advertising in 2007, we experienced a decline in revenues in 2008. Contributory factors included poor and inconsistent programming decisions of prior management leading to lower ratings and a decline in audience share, as well as expenses of restructuring. Of greater significance was the sharp decline in the market that commenced in November and December 2008, largely due to the rapidly worsening economic outlook for Ukraine. This was aggravated by political uncertainty caused by the collapse of the parliamentary coalition in September.

Costs were adversely affected by significant charges to write down programming due to a combination of schedule revisions and deteriorating sales projections, the penalty in respect of the early termination of our agreements with Video International Group, and redundancy costs.

In December 2008, we recognized a non-cash impairment charge of US$ 263.8 million against our Ukraine (STUDIO 1+1) operations on account of significantly reduced performance expectations caused by the rapid deterioration in the economic outlook for the country and the consequent sharp decline in projections for the total advertising market.

Market Background: We estimate that the television advertising market in Ukraine declined by approximately 3 - 5% in 2008, reflecting steady growth in the first ten months of the year, followed by a significant decline in November and December.

Economic projections for Ukraine in 2009 are now extremely poor. We expect the total advertising market to decline by up to 60% during 2009 due to a combination of the continued worsening of economic conditions and significant price reductions by a majority of leading market participants. If market conditions continue to worsen, a further decline in the total advertising market can be expected.

STUDIO 1+1 Audience Share and Ratings Performance

For advertising sales purposes, STUDIO 1+1's target audience is the 18+ demographic and all audience data is shown below on this basis.

	For the Years Ended December 31,		
	2008	**2007**	***Movement***
All day audience share	12.0%	16.3%	*(4.3)%*
All day ratings	2.2%	3.0%	*(0.8)%*
Prime time audience share	**13.2%**	**18.1%**	*(4.9)%*
Prime time ratings	**4.9%**	**6.7%**	*(1.8)%*

Our main competitors include Inter, with an all day audience share for 2008 of 21.4%, Novy Kanal with 7.2%, ICTV with 7.8% and STB with 8.1%.

Prime time audience share for Inter remained constant at 27.1 for 2007 and 2008, while the prime time audience shares of Novy Kanal, ICTV and STB increased from 6.2% to 7.4%, from 6.0% to 7.6% and from 6.8% to 7.3%, respectively.

Prime time ratings for STUDIO 1+1 decreased from 6.7% in 2007 to 4.9% in 2008. Prime time ratings in the Ukraine market increased from 37.1% in 2007 to 37.2% in 2008.

During the three months ended December 31, 2008, the prime time audience share of STUDIO 1+1 decreased to 11.2% from 19.3% compared to the same period in 2007. Inter's prime time audience share decreased to 25.0% from 29.6% in the same period, while the prime time shares of ICTV and Novy Kanal increased to 7.9% from 6.0% and from 5.9% to 8.9%, respectively.

	For the Years Ended December 31, (US$ 000's)							
			Movement				*Movement*	
	2008	2007	% Act(1)	% Lfl(2)	2007	2006	% Act(1)	% Lfl(2)
Spot revenues	$ 81,266	$ 102,204	*(20.5)%*	-	$ 102,204	$ 86,042	*18.8 %*	-
Non-spot revenues	15,472	23,119	*(33.1)%*	-	23,119	10,371	*122.9 %*	-
Segment Net Revenues	**$ 96,738**	**$ 125,323**	***(22.8)%***	-	**$ 125,323**	**$ 96,413**	***30.0 %***	-
Represented by								
Broadcast operations	$ 96,639	$ 125,323	*(22.9)%*	-	$ 125,323	$ 96,413	*30.0 %*	-
Non-broadcast operations	99	-	-	-	-	-	-	-
Segment Net Revenues	**$ 96,738**	**$ 125,323**	***(22.8)%***	-	**$ 125,323**	**$ 96,413**	***30.0 %***	-
Segment EBITDA	**$ (32,944)**	**$ 27,000**	***(222.0)%***	-	**$ 27,000**	**$ 29,973**	***(9.9)%***	-
Represented by								
Broadcast operations	$ (31,285)	$ 27,527	*(213.6)%*	-	$ 27,527	$ 30,045	*(8.4)%*	-
Non-broadcast operations	(1,659)	(527)	*(214.8)%*	-	(527)	(72)	*nm%(3)*	-
Segment EBITDA	**$ (32,944)**	**$ 27,000**	***(222.0)%***	-	**$ 27,000**	**$ 29,973**	***(9.9)%***	-
Segment EBITDA Margin	**(34)%**	**22%**	***(56)%***	-	**22%**	**31%**	***(9)%***	-

(1) Actual ("%Act") reflects the percentage change between two years.
(2) The functional currency of our UKRAINE (STUDIO 1+1) operations is the dollar.
(3) Number is not meaningful.

- **Segment Net Revenues** for the year ended December 31, 2008 decreased by 23% compared to the year ended December 31, 2007. Spot revenues decreased by 21%, reflecting the impact of US$16.5 million of political advertising in 2007, the decline of our ratings and a significant downturn of the overall market late in the year. Non-spot revenues decreased by 33% in 2008 compared to 2007 primarily due to the absence of one-off revenues from the sale of surplus programming as compared to 2007 and the impact of US$ 1.5 million of political advertising revenues.

  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 EBITDA for** the year ended December 31, 2008 decreased by US$ 59.9 million compared to the year ended December 31, 2007. Costs charged in arriving at Segment EBITDA for 2008 increased by 32% compared to 2007. Cost of programming grew by 24% mostly due to an expense of US$ 18.8 million to write down programming as a result of schedule revisions and deteriorating sales projections for 2009. Other operating costs increased by 17% due to the costs of terminating 120 employees and higher transmission charges from RRT, the state telecommunications company. Selling, general and administrative expenses increased by 132%, reflecting an estimated charge of US$ 4.9 million payable following the early termination of our agreements with Video International Group.

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 2007 increased by 48% compared to 2006. Cost of programming grew by 78%, one third of which increase 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.

(H) 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.

We operated CITI until February 10, 2009, when we sold our 60.4% interest in the CITI channel to our partners and acquired our partners' 39.6% interest in the KINO channel (see Part II, Item 8, Note 23, "Subsequent Events"). The CITI channel has been treated as a discontinued operation in the financial statements for all periods presented and is therefore not considered in the commentary below.

From the first quarter of 2009, we expect that the Ukraine (KINO,CITI) operating segment will no longer exist as a result of our acquisition of the remaining non-controlling interests in the KINO channel. These operations will be merged into our Ukraine (STUDIO 1+1) operations and will no longer meet the definition of an operating segment under FASB Statement No.131 *"Disclosures about Segments of an Enterprise and Related Information"*. For more information see Item 8, Note 23, "Subsequent Events".

KINO and CITI Audience Share and Ratings Performance

In December 2008, we recognized a non-cash impairment charge of US$ 8.0 million against our Ukraine (KINO, CITI) operations on account of significantly reduced performance expectations caused by the rapid deterioration in the economic outlook for the country and the consequent collapse in projections for the television advertising market.

For advertising sales purposes, KINO's target audience is the 15-50 demographic while CITI's target audience is the 15-50 demographic in Kiev.

	For the Years Ended December 31,		
	2008	**2007**	***Movement***
KINO: Target (15-50) prime time audience share	0.6%	0.6%	*0.0 %*
CITI: Target (15-50 Kiev) prime time audience share	1.1%	2.0%	*(0.9)%*

KINO had a 15-50 all day audience share in Kiev of 0.7% for 2008 compared to 0.8% for 2007. CITI had an all day audience share in Kiev of 1.1% for 2008 compared to 1.9% for 2007.

	For the Years Ended December 31, (US$ 000's)							
			Movement				*Movement*	
	2008	2007	% Act(1)	% Lfl(2)	2007	2006	% Act(1)	% Lfl(2)
Spot revenues	$ 1,214	$ 907	33.8%	-	$ 907	$ 387	134.4%	-
Non- spot revenues	1,506	608	147.7%	-	608	339	79.4%	-
Segment Net Revenues	**$ 2,720**	**$ 1,515**	**79.6%**	**-**	**$ 1,515**	**$ 726**	**108.7%**	**-**
Represented by								
Broadcast operations	$ 2,720	$ 1,515	79.6%	-	$ 1,515	$ 726	108.7%	-
Non-broadcast operations	-	-	-	-	-	-	-	-
Segment Net Revenues	**$ 2,720**	**$ 1,515**	**79.6%**	**-**	**$ 1,515**	**$ 726**	**108.7%**	**-**
Segment EBITDA	**$ (1,855)**	**$ (3,536)**	**47.5%**	**-**	**$ (3,536)**	**$ (1,795)**	**(97.0)%**	**-**
Represented by								
Broadcast operations	$ (1,855)	$ (3,536)	47.5%	-	$ (3,536)	$ (1,795)	(97.0)%	-
Non-broadcast operations	-	-	-	-	-	-	-	-
Segment EBITDA	**$ (1,855)**	**$ (3,536)**	**47.5%**	**-**	**$ (3,536)**	**$ (1,795)**	**(97.0)%**	**-**
Segment EBITDA Margin	**(68)%**	**(233)%**	**165%**	**-**	**(233)%**	**(248)%**	**15%**	**-**

(1) Actual ("%Act") reflects the percentage change between two years.
(2) The functional currency of our UKRAINE (KINO, CITI) operations is the dollar.

· **Segment Net Revenues** for the year ended December 31, 2008 increased by 80% compared to the year ended December 31, 2007. Spot revenues increased by 34%. Non-spot revenues increased by 148%, primarily due to home shopping channels, interactive, gameshow and program-related revenues.

Segment Net Revenues for the year ended December 31, 2007 increased by 109% compared to the year ended December 31, 2006. Spot revenues increased by 134%. Non-spot revenues increased by 79%, primarily due to increased sponsorship.

Segment EBITDA losses for the year ended December 31, 2008 decreased by 48% compared to the year ended December 31, 2007. Costs charged in arriving at Segment EBITDA for 2008 decreased by 10% compared to 2007. Cost of programming declined by 29%, due to the slower rollout of the channel and a change of the program schedule. Other operating costs increased by 19% due to higher headcount and the planned annual increase which took place in January 2008 along with reclassification of technical staff from production costs. Selling, general and administrative expenses decreased by 2% in 2008 compared to 2007, due to a reduction in travel and training expenses.

Segment EBITDA losses for the year ended December 31, 2007 increased by 97% compared to the year ended December 31, 2006. Costs charged in arriving at Segment EBITDA for 2007 increased by 100% compared to 2006. Cost of programming grew by 111%, other operating costs increased by 97% and selling, general and administrative expenses increased by 73%.

PROGRAMMING PAYMENTS AND PROGRAM AMORTIZATION

Our consolidated cost of programming for 2008, 2007, and 2006 was as follows:

	For the Years Ended December 31, (US$ 000's)		
	2008	2007	2006
Production expenses	$ 194,759	$ 138,696	$ 110,126
Program amortization	243,444	188,534	116,007
Cost of programming	**$ 438,203**	**$ 327,230**	**$ 226,133**

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$ 111.0 million, or 33.9%, in the year ended December 31, 2008 compared to 2007 due to:

- US$ 31.4 million of additional programming costs from our Czech Republic operations;
- US$ 29.4 million of additional programming costs from our Romania operations;
- US$ 17.5 million of additional programming costs from our Ukraine (STUDIO 1+1) operations;
- US$ 14.9 million of additional programming costs from our Slovak Republic operations;
- US$ 7.4 million of additional programming costs from our Croatia operations;
- US$ 6.5 million of additional programming costs from our newly acquired Bulgaria operations;
- US$ 4.8 million of additional programming costs from our Slovenia operations; and
- US$ (0.9) million decrease in programming costs from our Ukraine (KINO, CITI) operations.

The amortization of acquired programming for each of our operations for 2008, 2007 and 2006, 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 Bulgaria, 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)		
	2008	2007	2006
Program amortization:			
Bulgaria (1)	$ 2,865	$ -	$ -
Croatia (NOVA TV)	21,229	20,784	14,237
Czech Republic (2)	57,580	34,992	27,170
Romania (3)	55,253	44,673	30,610
Slovak Republic (TV MARKIZA) (4)	20,855	16,326	7,539
Slovenia (POP TV and KANAL A)	13,076	10,289	7,164
Ukraine (STUDIO 1+1)	71,054	59,591	28,355
Ukraine (KINO, CITI) (5)	1,532	1,879	932
	$ 243,444	**$ 188,534**	**$ 116,007**
Cash paid for programming:			
Bulgaria (1)	$ 10,117	$ -	$ -
Croatia (NOVA TV)	24,922	22,894	17,165
Czech Republic (2)	35,638	27,343	28,237
Romania (3)	73,223	61,271	48,277
Slovak Republic (TV MARKIZA) (4)	23,905	18,273	12,598
Slovenia (POP TV and KANAL A)	11,300	9,751	7,067
Ukraine (STUDIO 1+1)	47,671	68,597	38,419
Ukraine (KINO, CITI) (5)	987	1,890	1,096
	$ 227,763	**$ 210,019**	**$ 152,859**

(1) We acquired our Bulgaria operations (TV2, RING TV) on August 1, 2008.
(2) Our Czech Republic operations comprise TV NOVA, NOVA SPORT and NOVA CINEMA, which was launched in December 2007.
(3) Romanian channels are PRO TV, PRO CINEMA, ACASA, PRO TV INTERNATIONAL, SPORT.RO and MTV ROMANIA for the years ended December 31, 2008 and 2007 and PRO TV, PRO CINEMA, ACASA and PRO TV INTERNATIONAL for the year ended December 31, 2006.
(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.

IV. Analysis of the Results of Consolidated Operations

OVERVIEW

IV (a) Net Revenues for the years ending December 31, 2008, 2007 and 2006:

	Consolidated Net Revenues For the Years Ended December 31, (US$ 000's)					
	2008	2007	Movement	2007	2006	Movement
Bulgaria (1)	$ 1,263	$ -	- %	$ -	$ -	- %
Croatia	54,651	37,193	46.9 %	37,193	22,310	66.7 %
Czech Republic	376,546	279,237	34.9 %	279,237	208,387	34.0 %
Romania	274,627	215,402	27.5 %	215,402	148,616	44.9 %
Slovakia	132,693	110,539	20.0 %	110,539	71,660	54.3 %
Slovenia	80,696	69,647	15.9 %	69,647	54,534	27.7 %
Ukraine (STUDIO 1+1)	96,738	125,323	(22.8)%	125,323	96,413	30.0 %
Ukraine (KINO, CITI) (2)	2,720	1,515	79.5 %	1,515	726	108.7 %
Total Consolidated Net Revenues	**$ 1,019,934**	**$ 838,856**	**21.6%**	**$ 838,856**	**$ 602,646**	**39.2 %**

(1) We acquired our Bulgaria operations on August 1, 2008.

(2) We acquired our Ukraine (KINO, CITI) operations on January 11, 2006.

Our consolidated net revenues increased by US$ 181.1 million in 2008 compared to 2007 and by US$ 236.2 million in 2007 compared to 2006 (see Item 7, III, “Analysis of Segment Results”).

IV (b) Cost of Revenues for the years ending December 31, 2008, 2007 and 2006

	Consolidated Cost of Revenues For the Years Ended December 31, (US$ 000's)					
	2008	2007	Movement	2007	2006	Movement
Operating Costs	$ 145,210	$ 116,859	24.3 %	$ 116,859	$ 89,486	30.1 %
Cost of programming	438,203	327,230	33.9 %	327,230	226,133	44.7 %
Depreciation of station property, plant and equipment	51,668	32,653	58.2 %	32,653	25,430	28.4 %
Amortization of broadcast licenses and other intangibles	35,381	24,970	41.7 %	24,970	18,799	32.8 %
Total Consolidated Cost of Revenues	**$ 670,462**	**$ 501,712**	**33.6 %**	**$ 501,712**	**$ 359,848**	**39.4 %**

Total cost of revenues increased by US$ 168.8 million in 2008 compared to 2007, and by US$ 141.9 million in 2007 compared to 2006.

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$ 28.4 million in 2008 compared to 2007 and by US$ 27.4 million in 2007 compared to 2006 (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$ 111.0 million in 2008 compared to 2007 and by US$ 101.1 million in 2007 compared to 2006 (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$ 19.0 million in 2008 compared to 2007 primarily due to depreciation of newly acquired production assets across each of our operations, particularly in the Czech Republic and Romania.

Total consolidated depreciation of station property, plant and equipment increased by US$ 7.2 million in 2007 compared to 2006.

Amortization of Broadcast Licenses and Other Intangibles: Total consolidated amortization of broadcast licenses and other intangibles increased by US$ 10.4 million in 2008 compared to 2007 primarily as a result of the amortization of broadcast licenses and other intangible assets acquired in the 2008 purchases of the remaining 40.0% interest in our Ukraine (STUDIO 1+1) operations and our Bulgaria operations, as well as the impact of charging a full year of amortization relating to the 2007 acquisitions in Romania and the Slovak Republic.

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.

IV (c) Station Selling, General and Administrative Expenses for the years ending December 31, 2008, 2007 and 2006

	Consolidated Station Selling, General and Administrative Expenses					
	For the Years Ended December 31, (US$ 000's)					
	2008	**2007**	***Movement***	**2007**	**2006**	***Movement***
Bulgaria	$ 2,653	$ -	*nm(1)*	$ -	$ -	-
Croatia	7,758	8,844	*(12.3)%*	8,844	6,884	*28.5 %*
Czech Republic	25,498	22,411	*13.8 %*	22,411	21,358	*4.9 %*
Romania	15,877	13,552	*17.2 %*	13,552	10,725	*26.4 %*
Slovakia	10,923	10,732	*1.8 %*	10,732	8,547	*25.6 %*
Slovenia	8,132	6,707	*21.2 %*	6,707	5,195	*29.1 %*
Ukraine (STUDIO 1+1)	19,240	8,292	*132.0 %*	8,292	11,818	*(29.8)%*
Ukraine (KINO, CITI)	760	777	*(2.2)%*	777	448	*73.4 %*
Total Consolidated Station Selling, General and Administrative Expenses	**$ 90,841**	**$ 71,315**	*27.4 %*	**$ 71,315**	**$ 64,975**	*9.8 %*

Total consolidated station selling, general and administrative expenses increased by US$ 19.5 million in 2008 compared to 2007 and by US$ 6.3 million in 2007 compared to 2006 (see Item 7, III, "Analysis of Segment Results").

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IV (d) Corporate operating costs (including non-cash stock-based compensation) for the years ending December 31, 2008, 2007, and 2006 were as follows:

	For the Years Ended December 31, (US$ 000's)					
	2008	**2007**	***Movement***	**2007**	**2006**	***Movement***
Corporate operating costs (excluding non-cash stock-based compensation)	$ 43,569	$ 49,639	*(12.2)%*	$ 49,639	$ 30,529	*62.6 %*
Non-cash stock-based compensation	6,107	5,734	*6.5 %*	5,734	3,575	*60.4 %*
Corporate operating costs (including non-cash stock-based compensation)	**$ 49,676**	**$ 55,373**	***(10.3)%***	**$ 55,373**	**$ 34,104**	***62.4 %***

Corporate operating costs (excluding stock-based compensation) for 2008 decreased by US$ 6.1 million, or 12.2%, compared to 2007. A charge of US$ 12.5 million was recorded in 2007 in respect of the estimated cost of settling our Croatia litigation; excluding this charge, corporate operating costs (excluding non-cash stock-based compensation) increased by US$ 6.4 million, reflecting:

- an increase in travel costs, primarily related to the use of a chartered aircraft and salary and travel costs following the establishment of a centralized planning and development function to manage our initiatives to improve operational efficiencies;

- a further increase in staff-related costs as a result of redundancy payments following headcount reductions in the fourth quarter; and

- an increase in business development expenses incurred in evaluating potential investments.

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 recognition of the charge of US$ 12.5 million in respect of the cost of settling our Croatia litigation; excluding this charge, corporate operating costs (excluding non-cash stock-based compensation) increased by US$ 6.6 million, reflecting:

- increased accruals for performance-related bonus payments; and

- increased business development expenses incurred in evaluating potential investments,

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 the charge for non-cash stock-based compensation in 2008 compared to 2007 reflects amortization of progressively higher value stock options issued in 2006, and 2007 and 2008 offset by a net credit of US$ 1.3 million in respect of the acceleration of Michael Garin's unvested stock options in connection with his retirement. The increase in the charge for non-cash stock-based compensation in 2007 compared to 2006 reflects an increase in the number of stock options issued during 2007 compared to 2006 as well as an increase in the fair value of our stock options as our stock price increased during that period (see Item 8, Note 17, "Stock-Based Compensation").

Impairment charge:

We recognized the following impairment charges in respect of Goodwill and Long-Lived Assets in the year ended December 31, 2008:

	Long-Lived Assets			Goodwill and Indefinite-Lived Intangible Assets		
	Amortized Trademarks	Amortized Broadcast Licenses	Other Intangible Assets	Indefinite-Lived Trademarks	Goodwill	Total
Bulgaria	$ 222	$ -	$ 625	$ -	$ 64,044	**$ 64,891**
Ukraine (STUDIO 1+1)	-	-	-	8,481	255,305	**263,786**
Ukraine (KINO, CITI)	-	637	-	-	7,438	**8,075**
Total	**$ 222**	**$ 637**	**$ 625**	**$ 8,481**	**$ 326,787**	**$ 336,752**

We test all goodwill and intangible assets for impairment in the fourth quarter of each year and at any time during the year when events occur that indicate an asset may be impaired in accordance with FASB Statement No.142 "Goodwill and Other Intangible Assets" ("FAS 142"). When indicators of impairment exist, long-lived assets are also tested for impairment under FASB Statement No. 144 "Accounting for the Impairment or Disposal of Long Lived Assets" ("FAS 144").

In connection with the preparation of our financial statements for the year ended December 31, 2008, we concluded that a number of indicators of impairment had occurred in the period following the filing of our report on Form 10-Q for the quarterly period ended September 30, 2008 and initiated impairment reviews under both FAS 142 and FAS 144 in addition to the annual impairment review under FAS 142. We concluded that rapidly deteriorating global economic conditions had caused the estimated fair value of certain assets, such as goodwill and other intangible assets, to fall and that for the Ukrainian and Bulgarian economies in particular some of these had fallen below their carrying value during the forth quarter. Specifically, the impairment charge resulted from factors impacted by current market conditions including: 1) lower current cash flow forecasts for the affected countries; 2) higher discount rates resulting from increases in returns required by market participants for investing in more risky markets; and 3) lower market valuations for broadcasting assets (see Item 8, Note 4, "Goodwill and Intangible Assets").

Although we considered all current information in respect of calculating our impairment charge for 2008, our stock price has continued to fall substantially since December 31, 2008. This constitutes an indication that the value of our goodwill, indefinite-lived intangible assets and long-lived assets may have fallen further since January 1, 2009, and we may be required to record additional impairment charges in the first quarter of 2009. In addition, if our cash flow forecasts for our operations deteriorate still further, or discount rates continue to increase, we may be required to recognize additional impairment charges in later periods.

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.

IV (e) Operating (loss) / income for the years ending December 31, 2008, 2007 and 2006

	For the Years Ended December 31, (US$ 000's)					
	2008	2007	Movement	2007	2006	Movement
Operating (loss) / income	**$ (127,797)**	**$ 210,456**	*(160.7)%*	**$ 210,456**	**$ 142,971**	*47.2 %*

Due to the impairment charge (see Item 8, Note 4, "Goodwill and Intangible Assets"), we recognized an operating loss of US$ 127.8 million in 2008 compared to operating income of US$ 210.5 million in 2007, a decrease of US$ 338.3 million; excluding the impact of the impairment losses, operating income decreased by US$ 1.5 million. Operating margin was (12.5)% in 2008 compared to 25% in 2007.

Operating income increased by US$ 67.5 million in the year ended December 31, 2007 compared to 2006. Operating margin was 25% compared to 24% in 2006.

IV (f) Other expense items for the years ending December 31, 2008, 2007 and 2006

	For the Years Ended December 31, (US$ 000's)					
	2008	2007	Movement	2007	2006	Movement
Interest income	$ 10,006	$ 5,728	*74.7 %*	$ 5,728	$ 6,359	*(9.9)%*
Interest expense	(68,475)	(54,936)	*24.6 %*	(54,936)	(44,212)	*24.3 %*
Foreign currency exchange loss, net	(37,877)	(34,409)	*10.1 %*	(34,409)	(44,892)	*(23.4)%*
Other income	2,620	7,891	*(66.8)%*	7,891	3,059	*157.9 %*
Change in fair value of derivatives	6,360	(3,703)	*(271.8)%*	(3,703)	(12,539)	*(70.5)%*
Provision for income taxes	(34,525)	(20,822)	*65,8 %*	(20,822)	(14,952)	*39.3 %*
Minority interest in income of consolidated subsidiaries	(2,071)	(17,157)	*(87.9)%*	(17,157)	(13,602)	*26.1 %*
Equity in (loss)/income of unconsolidated affiliates	-	-	-	-	(730)	*100 %*
Gain on sale of unconsolidated affiliate	-	-	-	-	6,179	*(100)%*
Pre tax loss on discontinued operations (Ukraine)	(3,849)	(4,509)	(14.6)%	(4,509)	(2,354)	*91.6 %*
Pre tax loss on discontinued operations (Ukraine)	64	29	120.7%	29	-	-
Discontinued operations (Czech Republic)	-	-	-	-	(4,863)	*100 %*
Currency translation adjustment, net	(88,609)	158,825	*(155.8)%*	158,825	157,524	*n/m*

Interest income increased by US$ 4.3 million compared to 2007 primarily as a result of our maintaining higher average cash balances during 2008. Interest income for 2007 decreased by US$ 0.6 million in comparison to 2006.

Interest expense increased by US$ 13.5 million in 2008 compared to 2007 primarily as a result of interest paid on our Convertible Notes issued in March 2008. Interest expense increased by US$ 10.7 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.

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

During 2008, we recognized a net loss of US$ 37.9 million comprising: transaction losses of US$ 40.2 million relating to the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary; a transaction gain of approximately US$ 31.8 million on the Senior Notes due to the strengthening of the dollar against the Euro between December 31, 2007 and December 31, 2008; and US$ 29.5 million of transaction losses relating to the revaluation of intercompany loans.

In 2007, we recognized a net loss of US$ 34.4 million primarily as a result of the strengthening of the Euro against the dollar over that period. We incurred a transaction loss of approximately US$ 59.6 million on the Senior Notes due to the strengthening of the Euro against the dollar, which was partly offset by gains on the revaluation of monetary assets and liabilities and intercompany loans of US$ 25.2 million.

In 2006, we recognized a net loss of 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$ 50.9 million on the Senior Notes due to the strengthening of the Euro against the dollar, which was partly offset by gains on the revaluation of monetary assets and liabilities of US$ 6.0 million.

Other income: We recognized income of US$ 2.6 million in 2008, US$ 7.9 million in 2007 and US$ 3.1 million in 2006 which largely relates to the release of provisions against certain historic tax contingencies within our Romania operations.

Change in fair value of derivatives: We recognized income of US$ 6.4 million in 2008 and 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 and Fair Value Measurements”).

Provision for income taxes: Provision for income taxes was US$ 34.5 million in 2008 compared to $20.8 million in 2007 and $ 15.0 million in 2006. We incurred a tax charge in 2008 despite reporting a loss before income taxes due to the fact that there is no tax benefit attributable to the impairment charge in respect of goodwill booked in the year. Our channels pay tax at rates ranging from 10.0% in Bulgaria to 25.0% in Ukraine.

In 2007 the tax charge benefited 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.

For further information on taxes see Item 8, Note 15, “Income Taxes”.

Minority interest in income of consolidated subsidiaries: Minority interest in the income of consolidated subsidiaries was US$ 2.1 million in 2008 compared to US$ 17.2 million in 2007 and US$ 13.6 million in 2006. This is as a result of the purchase of increased stakes in our operations in Ukraine (STUDIO 1+1) in 2008 and in our Romania and Slovak Republic operations in 2007.

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 (see Item 8, Note 5, “Investments, STS”). We disposed of our Romanian equity affiliate on August 11, 2006 (see Item 8, Note 5, “Investments, Media Pro”).

	For the Years Ended December 31, (US$ 000's)					
	2008	2007	Movement	2007	2006	Movement
Slovak Republic operations	$ -	$ -	- %	$ -	$ (737)	(100.0)%
Romania operations	-	-	- %	-	7	(100.0)%
Equity in (loss)/income of unconsolidated affiliates	**$ -**	**$ -**	**- %**	**$ -**	**$ (730)**	**(100.0)%**

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 President and Chief Operating Officer, on August 11, 2006 (see Item 8, Note 5, "Investments, Media Pro").

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)					
	2008	2007	Movement	2007	2006	Movement
Ukraine(KINO, CITI)						
Loss from discontinued operations	$ (3,849)	$ (4,509)	(14.6)%	$ (4,509)	$ (2,354)	91.5 %
Tax on result of discontinued operations	64	29	120.7%	29	-	100 %
Czech Republic						
Tax on disposal of discontinued operations	-	-	-	-	(4,863)	(100.0)%
Discontinued operations	**$ (3,785)**	**$ (4,480)**	(15.5)%	**$ (4,480)**	**$ (7,217)**	**(37,9)%**

Ukraine (KINO, CITI)

In the fourth quarter of 2008 we agreed to acquire 100% of the KINO channel from our minority partners and to sell them our interest in the CITI channel. The results of the CITI channel have therefore been treated as discontinued operations for each year presented.

Czech Republic

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 related legal expenses have therefore all been treated as discontinued operations for each year.

The amounts charged to discontinued operations in 2006 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 20, "Discontinued Operations".

Currency translation adjustment, net: The underlying equity value of our investments (which are denominated in the functional currency of the relevant operation) are converted into dollars at each balance sheet date, with any change in value of the underlying assets and liabilities being recorded as a currency translation adjustment. In 2008, we recognized a loss of US$ 88.6 million on the revaluation of our net investments in subsidiaries compared to gains of US$ 158.8 million and US$ 157.5 million for 2007 and 2006, respectively. The dollar appreciated significantly against all functional currencies of our operations during 2008, with increases of 7.0% against the Czech koruna, 15.4% against the New Romanian lei, 4.6% against the Croatian kuna and 5.8% against the Euro, whereas it had generally experienced a decline in value against most of our operating currencies over the previous two years.

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

The net loss on translation for 2008 included a loss of US$ 38.7 million on the revaluation of an intercompany loan that is considered to form part of our investment in our Czech Republic operations which will be recognized in the income statement from February 2009 as this loan is no longer considered to be long term in nature (see Item 8, Note 23, "Subsequent Events"). This compares to gains of US$ 79.2 million and US$ 77.3 million in 2007 and 2006, respectively.

IV (g) Consolidated Balance Sheet as at December 31, 2008 compared to December 31, 2007

The principal components of our Consolidated Balance Sheet at December 31, 2008 compared to December 31, 2007 are summarized below:

(US$ 000's)	December 31, 2008	December 31, 2007	Movement
Current assets	$ 495,395	$ 535,092	*(7.4)%*
Non-current assets	1,913,338	1,803,343	*6.1 %*
Current liabilities	228,673	234,470	*(2.5)%*
Non-current liabilities	1,175,694	681,003	*72.6 %*
Minority interests in consolidated subsidiaries	3,187	23,155	*(86.2)%*
Shareholders' equity	$ 1,001,179	$ 1,399,807	*(28.5)%*

Current assets: Current assets at December 31, 2008 decreased US$ 39.7 million compared to December 31, 2007, reflecting a decrease in cash and cash equivalents of US$ 35.4 million, partly offset by an increase in prepaid programming and productions in progress, of US$ 11.8 million.

Non-current assets: Non-current assets at December 31, 2008 increased US$ 110.0 million compared to December 31, 2007. This reflects a net increase in broadcast licenses of US$ 104.0 million, primarily in connection with our investments in our Ukraine (STUDIO 1+1) operations, as well as approximately US$ 37.3 million of other intangible assets, partly offset by foreign exchange translation losses of US$ 73.7 million on the carrying value of goodwill, primarily in the Czech Republic. Property, plant and equipment increased by US$ 30.9 million as we continued to develop our broadcasting facilities, particularly in the Czech Republic, Romania and the Slovak Republic.

Current liabilities: Current liabilities at December 31, 2008 decreased US$ 5.8 million compared to December 31, 2007, reflecting decreases in income taxes and duties payable of US$ 27.7 million, partly offset by increases of US$ 21.4 million in short-term credit facilities (primarily the BMG cash pool) and US$ 4.9 million in accrued interest relating to the Convertible Notes.

Non-current liabilities: Non-current liabilities at December 31, 2008 increased US$ 494.7 million compared to December 31, 2007, reflecting the issuance of US$ 475.0 million of Convertible Notes and our drawing of EUR 25.0 million (approximately US$ 34.8 million) of the EBRD Loan. These increases were partly offset by decreases of US$ 31.8 million in the carrying value of our Senior Notes as a result of the movement in the spot rate during 2008 and US$ 6.4 million in our liability under currency swaps.

Minority interests in consolidated subsidiaries: Minority interests in consolidated subsidiaries at December 31, 2008 decreased US$ 20.0 million compared to December 31, 2007, primarily as a result of the buyout of our partners in our Ukraine (STUDIO 1+1) operations.

Shareholders' equity: Total shareholders' equity at December 31, 2008 decreased US$ 398.6 million compared to December 31, 2007. This decrease reflects primarily the net loss of US$ 255.5 million and the decrease in Other Comprehensive Income of US$ 88.6 million. We also recognized the US$ 63.3 million purchase of capped call options we entered into in conjunction with our Convertible Notes as a reduction to shareholders' equity. Included in the total shareholders' equity were proceeds from the exercise of stock options (US$ 1.2 million) and a stock-based compensation charge of US$ 7.1 million.

V. Liquidity and Capital Resources

V (a) Summary of cash flows:

Cash and cash equivalents decreased by US$ 35.4 million during the year ended December 31, 2008. The change in cash and cash equivalents is summarized as follows:

(US$ 000's)	**For the Years Ended December 31,**		
	2008	**2007**	**2006**
Net cash generated from continuing operating activities	$ 135,555	$ 106,695	$ 75,370
Net cash used in continuing investing activities	(588,798)	(235,898)	(126,955)
Net cash received from financing activities	444,558	135,530	130,700
Net cash used in discontinued operations-operating activities	(4,920)	(6,001)	(3,667)
Net cash used in discontinued operations-investing activities	(495)	(1,520)	-
Net cash received from discontinued operations-financing activities	-	-	1,700
Impact of exchange rate fluctuations on cash	(21,279)	(1,896)	(2,904)
Net (decrease) / increase in cash and cash equivalents	**$ (35,379)**	**$ (3,090)**	**$ 74,244**

Operating Activities

Cash generated from continuing operations in 2008 increased US$ 28.9 million to US$ 135.6 million. Our operations in the Czech Republic and Romania showed significant increases in cash generation following continued strong operational performance. These increases more than offset our investment in our start-up operations in Bulgaria, where we are investing in programming and infrastructure, and in Ukraine, where we are making additional investments in Russian programming to boost ratings following the buyout of our minority partners. We also continue to invest in programming in Croatia to continue the ratings growth we have experienced in the last two years. 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"). Due to the significant appreciation of the dollar against our local currencies and the downturn in performance experienced in the fourth quarter of 2008, it is unlikely that our operations will generate the same level of cash in 2009 as in 2008.

Cash generated from continuing operations in 2007 increased US$ 31.3 million to US$ 106.7 million.

Investing Activities

Cash used in investing activities increased by US$ 352.9 million from 2007 to US$ 588.8 million in 2008. Our investing cash flows in 2008 were primarily comprised of:

- payment of US$ 223.2 million in connection with our acquisition of an additional 30.0% stake in the Studio 1+1 group including acquisition costs (for further information, see Item 1, Note 3, "Acquisitions and Disposals: Ukraine (STUDIO 1+1)");
- payment of US$ 109.3 million in connection with our acquisition of an additional 10.0% stake in the Studio 1+1 group including acquisition costs (for further information, see Item 1, Note 3, "Acquisitions and Disposals: Ukraine (STUDIO 1+1)");
- total payments of US$ 147.8 million in connection with our acquisition of Bulgarian operations, including acquisition costs (for further information, see Item 1, Note 3, "Acquisitions and Disposals: Bulgaria");
- payments of RON 47.2 million (approximately US$ 20.6 million at the date of payment) in connection with our acquisition of the assets of Radio Pro (for further information, see Item 1, Note 3, "Acquisitions and Disposals: Romania");
- payments of US$ 9.9 million in connection with our acquisition of Jyxo and Blog (for further information, see Item 1, Note 3, "Acquisitions and Disposals: Czech Republic"); and
- capital expenditures of US$ 78.7 million, largely in respect of the expansion of our broadcasting facilities and equipment in the Czech Republic, Romania and the Slovak Republic.

In 2007, net cash used in investing activities of US$ 235.9 million consisted primarily of the following:

- capital expenditure of US$ 79.9 million largely in respect of the expansion of our broadcasting facilities and equipment in the Czech Republic and Romania;
- 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 a.s. ("ARJ");

- a payment of US$ 27.2 million in connection with our acquisition of an additional 5% interest in our Romania operations;

- a payment of EUR 8.0 million (approximately US$ 10.3 million) in connection with our acquisition of our 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.

Financing Activities

Net cash received from financing activities increased US$ 309.1 million from 2007 to US$ 444.6 million in 2008. The amount of cash received in 2008 reflects the net proceeds of US$ 400.3 million from the issuance of Convertible Notes and purchase of the Capped Calls, US$ 37.4 million of proceeds from the EBRD Loan and US$ 22.7 million of drawings on the BMG cash pool .

Our financing cash flows in 2007 primarily comprised net proceeds of US$ 199.4 million from the issuance of the 2007 Senior 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 Debt”).

Net cash received 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$ 35.0 million from drawing on credit facilities in the 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.

Discontinued Operations

In 2008, we paid taxes of US$ 2.0 million to the Dutch tax authorities pursuant to the agreement we entered into with them on February 9, 2004, compared to US$ 2.2 million in 2007 and US$ 1.7 million in 2006.

The CITI channel had cash outflows of US$ 3.4 million, US$ 5.3 million and US$ 0.3 million in 2008, 2007 and 2006, respectively.

V (b) Sources and Uses of Cash

We believe that our current cash resources are sufficient to allow us to continue operating for at least the next 12 months and we do not anticipate requirements for additional cash in the near future, subject to the matters disclosed under “Contractual Obligations and Commitments” and “Cash Outlook” below.

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

Corporate law in the Central and Eastern European countries in which we operate stipulates generally that dividends may be declared by the partners or shareholders out of yearly profits subject to the maintenance of registered capital, required reserves and after the recovery of accumulated losses. The reserve requirement restriction generally provides that before dividends may be distributed, a portion of annual net profits (typically 5%) be allocated to a reserve, which reserve is capped at a proportion of the registered capital of a company (ranging from 5% to 25%). 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% of consolidated net assets.

As at December 31, 2008, we had the following debt outstanding:

		December 31, 2008 (US$ 000's)
Corporate	(1) – (4)	1,081,901
Czech Republic	(5) – (7)	12,923
Romania	(8)	104
Slovak Republic	(9)	-
Slovenia	(10)	-
Ukraine (STUDIO 1+1)	(11)	172
Total		**1,095,100**

(1) As at December 31, 2008 we had EUR 395.0 million (approximately US$ 549.7 million) of Senior Notes outstanding, comprising EUR 245.0 million (approximately US$ 341.0 million) of the 2005 Senior Notes and EUR 150.0 million (approximately US$ 208.7 million) of the 2007 Senior Notes, which bear interest at six-month Euro Inter-Bank Offered Rate ("EURIBOR") plus 1.625%. The applicable rate at December 31, 2008 was 5.934%.

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 certain of our subsidiaries and are secured by a pledge of shares of these subsidiaries and an assignment of certain contractual rights. The terms of the Senior Notes restrict the manner in which our business is conducted, including the incurrence of additional indebtedness, the making of investments, the payment of dividends or the making of other distributions, entering into certain affiliate transactions and the sale of assets.

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, 2009, we may redeem all or a part of the 2005 Senior 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.

As of December 31, 2008, Standard & Poor's senior unsecured debt rating for our Senior Notes was BB and our corporate credit rating was BB. As of December 31, 2008 Moody's Investors Services senior unsecured debt rating for our Senior Notes and our corporate credit rating was Ba2. On November 5, 2008, S&P changed its outlook for all credits to negative from stable. Moody's Investors Services ("Moody's") have rated both our Senior Notes and our corporate credit as Ba2. On November 3, 2008 Moody's changed its outlook for all credits to negative from stable.

(2) As at December 31, 2008 we had US$ 475.0 million of Convertible Notes outstanding that mature on March 15, 2013. Interest is payable semi-annually in arrears on each March 15 and September 15.

The Convertible Notes are secured senior obligations and rank pari passu with all existing and future senior indebtedness and are effectively subordinated to all existing and future indebtedness of our subsidiaries. The amounts outstanding are guaranteed by two subsidiary holding companies and are secured by a pledge of shares of those subsidiaries as well as an assignment of certain contractual rights.

(3) On July 21, 2006, we entered into a five-year revolving loan agreement for EUR 100.0 million (approximately US$ 139.2 million) arranged by EBRD and on August 22, 2007, we entered into a second revolving loan agreement for EUR 50.0 million (approximately US$ 69.6 million) also arranged by EBRD (collectively the “EBRD Loan”). ING Bank N.V. (“ING”) and Ceska Sporitelna, a.s. (“CS”) are each participating in the EBRD Loan for EUR 37.5 million. 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. On October 15 and 24, 2008 we drew down EUR 50.0 million (US$ 69.6 million) and EUR 100.0 million (US$ 139.2 million), respectively, to fund the purchase of the remaining 10.0% interest in the Studio 1+1 group and for general corporate purposes. We repaid EUR 75.0 million in November 2008. As at December 31, 2008, EUR 25.0 million (approximately US$ 34.8 million) was drawn. A further EUR 125.0 million (approximately US$ 174.0 million) was drawn on February 2, 2009.

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.

(4) We have an uncommitted multicurrency overdraft facility for EUR 10.0 million (approximately US$ 13.9 million) from Bank Mendes Gans (“BMG”), a subsidiary of ING. As at December 31, 2008, the facility was undrawn. Interest is payable at the prevailing money market rate plus 2.00% on the drawn amount. This facility is part of a cash pooling arrangement with BMG (the “BMG cash pool”). The cash pooling arrangement enables us to receive credit across the group in respect of cash balances which our subsidiaries in the Netherlands, Bulgaria, the Czech Republic, Romania, the Slovak Republic, Slovenia and Ukraine deposit with BMG. Cash deposited with BMG by our participating subsidiaries is pledged as security against the drawings of other subsidiaries up to the amount deposited. As at December 31, 2008, our Dutch holding company, CME Media Enterprises B.V. (“CME B.V.”), had EUR 8.4 million (approximately US$ 11.7 million) deposited in the BMG cash pool and had drawn an overdraft of US$ 22.4 million from the BMG cash pool. Our operations in the Czech Republic, the Slovak Republic and Slovenia had deposited CZK 154.9 million (approximately US$ 8.0 million), SKK 125.5 million (approximately US$ 5.8 million) and EUR 2.0 million (approximately US$ 2.8 million), respectively in the BMG cash pool. As stated in Note (8) our Romania operations had drawn US$0.1 million from the BMG cash pool at December 31, 2008. In addition, as stated in Note (11), our Ukraine (STUDIO 1+1) operations had drawn EUR 0.1 million (approximately US$ 0.2 million) from the BMG cash pool at December 31, 2008.

(5) CET 21 has a credit facility of CZK 1.2 billion (approximately US$ 62.0 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 Sporitelna, a.s.("FCS"), a subsidiary of CS. On February 19, 2009, the full CZK 1.2 billion (approximately US$ 53.1 million at the date of drawing) of this facility was drawn.

(6) CET 21 has a working capital credit facility of CZK 250.0 million (approximately US$ 12.9 million) with CS, which matures on December 31, 2010. This working capital facility bears interest at the three-month PRIBOR rate plus 1.65%. The applicable rate at December 31, 2008 was 5.28% .This facility is secured by a pledge of receivables, which are also subject to a factoring arrangement with CS. As at December 31, 2008, the full CZK 250.0 million (approximately US$ 12.9 million) was drawn under this facility.

(7) As at December 31, 2008, there were no drawings under a CZK 300.0 million (approximately US$ 15.5 million) factoring facility with CS. 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.

(8) As stated in Note (4), our Romania operations had drawn US$ 0.1 million from the BMG cash pool at December 31, 2008.

(9) On May 15, 2008, our Slovak Republic operations secured a SKK 100.0 million (US$ 4.6 million) overdraft facility from ING. This can be utilized for short term advances up to six months at an interest rate of EURIBOR + 2%. At December 31, 2008 there were no drawings under this facility.

(10) In July 2005 Pro Plus entered into a revolving five-year facility agreement for up to EUR 37.5 million (approximately US$ 52.2 million) in aggregate principal amount with ING Bank N.V., Nova Ljubljanska Banka d.d., Ljubljana and Bank Austria Creditanstalt d.d., Ljubljana. The facility availability 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 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 2.10% and 3.60% that varies according to the ratio of consolidated net debt to consolidated broadcasting cash flow for Pro Plus. As at December 31, 2008, EUR 26.3 million (approximately US$ 36.5 million) was available for drawing under this revolving facility. On February 19, 2009, the full EUR 36.5 million (approximately US$ 33.6 million at the date of drawing) of this facility was drawn.

(11) As stated in note (4), our Ukraine (STUDIO 1+1) operations had drawn EUR 0.1 million (approximately US$ 0.2 million) from the BMG cash pool at December 31, 2008.

Capital Lease Obligations

Capital lease obligations include future interest payments of US$ 1.4 million. For more information on our capital lease obligations see Item 8, Note 11, "Credit Facilities and Obligation under Capital Lease".

Operating Leases

For more information on our operating lease commitments see Item 8, Note 21, "Commitments and Contingencies".

Unconditional Purchase Obligations

Unconditional purchase obligations largely comprise future programming commitments. At December 31, 2008, we had commitments in respect of future programming of US$ 280.5 million (December 31, 2007: US$ 107.6 million). This includes contracts signed with license periods starting after December 31, 2008. For more information on our programming commitments see Item 8, Note 21, "Commitments and Contingencies".

Other Long-Term Obligations

Included in Other Long-Term Obligations are our commitments to the Dutch tax authorities of US$ 1.3 million (see Item 8, Note 21, "Commitments and Contingencies: Dutch Tax".)

In addition to the amounts disclosed above, Adrian Sarbu, our President and Chief Operating Officer, has the right to sell his 5.0% shareholdings in each of 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 interest 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 8.7% shareholding in Media Pro. As at December 31, 2008, we considered the fair value of the put option of Mr. Sarbu to be approximately US$ nil.

V (d) Cash Outlook

Liquidity and Capital Resources

Since 2005, our Czech Republic, Slovak Republic, Slovenia and Romania operations have generated positive cash flows sufficient, in conjunction with new equity and debt, to fund our operations, the launch of new channels, the acquisition of non-controlling interests in our existing channels and expansion into new territories. Most economic predictions show a substantial worsening in 2009 of the adverse economic conditions that arose at the end of 2008 in all of our markets. This has caused uncertainty among advertisers about the level of spending they are prepared to commit to our channels. As a result, it has become much more difficult to predict the amount of cash our operations will generate. However, we still expect that our Czech Republic, Slovak Republic, Slovenia and Romania operations, in conjunction with current cash and available facilities, will continue to generate excess cash sufficient to fund our developing operations in Bulgaria, Croatia and Ukraine for the next twelve months, as well as meeting other external financial obligations, including the commitment to pay a total of US$ 10.0 million in connection with the acquisition of the non-controlling interests in the KINO channel and US$ 12.0 million for a 10.0% ownership interest in Glavred-Media LLC. We expect the funding requirement for our developing operations to be up to US$ 100.0 million during 2009 however if market conditions continue to deteriorate, we may have to provide additional funding. As at December 31, 2008 we had US$ 413.9 million available in cash and credit facilities (including uncommitted overdraft facilities).

With the deterioration of the global credit markets through most of 2008 and the worsening of economic conditions in our markets since the end of 2008, we have taken steps to conserve cash to ensure we are able to meet our debt service and other existing financial obligations. These steps have included significant reductions to our operating cost base through headcount reductions and widespread cost optimization programs, deferral of capital expenditure and the rescheduling of expansion plans.

On February 2, 2009, we drew the remaining EUR 125.0 million (approximately US$ 174.0 million) under the EBRD Loan. On February 19, 2009, CET 21 drew the full CZK 1.2 billion (approximately US$ 53.1 million at the date of drawing) of its credit facility with CS. At the same time, Pro Plus drew the full EUR 26.3 million (approximately US$ 33.6 million at the date of drawing) available under its five-year revolving facility. We made these requests in order to assure the continued availability of the funds in light of renewed concerns over the solvency of credit providers in the region and intend to keep the funds deposited in low risk short-term deposits.

As at December 31, 2008, our Senior Notes and Convertible Notes represented 93% of our total debt outstanding. This debt does not begin to mature until May 2012, with the longest dated instrument maturing in May 2014. The EBRD Loan, which represented 3% of our total debt outstanding at December 31, 2008 (approximately 12% as at February 23, 2009), amortizes by 15% every six months from May 2009 through November 2010, with the final 40% payable in May 2011. With credit markets continuing to be volatile, we will not need to refinance the vast majority of our existing senior debt in the near term.

We do not have maintenance style covenants on our Fixed Rate Notes or EBRD Loan. This means that there is no event of default on Senior Notes or EBRD Loans related to a minimum level of EBITDA, gearing or other EBITDA related ratio. Both the Senior Notes and the EBRD Loan are however subject to an incurrence covenant which restricts us from raising new debt at the corporate level if the ratio of Indebtedness to twelve-month Consolidated EBITDA, (both of which are terms defined in our Senior Notes and not the same as similar measures defined under U.S. GAAP), exceeds 4.5 times, or if the raising of such debt would cause this ratio to be exceeded. If this ratio is exceeded we are not considered to be in default, but we would be restricted from raising new debt with certain defined exceptions. These exceptions include the refinancing of any of our existing debt, the draw-down of our existing facilities with CS and ING which will total US$ 86.7 million when the February 19, 2008 draw downs are completed, the raising of a further US$ 91.0 million of additional new facilities and the raising of $ 30.4 million of capitalized leases and mortgages. The ratio of Indebtedness to Consolidated EBITDA at December 31, 2008 was 3.3 times. Following the draw-down of the EBRD Loan and credit facilities in the Czech Republic and Slovenia, this ratio will rise to approximately 4.1 times. Although neither the US$ 336.8 million of impairment charges we recognized in 2008, nor any future similar charges have an impact on EBITDA, we currently anticipate that Consolidated EBITDA may decline during the course of 2009; therefore we may exceed this ratio.

Availability of additional liquidity is dependent upon the overall status of the debt and equity capital markets as well as on our continued financial performance, operating performance and credit ratings. In view of the severe tightening of credit in high yield bond, convertible debt and bank markets, which has intensified during 2008 and into 2009, it is becoming more difficult to raise additional or replacement finance by issuing debt. Banks are presently more inclined to lend at the subsidiary, rather than the corporate level which potentially restricts the amount of funding available to us from the bank market and there is very limited investor demand in the high yield bond and convertible debt markets. In fully drawing the EBRD Loan and our credit facilities in the Czech Republic and Slovenia, we have substantially increased the level of cash on hand to approximately US$ 307.1 million at February 25, 2008, but reduced the facilities we have available with our current bank lenders. The likelihood of obtaining additional facilities from our existing lenders is consequently reduced. Therefore we may need to attempt to obtain future debt funding from banks with little or no financial exposure to us.

As at December 31, 2008 our Senior and Convertible Notes are rated BB by S&P, who have also rated our corporate credit as BB. On November 5, 2008 S&P changed its outlook for all credits to negative from stable. As at December 31, 2008, Moody's rated both our Senior Notes and our corporate credit as Ba2. On November 3, 2008 Moody's changed its outlook for all credits to negative from stable.

Credit rating agencies have begun to monitor companies much more closely during recent months and have made liquidity, and the key ratios associated with it, a particular priority. One of the key indicators used by the ratings agencies in assigning credit ratings to us is our gross leverage ratio, which was 3.7 times at December 31, 2008 and is calculated as our Gross Debt divided by our trailing twelve-month Segment EBITDA after corporate operating costs as defined by the ratings agencies. As at December 31, 2008, our total gross debt of US$ 1,109.9 million was the sum of our credit facilities and obligations under capital leases as disclosed in our financial statements and the liability under our swap agreements. Our trailing twelve-month Segment EBITDA after corporate operating costs was US$ 302.1 million.

S&P and Moody's require that a gross leverage ratio of between 3.5 and 4.0 times be maintained to be eligible for their BB and Ba2 ratings, respectively, with a preference for the lower end of this range. As at December 31, 2008, our gross leverage ratio was within this range however we expect that the combination of drawing our EBRD Loan and facilities with ING and CS and forecasted declines in EBITDA may well cause us to materially exceed this range. It is therefore probable that our credit rating will be downgraded. A downgrade will not result in us being required to repay any of our outstanding debt earlier than the current maturity, nor will it result in any variation of the current interest terms, however it would result in our having to pay higher interest rates on any future financing and may make it more difficult for us to raise additional debt. We do not have any credit facilities or other financial instruments which would require early termination, the posting of collateral, or any other financial penalties, solely in the event of our credit rating being downgraded.

Credit risk of financial counterparties

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

Cross Currency Swap

On April 27, 2006, we entered into cross currency swap agreements with JP Morgan Chase Bank, N.A. and Morgan Stanley Capital Services Inc. (see Item 8, Note 13, "Financial Instruments and Fair Value Measurements") under which we periodically exchange Czech koruna for Euro with the intention of reducing our exposure to movements in foreign exchange rates. We do not consider that there is any risk to our liquidity if either of our counterparties were unable to meet their respective rights under the swap agreements because we would be able to convert the CZK we receive from our subsidiary into Euros at the prevailing exchange rate rather than the rate included in the swap.

Capped Call Options

On March 4, 2008, we purchased, for aggregate consideration of US$ 63.3 million, capped call options over 4,523,809 shares of our Class A common stock from Lehman Brothers OTC Derivatives Inc. ("Lehman OTC," 1,583,333 shares) (the "Lehman Capped Call") BNP Paribas ("BNP," 1,583,333 shares) (the "BNP Capped Call") and Deutsche Bank Securities Inc. ("DB," 1,357,144 shares) (the "DB Capped Call", and, together with the Lehman Capped Call and the BNP Capped Call, "Capped Calls", (See Item 8, Note 6 "Senior Debt: Convertible Notes"). Under the terms of the capped call options, the counterparties are obliged to deliver, at our election following a conversion of the Convertible Notes, cash or shares of Class A common stock with a value equal to the difference between the trading price of our shares at the time the option is exercised and US$ 105.00, up to a maximum trading price of US$ 151.20.

On September 15, 2008, Lehman Brothers Holdings Inc, ("Lehman Holdings", and collectively with Lehman OTC, "Lehman Brothers"), the guarantor of the obligations of Lehman OTC under the Lehman Capped Call, filed for protection under Chapter 11 of the United States Bankruptcy Code. The bankruptcy filing of Lehman Holding, as guarantor, was an event of default that gave us the right to early termination of the Lehman Capped Call and to claim for losses. We exercised this right on September 16, 2008 and have claimed an amount of US$ 19.9 million, which bears interest at a rate equal to our estimate of our cost of funding plus 1% per annum.

We consider the likelihood of similar loss on the BNP or DB Capped Calls to be significantly less following the coordinated response of Europe's central banks to the global liquidity crisis and the pivotal positions that each of these banks occupies in its respective country. In the event of any similar default, there would be no impact on our current liquidity since the purchase price of the options has already been paid and we have no further obligation under the terms of the Capped Calls to deliver cash or other assets to the counterparties. Any default would increase the dilutive effect to our existing shareholders resulting from the issuance of shares of Class A Common Stock upon any conversion of the Convertible Notes.

Cash Deposits

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

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

Our future contractual obligations as at December 31, 2008 were 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	$ 1,095,100	$ 35,587	$ 34,792	$ 815,966	$ 208,755
Long-Term Debt – interest (1)	252,417	70,211	117,386	59,142	5,678
Capital Lease Obligations	6,296	1,146	1,315	1,146	2,689
Operating Leases	18,552	6,514	5,777	2,294	3,967
Unconditional Purchase Obligations	294,582	226,449	58,123	9,413	597
Other Obligations (2)	24,046	24,046	-	-	-
Deferred consideration	6,620	5,224	1,396	-	-
FIN 48 Obligations	1,799	421	1,378	-	-
Total Contractual Obligations	**$ 1,699,412**	**$ 369,598**	**$ 220,167**	**$ 887,961**	**$ 221,686**

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

(2) Includes US$ 10.0 million to acquire the remaining non-controlling interests in our KINO channel and US$ 12.0 million for a 10.0% interest in Glavred-Media LLC.

V (f) Off-Balance Sheet Arrangements

None.

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

Recognition of 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.

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

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, a severe and sustained decline in the price of our shares and negative market conditions or economic trends. Therefore, our judgment as to the future prospects of each business has a significant impact on our results and financial condition. We believe that our assumptions are appropriate. If future cash flows do not materialize as expected or there is a future adverse change in market conditions, we may be unable to recover the carrying amount of an asset, resulting in future impairment losses.

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

The fair value of each reporting unit, and consequently the amount of implied goodwill is determined using an income methodology estimating projected future cash flows related to each reporting unit, which we determine to be our business segments (Bulgaria, Croatia, Czech Republic, Romania, Slovak Republic, Slovenia, Ukraine (STUDIO 1+1) and Ukraine (KINO, 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.

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

Assessing goodwill, indefinite-lived intangible assets and long-lived assets requires significant judgment. The process involves making a number of estimates in order to evaluate the fair value of a number of assets, the fair value of the reporting units, and the future cash flows expected in each reporting unit. The table below shows the key measurements involved and the valuation methods applied:

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

In all cases, each method involves a number of significant assumptions which could materially change the result, and the decision on whether assets are impaired. The most significant of these assumptions include: the discount rate applied, the total advertising market size, achievable levels of market share, level of forecast operating costs and capital expenditure and the rate of growth into perpetuity. The table below shows whether an adverse change of 10.0% in any of these assumptions would result in additional impairments after reflecting the impairment charge recognized in the year ended December 31, 2008:

10% Adverse Change in	Long-Lived Assets	Indefinite-Lived Trademarks	Indefinite-Lived Broadcast Licenses	Goodwill
Cost of Capital	None	Ukraine (STUDIO 1+1)	Romania, Slovenia	None
Total Advertising Market	Bulgaria	Ukraine (STUDIO 1+1)	Slovenia	Croatia
Market Share	Bulgaria	Ukraine (STUDIO 1+1)	Slovenia	Croatia
Forecast operating costs	Bulgaria	Not applicable	Romania, Slovenia	Croatia
Forecast capital expenditure	None	Not applicable	None	None
Perpetuity Growth rate	Not applicable	Ukraine (STUDIO 1+1)	None	None

Although we considered all current information in respect of calculating our impairment charge for 2008, our stock price has continued to fall substantially since December 31, 2008. This constitutes an indication that the value of our goodwill, indefinite-lived intangible assets and long-lived assets may have fallen further since January 1, 2009, and we may be required to record additional impairment charges in the first quarter of 2009. In addition, if our cash flow forecasts for our operations deteriorate still further, or discount rates continue to increase, we may be required to recognize additional impairment charges in later periods. The assets most susceptible to changes in such key assumptions are the long-lived assets in Bulgaria (TV2), indefinite-lived broadcast licenses in Romania and Slovenia, the indefinite-lived trademark in Croatia and the goodwill in Croatia.

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. In the event that a customer falls significantly behind its contractual payment terms, revenue is deferred until the customer has resumed normal payment terms.

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

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

Income Taxes

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

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 Ukraine, which account for approximately 10% of our 2008 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 are exposed to foreign currency on the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary. This includes third party receivables and payables, including our Senior Notes which are denominated in Euros, as well as intercompany loans, which are generally provided in currencies other than the dollar. We recorded transaction losses of US$ 37.9 million, US$ 34.4 million and US$ 44.9 million in 2008, 2007 and 2006, respectively. See Item 7, IV (f), “Other expense items” for more detailed information.

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$ 552.4 million) as at December 31, 2008.

During the year ended December 31, 2008, we recorded a foreign exchange loss of US$ 38.7 million on the retranslation of this inter-company loan. As this loan is long-term in nature as contemplated by FASB Statement No. 52 “Foreign Currency Translation” paragraph 20(b), the foreign exchange adjustment is reported in the same manner as translation adjustments in “Other Comprehensive Income”, a separate component of equity.

On February 19, 2009, CET 21 drew the full CZK 1.2 billion (approximately US$ 53.1 million at the date of drawing) of its credit facility with CS and used some of the money it received to repay a portion of this loan. From this date, the loan is no longer long-term in nature and we will be required to record subsequent foreign exchange adjustments as income or expense in our Consolidated Statement of Operations.

Contingencies

We are, from time to time, involved in certain legal proceedings and, as required, accrue our estimate of the probable costs for the resolution for these claims. These estimates are developed in consultation with legal counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. See Item 8, Note 21, “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, establishing a framework for measuring fair value and expanding disclosure requirements. FAS 157 was to be effective in its entirety for fiscal years beginning after November 15, 2007, 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 allows application of FAS 157 to 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 adopted those parts of FAS 157 not deferred by FSP FAS 157-2 on January 1, 2008 and we do not expect that the adoption of the remaining requirements will result in a material impact on our financial position or results of operations.

In May 2008, the FASB issued FASB Statement No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (“FAS 162”). FAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in accordance with GAAP. With the issuance of this statement, the FASB concluded that the GAAP hierarchy should be directed toward the entity and not its auditor, and reside in the accounting literature established by the FASB as opposed to the American Institute of Certified Public Accountants (“AICPA”) Statement on Auditing Standards No. 69, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.” FAS 162 is effective from November 15, 2008. The adoption of FAS 162 did not have a material impact on our financial position or 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. Because the requirements of FAS 141(R) are largely prospective, its adoption did not have a material impact on our financial position or results of operations, however we recognized an expense of approximately US$ 0.9 million in the fourth quarter of 2008 for acquisition costs incurred on potential acquisitions that did not complete prior to December 31, 2008 and for which capitalization would be prohibited under FAS 141(R).

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. The adoption of FAS 160 impacts the presentation of our consolidated balance sheet and consolidated statement of operations; however, it did not have a material impact on our financial position or results of operations

In March 2008, the FASB issued FASB Statement No. 161 "Disclosures About Derivative Instruments and Hedging Activities an Amendment of FASB Statement No. 133" ("FAS 161") which enhances the disclosure requirements about derivatives and hedging activities. FAS 161 requires enhanced narrative disclosure about how and why an entity uses derivative instruments, how they are accounted for under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), and what impact they have on financial position, results of operations and cash flows. FAS 161 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after November 15, 2008. The adoption of FAS 161 did not result in a material impact on our financial position or results of operations.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3 "Determination of the Useful Life of Intangible Assets," ("FSP FAS 142-3") which aims to improve consistency between the useful life of a recognized intangible asset under FASB Statement No. 142 "Goodwill and Other Intangible Assets" and the period of expected cash flows used to measure the fair value of the asset under FAS 141 (R), especially where the underlying arrangement includes renewal or extension terms. The FSP is effective prospectively for fiscal years beginning after December 15, 2008 and early adoption is prohibited. The adoption of FSP FAS 142-3 did not have a material impact on our financial position or results of operations.

In May 2008, the FASB issued Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"), which clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. FSP APB 14-1 requires issuers to account separately for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer's nonconvertible debt (unsecured debt) borrowing rate when interest cost is recognized. FSP APB 14-1 requires bifurcation of a component of the debt including allocated issuance costs, classification of that component in equity and the accretion of the resulting discount on the debt and the allocated acquisition costs to be recognized as part of interest expense in the consolidated statement of operations. FSP APB 14-1 requires retrospective application to the terms of instruments as they existed for all periods presented. FSP APB 14-1 is effective for us as of January 1, 2009 and early adoption is prohibited. The adoption of FSP APB 14-1 affects the accounting for our Convertible Notes and, we expect, will result in approximately the following changes to the 2008 comparative balances in our 2009 financial statements to reflect the revised equity and liability balances on issuance (net of allocated acquisition costs) of US$ 108.1 million and US$ 364.2 million respectively:

US$ millions	For the Year Ended December 31, 2008 As reported	Impact of Adoption	As Adjusted
Consolidated Statement of Operations			
Interest expense	(68.5)	(14.0)	(82.5)

US$ millions	As at December 31, 2008 As reported	Impact of Adoption	As Adjusted
Consolidated Balance Sheet			
Other current assets	98.7	(0.6)	98.1
Other non-current assets	20.7	(1.5)	19.2
Senior Debt	(1,024.7)	96.2	(928.5)
Additional paid-in capital	1,018.5	108.1	1,126.6
(Accumulated deficit) / Retained Earnings	(224.1)	(14.0)	(238.1)

In addition, at present we expect that the adoption of FSP APB 14-1 will cause our interest expense in the 2009 financial year to increase by approximately US$ 18.9 million to reflect the amortization of the issuance discount.

In November 2008, the FASB ratified the Emerging Issues Task Force consensus on Issue No. 08-6, "Equity Method Investment Accounting Considerations" ("EITF 08-6") which addresses certain effects of FAS 141R and FAS 160 on an entity's accounting for equity-method investments. The consensus indicates, among other things, that transaction costs for an investment should be included in the cost of the equity-method investment (and not expensed) and shares subsequently issued by the equity-method investee that reduce the investor's ownership percentage should be accounted for as if the investor had sold a proportionate share of its investment, with gains or losses recorded through earnings. EITF 08-6 is effective for transactions occurring after December 31, 2008. The adoption of this standard did not have a material impact on our financial condition or results of operations.

In November 2008, the FASB ratified the EITF consensus on Issue No. 08-7, "Accounting for Defensive Intangible Assets" ("EITF 08-7"). The consensus addresses the accounting for an intangible asset acquired in a business combination or asset acquisition that an entity does not intend to use or intends to hold to prevent others from obtaining access (a defensive intangible asset). Under EITF 08-7, a defensive intangible asset would need to be accounted as a separate unit of accounting and would be assigned a useful life based on the period over which the asset diminishes in value. EITF 08-7 is effective for transactions occurring after December 31, 2008. The adoption of this standard did not have a material impact on our financial condition 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 these services are provided to us by parties known to be connected to our local shareholders. As stated in FASB Statement No. 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 for whom we are aware of the existence 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 22, "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, although our functional currency is the dollar, 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 cross currency swap agreements with JP Morgan Chase Bank, N.A and Morgan Stanley Capital Services Inc., under which we swapped a fixed annual coupon interest rate (of 9.0%) on notional principal of CZK 10.7 billion (approximately US$ 620.5 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$ 537.6 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 instruments as at December 31, 2008, was a liability of US$ 9.9 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 Euro-denominated interest payments on our Senior Notes (see Item 8, Note 6, "Senior Debt"). 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, 2008, approximately 25.0% of the carrying value of our debt provides for interest at a spread above a base rate of EURIBOR or PRIBOR, which mitigates the impact of an increase in interbank rates on our overall debt.

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Interest Rate Table as at December 31, 2008

	Expected Maturity Dates					
	2009	**2010**	**2011**	**2012**	**2013**	**Thereafter**
Total Debt in Euro (000's)						
Fixed Rate	-	-	-	245,000	-	-
Average Interest Rate	-	-	-	8.25%	-	-
Variable Rate	-	-	25,000	-	-	150,000
Average Interest Rate	-	-	6.56%	-	-	5.93%
Total Debt in US$ (000's)						
Fixed Rate	-	-	-	-	475,000	-
Average Interest Rate	-	-	-	-	3.50%	-
Total Debt in CZK (000's)						
Variable Rate	250,000	-	-	-	-	-
Average Interest Rate	5,28%	-	-	-	-	-

Variable Interest Rate Sensitivity as at December 31, 2008

			Yearly interest charge if interest rates increase by (US$ 000s):				
Value of Debt as at December 31, 2008 (US$ 000's)	**Interest Rate as at December 31, 2008**	**Yearly Interest Charge (US$ 000's)**	**1%**	**2%**	**3%**	**4%**	**5%**
$ 243,547 (EUR 175.0 million)	6.02%	$ 14,671	$ 17,106	$ 19,542	$ 21,977	$ 24,412	$ 26,847
$ 12,923 (CZK 250.0 million)	5.28%	682	812	941	1,070	1,199	1,328
Total		**$ 15,353**	**$ 17,918**	**$ 20,483**	**$ 23,047**	**$ 25,611**	**$ 28,175**

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, 2008 and 2007, 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, 2008. 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, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, 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 25, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

DELOITTE LLP

London, United Kingdom

February 25, 2009

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

	December 31, 2008	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 107,433	$ 142,812
Accounts receivable (net of allowance) (Note 7)	221,450	224,713
Program rights, net	67,787	77,112
Other current assets (Note 8)	98,725	90,455
Total current assets	**495,395**	**535,092**
Non-current assets		
Investments (Note 5)	16,559	16,559
Property, plant and equipment, net (Note 9)	206,667	175,308
Program rights, net	113,596	108,362
Goodwill (Note 4)	1,041,041	1,114,347
Broadcast licenses and other intangible assets, net (Note 4)	514,732	373,422
Other non-current assets (Note 8)	20,743	15,345
Total non-current assets	**1,913,338**	**1,803,343**
Total assets	**$ 2,408,733**	**$ 2,338,435**

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

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

	December 31, 2008	December 31, 2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	$ 174,885	$ 203,313
Credit facilities and obligations under capital leases (Note 11)	36,502	15,090
Other current liabilities (Note 12)	17,286	16,067
Total current liabilities	**228,673**	**234,470**
Non-current liabilities		
Credit facilities and obligations under capital leases (Note 11)	38,758	4,162
Senior Debt (Note 6)	1,024,721	581,479
Other non-current liabilities (Note 12)	112,215	95,362
Total non-current liabilities	**1,175,694**	**681,003**
Commitments and contingencies (Note 21)		
Minority interests in consolidated subsidiaries	**3,187**	**23,155**
SHAREHOLDERS' EQUITY:		
Nil shares of Preferred Stock of $0.08 each (December 31, 2007 – nil)	-	-
36,024,273 shares of Class A Common Stock of $0.08 each (December 31, 2007 – 36,003,198)	2,882	2,880
6,312,839 shares of Class B Common Stock of $0.08 each (December 31, 2007 – 6,312,839)	505	505
Additional paid-in capital	1,018,532	1,051,336
(Accumulated deficit) / Retained earnings	(224,086)	53,619
Accumulated other comprehensive income	203,346	291,467
Total shareholders' equity	**1,001,179**	**1,399,807**
Total liabilities and shareholders' equity	**$ 2,408,733**	**$ 2,338,435**

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

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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,		
	2008	2007	2006
Net revenues	$ 1,019,934	$ 838,856	$ 602,646
Operating costs	145,210	116,859	89,486
Cost of programming	438,203	327,230	226,133
Depreciation of station property, plant & equipment	51,668	32,653	25,430
Amortization of broadcast licenses and other intangibles (Note 4)	35,381	24,970	18,799
Cost of revenues	**670,462**	**501,712**	**359,848**
Station selling, general and administrative expenses	90,841	71,315	64,975
Corporate operating costs	49,676	55,373	34,104
Impairment charge (Note 4)	336,752	-	748
Operating (loss) / income	**(127,797)**	**210,456**	**142,971**
Interest income	10,006	5,728	6,359
Interest expense (Note 16)	(68,475)	(54,936)	(44,212)
Foreign currency exchange loss, net	(37,877)	(34,409)	(44,892)
Change in fair value of derivatives (Note 13)	6,360	(3,703)	(12,539)
Other income	2,620	7,891	3,059
(Loss) / income before provision for income taxes, minority interest, equity in loss of unconsolidated affiliates and discontinued operations	**(215,163)**	**131,027**	**50,746**
Provision for income taxes (Note 15)	(34,525)	(20,822)	(14,952)
(Loss) / income before minority interest, equity in loss of unconsolidated affiliates and discontinued operations	**(249,688)**	**110,205**	**35,794**
Minority interest in income of consolidated subsidiaries	(2,071)	(17,157)	(13,602)
Equity in loss of unconsolidated affiliates (Note 5)	-	-	(730)
Gain on sale of unconsolidated affiliate (Note 5)	-	-	6,179
Net (loss) / income from continuing operations	**(251,759)**	**93,048**	**27,641**
Discontinued operations (Note 20):			
Pre-tax loss of discontinued operations - Ukraine (KINO, CITI)	(3,849)	(4,509)	(2,354)
Tax of discontinued operations - Ukraine (KINO, CITI)	64	29	-
Tax on disposal of discontinued operations - Czech Republic	-	-	(4,863)
Net loss from discontinued operations	**(3,785)**	**(4,480)**	**(7,217)**
Net (loss) / income	**$ (255,544)**	**$ 88,568**	**$ 20,424**
Currency translation adjustment, net	(88,609)	158,825	157,524
Obligation to repurchase shares	488	(488)	-
Total comprehensive (loss) / income	**$ (343,665)**	**$ 246,905**	**$ 177,948**

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

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

	For the Years Ended December 31,		
	2008	2007	2006
PER SHARE DATA (Note 18):			
Net (loss) / income per share:			
Continuing operations – Basic	$ (5.95)	$ 2.25	$ 0.69
Continuing operations – Diluted	(5.95)	2.23	0.68
Discontinued operations – Basic	(0.09)	(0.11)	(0.18)
Discontinued operations – Diluted	(0.09)	(0.11)	(0.18)
Net income – Basic	(6.04)	2.14	0.51
Net income – Diluted	$ (6.04)	$ 2.12	$ 0.50
Weighted average common shares used in computing per share amounts (000's):			
Basic	42,328	41,384	40,027
Diluted	42,328	41,833	40,600

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)

	Class A Common Stock		Class B Common Stock					
	Number of shares	Par value	Number of shares	Par value	Additional Paid-In Capital	Retained Earnings / (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
BALANCE, January 1, 2006	**31,032,994**	**$ 2,482**	**6,966,533**	**$ 558**	**$ 754,061**	**$ (52,154)**	**$ (24,394)**	**$ 680,553**
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
BALANCE, December 31, 2006	**34,412,138**	**$ 2,753**	**6,312,839**	**$ 505**	**$ 931,108**	**$ (31,730)**	**$ 133,130**	**$ 1,035,766**
Impact of adoption of FIN 48						(3,219)		(3,219)
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	-	-	-	-	-	-	(488)	(488)
BALANCE, December 31, 2007	**36,003,198**	**$ 2,880**	**6,312,839**	**$ 505**	**$ 1,051,336**	**$ 53,619**	**$ 291,467**	**$ 1,399,807**
Stock-based compensation	-	-	-	-	7,133	-	-	7,133
Stock options exercised	21,075	2	-	-	1,220	-	-	1,222
Purchase of capped call options (Note 5)	-	-	-	-	(63,318)	-	-	(63,318)
Extinguishment of capped call options (Note 5)	-	-	-	-	22,161	(22,161)	-	-
Net loss	-	-	-	-	-	(255,544)	-	(255,544)
Currency translation adjustment							(88,609)	(88,609)
Obligation to repurchase shares	-	-	-	-	-	-	488	488
BALANCE, December 31, 2008	**36,024,273**	**$ 2,882**	**6,312,839**	**$ 505**	**$ 1,018,532**	**$ (224,086)**	**$ 203,346**	**$ 1,001,179**

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

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

	For the Years Ended December 31,		
	2008	**2007**	**2006**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) / income	**$ (255,544)**	**$ 88,568**	**$ 20,424**
Adjustments to reconcile net (loss) / income to net cash generated from operating activities:			
Loss from discontinued operations (Note 20)	3,785	4,480	7,217
Equity in loss of unconsolidated affiliates, net of dividends received	-	-	730
Gain on sale of unconsolidated affiliate (Note 5)	-	-	(6,179)
Depreciation and amortization	336,358	254,463	164,100
Impairment charge (Note 4)	336,752	-	748
Loss on disposal of fixed assets	51	-	1,292
Stock-based compensation (Note 17)	6,107	5,734	3,575
Minority interest in income of consolidated subsidiaries	2,072	17,157	13,602
Change in fair value of derivative instruments (Note 13)	(6,360)	3,703	12,539
Foreign currency exchange loss, net	37,877	34,441	44,908
Net change in (net of effects of acquisitions and disposals of businesses):			
Accounts receivable	(13,654)	(57,449)	(42,125)
Program rights	(251,462)	(255,147)	(173,345)
Other assets	(3,638)	(4,192)	(6,033)
Other accounts payable and accrued liabilities	(15,066)	7,882	16,908
Income taxes payable	(18,308)	15,423	(1,697)
Deferred taxes	(19,550)	(2,202)	9,580
VAT and other taxes payable	(3,865)	(6,166)	9,126
Net cash generated from continuing operating activities	**135,555**	**106,695**	**75,370**
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Net change in restricted cash	-	(440)	5,516
Purchase of property, plant and equipment	(78,665)	(79,943)	(60,387)
Proceeds from disposal of property, plant and equipment	408	570	19
Investments in subsidiaries and unconsolidated affiliates	(512,531)	(156,535)	(72,603)
Repayment of loans and advances to related parties	1,990	450	500
Net cash used in continuing investing activities	**(588,798)**	**(235,898)**	**(126,955)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of Senior Notes	-	199,400	-
Proceeds from credit facilities	223,091	177,515	34,981
Payment of credit facilities and capital leases	(176,615)	(182,391)	(75,263)
Redemption of Senior Notes	-	(169,010)	-
Net proceeds from issuance of Convertible Notes	463,560	-	-
Purchase of capped call option	(63,318)		
Excess tax benefits from share-based payment arrangements	1,026	668	-
Proceeds from exercise of stock options	1,222	4,100	3,713
Issuance of Class A Common Stock	-	109,853	168,654
Dividends paid to minority shareholders	(4,408)	(4,605)	(1,385)
Net cash received from continuing financing activities	**444,558**	**135,530**	**130,700**

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

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

	For the Years Ended December 31, 2008	2007	2006
NET CASH USED IN DISCONTINUED OPERATIONS-OPERATING	(4,920)	(6,001)	(3,667)
NET CASH USED IN DISCONTINUED OPERATIONS-INVESTING	**(495)**	**(1,520)**	**-**
NET CASH USED IN DISCONTINUED OPERATIONS-FINANCING	**-**	**-**	**1,700**
Impact of exchange rate fluctuations on cash	**(21,279)**	**(1,896)**	**(2,904)**
Net (decrease) / increase in cash and cash equivalents	(35,379)	(3,090)	74,244
CASH AND CASH EQUIVALENTS, beginning of year	**142,812**	**145,902**	**71,658**
CASH AND CASH EQUIVALENTS, end of year	**$ 107,433**	**$ 142,812**	**$ 145,902**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 55,331	$ 46,313	$ 41,038
Cash paid for income taxes (net of refunds)	$ 72,974	$ 40,903	$ 35,831
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:			
Purchase of Krsak interest in the TV Nova (Czech Republic) group financed with payable	$ -	$ -	$ 27,591
Acquisition of property, plant and equipment under capital lease	$ 554	$ 136	$ 702

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, 2008, we have operations in Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic, Slovenia and Ukraine.

Our principal subsidiaries, equity-accounted affiliates and cost investments as at December 31, 2008 were:

Company Name	Effective Voting Interest	Jurisdiction of Organization	Type of Affiliate
Top Tone Media S.A.	80.0%	Luxembourg	Subsidiary
TV2 EOOD ("TV2")	80.0%	Bulgaria	Subsidiary
Top Tone Media Bulgaria EOOD	80.0%	Bulgaria	Subsidiary
Asteos EOOD	80.0%	Bulgaria	Subsidiary
Zopal S.A.	80.0%	Luxembourg	Subsidiary
LG Consult EOOD	80.0%	Bulgaria	Subsidiary
Ring TV EAD ("Ring TV")	80.0%	Bulgaria	Subsidiary
Nova TV d.d. ("Nova TV (Croatia)")	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
CET 21 spol. s.r.o. ("CET 21")	100.0%	Czech Republic	Subsidiary
MEDIA CAPITOL, a.s.	100.0%	Czech Republic	Subsidiary
Jyxo, s.r.o. ("Jyxo")	100.0%	Czech Republic	Subsidiary
BLOG Internet, s.r.o. ("Blog")	100.0%	Czech Republic	Subsidiary
CME Romania B.V.	100.0%	Netherlands	Subsidiary
Media Pro International S.A. ("MPI")	95.0%	Romania	Subsidiary
Media Vision S.R.L ("Media Vision")	95.0%	Romania	Subsidiary
Music Television System S.R.L. ("MTS")	95.0%	Romania	Subsidiary
Pro TV S.A. ("Pro TV")	95.0%	Romania	Subsidiary
Sport Radio TV Media S.R.L ("Sport.ro")	95.0%	Romania	Subsidiary
Media Pro Management S.A. ("Media Pro")	8.7%	Romania	Cost investment
Media Pro B.V.	10.0%	Netherlands	Cost investment
CME Slovak Holdings B.V.	100.0%	Netherlands	Subsidiary
A.R.J., a.s.	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)

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
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
EMAIL.SK s.r.o.	80.0%	Slovak Republic	Subsidiary
PMT, s.r.o.	31.5%	Slovak Republic	Cost investment
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
TELEVIDEO d.o.o. (trading as TV Pika)	20.0%	Slovenia	Equity-Accounted Affiliate
International Media Services Ltd.	100.0%	Bermuda	Subsidiary
CME Ukraine Holding GmbH	100.0%	Austria	Subsidiary
Innova Film GmbH	100.0%	Germany	Subsidiary
CME Cyprus Holding Ltd.	100.0%	Cyprus	Subsidiary
TV Media Planet Ltd.	100.0%	Cyprus	Subsidiary
1+1 Production	100.0%	Ukraine	Subsidiary
Studio 1+1 LLC ("Studio 1+1")	100.0%	Ukraine	Subsidiary
Ukrainian Media Services LLC	99.9%	Ukraine	Subsidiary
Grizard Investments Limited.	100.0%	Cyprus	Subsidiary
Grintwood Investments Limited	100.0%	Cyprus	Subsidiary
CME Ukraine Holding B.V.	100.0%	Netherlands	Subsidiary
Ukrpromtorg-2003 LLC ("Ukrpromtorg")	65.5%	Ukraine	Subsidiary
Gravis LLC ("Gravis")	60.4%	Ukraine	Subsidiary
Gravis-Kino LLC ("Gravis-Kino")	60.4%	Ukraine	Subsidiary
Delta JSC	60.4%	Ukraine	Subsidiary
Nart LLC	65.5%	Ukraine	Subsidiary
TV Stimul LLC ("TV Stimul")	64.2%	Ukraine	Subsidiary
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 Programming B.V.	100.0%	Netherlands	Subsidiary
CME Development Corporation	100.0%	Delaware (USA)	Subsidiary
CME SR d.o.o.	100.0%	Serbia	Subsidiary

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The significant accounting policies are summarized as follows:

Basis of Presentation

The consolidated financial statements include the accounts of 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 entities in which we hold less than a majority voting interest but over which we have the ability to exercise control. Entities in which we hold less than a majority voting interest but over which we 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$ 5.6 million, US$ 5.0 million and US$ 8.2 million for the years ending December 31, 2008, 2007 and 2006, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less. Cash that is subject to restrictions is classified as restricted cash.

Property, Plant and Equipment

Property, plant and equipment is carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives assigned to each major asset category as below:

Asset category	Estimated useful life
Land	Indefinite
Buildings	25 years
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.

Program Rights

Purchased program rights

Purchased program rights and the related liabilities are recorded at their gross value when the license period begins and the programs are available for broadcast.

Purchased program rights are classified as current or non-current assets based on anticipated usage, while the related program rights liability is classified as current or non-current according to the payment terms of the license agreement.

Program rights are evaluated to determine if expected revenues are sufficient to cover the unamortized portion of the program. To the extent that expected revenues are insufficient, the program rights are written down to their net realizable value.

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:

(Tabular amounts in US$ 000's, except share data)

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, sports events, 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.

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. An impairment exists when the carrying value of a reporting unit (including its goodwill), exceeds its fair value after adjusting for any impairments of long-lived assets or indefinite life intangible assets. Goodwill impairment is measured as the excess of the carrying value of goodwill over its implied fair value which is calculated by deducting the fair value of all assets, including recognized and unrecognized intangible assets from the fair value of the reporting unit. We have determined that our reporting units are the same as our operating segments.

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; and
- we have not experienced any historical evidence of a compelling challenge to our holding these licenses.

Indefinite-lived intangible assets are not amortized. We evaluate indefinite-lived intangible assets for impairment in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that the asset might be impaired. 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").

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 in the nature of a long-term investment are accounted for in a similar manner. At December 31, 2008, a translation loss of US$ 38.7 million (December 31, 2007: a gain of US$ 79.2 million, December 31, 2006: a gain of US$ 77.3 million) related to such intercompany financing 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, net in the Consolidated Statement of Operations in the period during which they arise.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Leases

Leases are classified as either capital or operating. Those leases that transfer substantially all benefits and risks of ownership of the property to us are accounted for as capital leases. All other leases are accounted for as operating leases.

Capital leases are accounted for as assets and are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Commitments to repay the principal amounts arising under capital lease obligations are included in current liabilities to the extent that the amount is repayable within one year; otherwise the principal is included in non-current liabilities. The capitalized lease obligation reflects the present value of future lease payments. The financing element of the lease payments is charged to interest expense over the term of the lease.

Operating lease costs are expensed on a straight-line basis.

Financial Instruments

Fair value of financial instruments

The carrying value of financial instruments, including cash, accounts receivable, and accounts payable and accrued liabilities, approximate their fair value due to the short-term nature of these items. The fair value of our Senior Debt is included in Note 6 "Senior Debt".

Derivative financial instruments

We use derivative financial instruments for the purpose of mitigating currency risks, which exist as part of ongoing business operations. As a policy, we do not engage in speculative or leveraged transactions, nor do we hold or issue derivative financial instruments for trading purposes.

Forward exchange contracts and currency swaps are used to mitigate exposures to currency fluctuations on certain short-term transactions generally denominated in currencies other than our functional currency. These contracts are marked to market at the balance sheet date, and the resultant unrealized gains and losses are recorded in the Consolidated Statement of Operations, together with realized gains and losses arising on settlement of these contracts.

Put options

Put options written on the stock of a consolidated subsidiary which do not provide net settlement 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, 2008 the fair value of put options are considered to be US$ nil (2007: US$ nil).

Stock-Based Compensation

Stock based compensation is accounted for under FASB Statement No. 123(R), "Share-Based Payment" ("FAS 123(R)"), which requires the recognition of stock-based compensation at fair value. We calculate the fair value of stock option awards using the Black-Scholes option pricing model and recognize the compensation cost over the vesting period of the award.

Contingencies

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.

In the fourth quarter of 2008, we agreed to acquire 100% of the KINO channel from our minority partners and to sell them our interest in the CITI channel. The results of the CITI channel have therefore been treated as discontinued operations. See Note 20, "Discontinued Operations".

During 2003, we disposed of our former operations in the Czech Republic; all results of this disposal have been treated as discontinued operations.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense incurred for the years ending December 31, 2008, 2007 and 2006 totaled US$ 15.9 million, US$ 11.7 million and US$ 10.1 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.

Comparative Amounts

Balances in respect of 2007 and 2006 have been changed to reflect the classification of our CITI channel as a discontinued operation.

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, establishing a framework for measuring fair value and expanding disclosure requirements. FAS 157 was to be effective in its entirety for fiscal years beginning after November 15, 2007; 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 allows application of FAS 157 to 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 adopted those parts of FAS 157 not deferred by FSP FAS 157-2 on January 1, 2008 and we do not expect that the adoption of the remaining requirements will result in a material impact on our financial position or results of operations.

In May 2008, the FASB issued FASB Statement No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("FAS 162"). FAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in accordance with GAAP. With the issuance of this statement, the FASB concluded that the GAAP hierarchy should be directed toward the entity and not its auditor, and reside in the accounting literature established by the FASB as opposed to the American Institute of Certified Public Accountants ("AICPA") Statement on Auditing Standards No. 69, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." FAS 162 is effective from November 15, 2008. The adoption of FAS 162 did not have a material impact on our financial position or 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. Because the requirements of FAS 141(R) are largely prospective, we do not expect its adoption to have a material impact on our financial position or results of operations, however we recognized an expense of approximately US$ 0.9 million in the fourth quarter of 2008 for acquisition costs incurred on potential acquisitions that did not complete prior to December 31, 2008 and for which capitalization would be prohibited under FAS 141(R).

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. The adoption of FAS 160 impacts the presentation of our consolidated balance sheet and consolidated statement of operations; however, it did not have a material impact on our financial position or results of operations

In March 2008, the FASB issued FASB Statement No. 161 "Disclosures About Derivative Instruments and Hedging Activities an Amendment of FASB Statement No. 133" ("FAS 161") which enhances the disclosure requirements about derivatives and hedging activities. FAS 161 requires enhanced narrative disclosure about how and why an entity uses derivative instruments, how they are accounted for under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), and what impact they have on financial position, results of operations and cash flows. FAS 161 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after November 15, 2008. The adoption of FAS 161 did not result in a material impact on our financial position or results of operations.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3 "Determination of the Useful Life of Intangible Assets," ("FSP FAS 142-3") which aims to improve consistency between the useful life of a recognized intangible asset under FASB Statement No. 142 "Goodwill and Other Intangible Assets" and the period of expected cash flows used to measure the fair value of the asset under FAS 141 (R), especially where the underlying arrangement includes renewal or extension terms. The FSP is effective prospectively for fiscal years beginning after December 15, 2008 and early adoption is prohibited. The adoption of FSP FAS 142-3 did not have a material impact on our financial position or results of operations.

(Tabular amounts in US$ 000's, except share data)

In May 2008, the FASB issued Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"), which clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. FSP APB 14-1 requires issuers to account separately for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer's nonconvertible debt (unsecured debt) borrowing rate when interest cost is recognized. FSP APB 14-1 requires bifurcation of a component of the debt including allocated issuance costs, classification of that component in equity and the accretion of the resulting discount on the debt and the allocated acquisition costs to be recognized as part of interest expense in the consolidated statement of operations. FSP APB 14-1 requires retrospective application to the terms of instruments as they existed for all periods presented. FSP APB 14-1 is effective for us as of January 1, 2009 and early adoption is prohibited. The adoption of FSP APB 14-1 will affect the accounting for our Convertible Notes and, we expect, will result in approximately the following changes to the 2008 comparative balances in our 2009 financial statements to reflect the revised equity and liability balances on issuance (net of allocated acquisition costs) of US$ 108.1 million and US$ 364.2 million respectively:

	For the Year Ended December 31, 2008		
US$ millions	**As reported**	**Impact of Adoption**	**As Adjusted**
Consolidated Statement of Operations			
Interest expense	(68.5)	(14.0)	(82.5)

	As at December 31, 2008		
US$ millions	**As reported**	**Impact of Adoption**	**As Adjusted**
Consolidated Balance Sheet			
Other current assets	98.7	(0.6)	98.1
Other non-current assets	20.7	(1.5)	19.2
Senior Debt	(1,024.7)	96.2	(928.5)
Additional paid-in capital	1,018.5	108.1	1,126.6
(Accumulated deficit) / Retained Earnings	(224.1)	(14.0)	(238.1)

In addition, at present we expect that the adoption of FSP APB 14-1 will cause our interest expense in the 2009 financial year to increase by approximately US$ 18.9 million to reflect the amortization of the issuance discount.

In November 2008, the FASB ratified the Emerging Issues Task Force (EITF) consensus on Issue No. 08-6, "Equity Method Investment Accounting Considerations" (EITF 08-6) which addresses certain effects of SFAS Nos. 141R and 160 on an entity's accounting for equity-method investments. The consensus indicates, among other things, that transaction costs for an investment should be included in the cost of the equity-method investment (and not expensed) and shares subsequently issued by the equity-method investee that reduce the investor's ownership percentage should be accounted for as if the investor had sold a proportionate share of its investment, with gains or losses recorded through earnings. EITF 08-6 is effective for transactions occurring after December 31, 2008. The adoption of this standard did not have a material impact on our financial condition or results of operations. In November 2008, the FASB ratified the EITF consensus on Issue No. 08-7, "Accounting for Defensive Intangible Assets" (EITF 08-7). The consensus addresses the accounting for an intangible asset acquired in a business combination or asset acquisition that an entity does not intend to use or intends to hold to prevent others from obtaining access (a defensive intangible asset). Under EITF 08-7, a defensive intangible asset would need to be accounted as a separate unit of accounting and would be assigned a useful life based on the period over which the asset diminishes in value. EITF 08-7 is effective for transactions occurring after December 31, 2008. The adoption of this standard did not have a material impact on our financial condition or results of operations.

(Tabular amounts in US$ 000's, except share data)

3. ACQUISITIONS AND DISPOSALS

Bulgaria

Acquisition of TV2 and Ring TV

In order to continue the expansion of our free-to-air broadcasting operations into new markets in Central and Eastern Europe, on August 1, 2008 we purchased an 80.0% indirect interest in each of TV2 EOOD, which operates a national terrestrial channel, and Ring TV, which operates a cable sports channel.

Initial cash consideration was approximately US$ 172.0 million, which was reduced to US$ 147.1 million after final adjustments for indebtedness and a net working capital deficit. An additional retention amount of US$ 4.5 million less any subsequently identified liabilities will also be payable within 12 months of the acquisition date.

We performed a fair value exercise to allocate the purchase price to the acquired assets and liabilities and separately identifiable intangible assets as at August 1, 2008. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Fair Value on Acquisition
Cash and cash equivalents	353
Other net assets	(15,311)
Broadcasting licenses subject to amortization (1)	95,114
Other intangible assets subject to amortization (2)	8,161
Goodwill (3)	74,137
Deferred tax liability	(10,114)
Total purchase price (4)	**152,340**

(1) The broadcasting licenses subject to amortization comprise television broadcasting licenses of US$ 94.4 million, which are being amortized on a straight-line basis over 16.5 years, and radio broadcasting licenses of US$ 0.7 million, which are being amortized on a straight-line basis over 17.4 years.
(2) The other intangible assets subject to amortization comprise a favorable advertising sales contract with a leading Bulgarian advertising agency of US$ 7.5 million, which is being amortized on a straight-line basis over 5.3 years and trademarks of US$ 0.7 million, which are being amortized over two years using the declining balance method.
(3) No goodwill is expected to be deductible for tax purposes.
(4) The total purchase price includes US$ 4.5 million of additional retention amount and US$ 0.8 million of capitalized acquisition costs.

We tested the goodwill and long lived assets acquired for impairment in accordance with FAS 142 and FAS 144 as part of the preparation of our financial statements for the year ended December 31, 2008. As a result of this review, we recorded an impairment charge of US$ 64.9 million against goodwill and certain intangible assets (see Note 4, "Goodwill and Intangible Assets").

(Tabular amounts in US$ 000's, except share data)

Croatia

2007 Acquisition - Internet Dnevnik

On June 6, 2007, we purchased 76.0% of Internet Dnevnik d.o.o 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

Acquisition of Jyxo and Blog

In order to enhance both our internet offering and our software delivery capabilities in the Czech Republic, we purchased 100.0% of both Jyxo, an information technology provider, and Blog, the operator of the leading blog site in the Czech Republic, blog.cz, on May 27, 2008.

Initial cash consideration was approximately US$ 9.4 million. In addition, we are obligated to pay a further CZK 27.0 million (approximately US$ 1.4 million) within one month of the second anniversary of completion, which has been recorded as consideration payable. An additional amount of up to CZK 37.0 million (approximately US$ 1.9 million) may also be payable if certain operational targets are met on the second anniversary of the transaction closing. We concluded that if the additional consideration becomes payable, we will record the fair value of the consideration issuable as an additional cost of acquiring Jyxo.

We performed a fair value exercise to allocate the purchase price to the acquired assets and liabilities and separately identifiable intangible assets as at May 27, 2008. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Fair Value on Acquisition
Cash and cash equivalents	$ 727
Other net assets	618
Property, plant and equipment	3,744
Intangible assets not subject to amortization (1)	9,124
Contingent consideration liability (2)	(160)
Deferred tax liability	(2,462)
Total purchase price (3)	**$ 11,591**

(1) Intangible assets not subject to amortization comprise trademarks.
(2) Since the aggregate value of the assets and liabilities acquired exceeds the purchase price without considering any additional amounts we may have to pay that are contingent upon meeting operational targets, we have recognized this excess, which is lower than the maximum amount of contingent consideration that may become payable, as if it were a liability.
(3) The total purchase price includes US$ 0.5 million of capitalized acquisition costs, initial cash payments of approximately US$ 9.4 million and consideration payable of CZK 27.0 million (approximately US$ 1.7 million at the date of acquisition).

(Tabular amounts in US$ 000's, except share data)

Romania

Acquisition of Radio Pro

In order to further strengthen our position in the youth market in Romania and complement our acquisition of the license for MTV Romania, we purchased certain assets of Radio Pro from the Media Pro group, which is controlled by Adrian Sarbu, our President and Chief Operating Officer, and in which we hold an 8.7% interest, for total consideration of RON 47.2 million (approximately US$ 20.6 million at the date of acquisition) on April 17, 2008.

We determined that the assets we acquired met the definition of a business and therefore performed a fair value exercise to allocate the purchase price to the acquired assets and liabilities and separately identifiable intangible assets. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

		Fair Value on Acquisition
Property, plant and equipment	$	2,561
Intangible assets not subject to amortization (1)		15,892
Goodwill (2)		2,394
Total purchase price (3)	**$**	**20,847**

(1) Intangible assets not subject to amortization comprise trademarks of US$ 1.7 million and broadcasting licenses of US$ 14.2 million.
(2) No goodwill is expected to be deductible for tax purposes.
(3) The total purchase price includes US$ 0.2 million of capitalized acquisition costs.

2007 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, an unrelated third party. 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 at the date of acquisition), of which EUR 9.4 million (approximately US$ 13.9 million at the date of acquisition) was paid in December 2007. Further payments were made during 2008 and the remaining EUR 0.5 million (approximately US$ 0.7 million) was paid in January 2009.

We performed a 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 following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

(Tabular amounts in US$ 000's, except share data)

	Fair Value on Acquisition
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)
Total purchase price (2)	**$ 16,509**

(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.

2007 Acquisition of additional interest – Sport.ro

On December 14, 2006, we acquired 20.0% of Sport.ro from an unrelated third party 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 an unrelated party for cash consideration of EUR 4.2 million (approximately US$ 5.3 million at the date of acquisition). We acquired the remaining 30.0% of Sport.ro from that third party on March 15, 2007 for cash consideration of EUR 2.5 million (approximately US$ 3.1 million at the date of acquisition).

(Tabular amounts in US$ 000's, except share data)

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:

	Fair Value on Acquisition
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)
Total purchase price	**$ 11,035**

(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, Mr. Sarbu 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:

	Fair Value on Acquisition
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
Total purchase price	**$ 51,619**

(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.

(Tabular amounts in US$ 000's, except share data)

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, 2008, we consider the fair value of Mr. Sarbu's put option to be approximately US$ nil.

Slovak Republic

2007 Acquisition – Media Invest

On July 13, 2007, we purchased 100% of Media Invest from Jan Kovacik, our former partner in our Slovak Republic operations, for cash consideration of SKK 1.9 billion (approximately US$ 78.5 million at the date of acquisition). Media Invest owns a 20.0% voting and economic interest in Markiza. Following this acquisition, our voting and economic interest in Markiza increased to 100.0%.

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:

	Fair Value on Acquisition
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)
Total purchase price (3)	**$ 78,643**

(1) The intangible assets subject to amortization includes 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.

Ukraine

Acquisition of additional 30% and 10% interests – Studio 1+1

In conjunction with our stated strategic objectives of establishing multi-channel broadcasting platforms and acquiring the remaining non-controlling interests in our channels, in late 2007 we began negotiations with our minority partners in the Studio 1+1 group, Alexander Rodnyansky and Boris Fuchsmann, with the objective of agreeing on a price for us to obtain their 40.0% interest in the Studio 1+1 group. On January 31, 2008 we entered into a framework agreement which established a mechanism for us to acquire a 30.0% interest and an option to acquire an additional 10.0% interest at agreed prices.

On June 30, 2008, we acquired the first 30.0% interest, which consisted of (i) an 8.335% direct and indirect ownership interest in the Studio 1+1 group held by Messrs. Rodnyansky and Fuchsmann and (ii) a 21.665% direct and indirect interest in Studio 1+1, Innova and IMS over which Igor Kolomoisky, one of our shareholders and a member of our board of directors, held options (the "Optioned Interests"). Following the completion of these transactions, we held a 90.0% interest in the Studio 1+1 group and Messrs. Rodnyansky and Fuchsmann each held a 5.0% interest.

Messrs. Rodnyansky and Fuchsmann received a combined total cash consideration of US$ 79.6 million, including a de minimis amount upon exercise of the Optioned Interests, in exchange for the 30.0% beneficial ownership interest in the Studio 1+1 group. Mr. Kolomoisky received total cash consideration of US$ 140.0 million upon our completion of the purchase of the Optioned Interests.

In addition, we 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, which became effective upon completion of our purchase of the 30.0% interest in the Studio 1+1 group. We calculated that the fair value of these options was US$ 58.0 million at the purchase date using a binomial option pricing model and included it in the purchase price in accordance with EITF Topic D-87 "Determination of the Measurement Date for Consideration Given by the Acquirer in a Business Combination When That Consideration is Securities Other Than Those Issued by the Acquirer." ("EITF D-87").

We concluded that upon the issuance of these put options, the remaining minority interests in the Studio 1+1 group met the definition of a Redeemable Security as it is used in EITF Topic No. D-98 "Classification and Measurement of Redeemable Securities" because Messrs. Rodnyansky and Fuchsmann could cause us to repurchase their minority shareholdings at their option. Consequently, we adjusted the minority interest in the Studio 1+1 group at June 30, 2008 to reflect the US$ 95.4 million that would have been paid had Messrs. Rodnyansky and Fuchsmann chosen to exercise their options at that date. The excess of this amount over the minority interest that would have been recognized under Accounting Research Bulletin No. 51 "Consolidated Financial Statements" ("ARB 51") at that date was allocated between goodwill (US$ 58.0 million) and retained earnings (initially US$ 32.6 million). The amount recognized within goodwill represented the fair value of the put options on acquisition.

In addition, under the January 31, 2008 framework agreement, Messrs. Rodnyansky and Fuchsmann granted us the right to call their combined 10.0% interest in the Studio 1+1 group for a consideration of US$ 109.1 million, which we exercised on September 10, 2008. As at June 30, 2008 we used a binomial pricing model to conclude that the fair value of our call option was approximately US$ nil because the exercise price was substantially higher than the fair value of the underlying equity interests. In the period between the acquisition of the 30.0% interest and the 10.0% interest, we recorded minority interest income of US$ 0.3 million that would have been recognized under ARB 51 through a reallocation between retained earnings and minority interest income or expense.

On October 17, 2008, we completed the acquisition of the combined 10.0% interests held by Messrs. Rodnyansky and Fuchsmann for cash consideration of US$ 109.1 million pursuant to our exercise of the call option. We reflected the acquisition of these additional interests in our financial statements by completing a second purchase price allocation under FAS 141. Before doing this allocation, we reversed the amounts then recognized in retained earnings and minority interest in respect of this redeemable minority interest.

(Tabular amounts in US$ 000's, except share data)

The following table summarizes the fair values of the assets acquired and liabilities assumed at the dates of acquisition:

	Fair value on acquisition		
	June 30, 2008	October 17, 2008	Total
Intangible assets subject to amortization (1)	$ 41,480	$ 3,266	$ 44,746
Intangible assets not subject to amortization (2)	35,652	3,019	38,671
Goodwill	208,964	42,245	251,209
Deferred tax liability	(19,284)	(1,571)	(20,855)
Minority interests (3)	14,398	62,383	76,781
Total purchase price (4)	**$ 281,210**	**$ 109,342**	**$ 390,552**

(1) The intangible assets subject to amortization acquired on June 30, 2008 comprise broadcasting licenses of US$ 40.9 million, which are being amortized on a straight-line basis over 18 years, and customer relationships of US$ 0.6 million, which are being amortized on a straight-line basis over nine years. The intangible assets subject to amortization on October 17, 2008 comprise broadcasting licenses of US$ 3.2 million, which are being amortized on a straight-line basis over 17.8 years.
(2) Intangible assets not subject to amortization comprise trademarks.
(3) As a result of granting Messrs. Rodnyansky and Fuchsmann options to put their remaining 10.0% interests to us we accounted for the remaining 10.0% interest as a redeemable minority interest. Before performing the purchase price allocation in respect of the October 17, 2008 acquisition, we reversed the outstanding redeemable minority interest up to the amount then recognized in retained earnings.
(4) The total purchase price on June 30, 2008 included US$ 3.6 million of capitalized acquisition costs, cash payments to Messrs. Rodnyansky and Fuchsmann of US$ 79.6 million, cash payments of US$ 140.0 million to Mr. Kolomoisky and the fair value of options granted to Messrs. Rodnyansky and Fuchsmann of US$ 58.0 million. The total purchase price on October 17, 2008 included US$ 0.2 million of capitalized acquisition costs.

We tested the goodwill, indefinite-lived intangible and long lived assets acquired for impairment in accordance with FAS 142 and FAS 144 as part of the preparation of our financial statements for the year ended December 31, 2008. As a result of this review, we recorded an impairment charge of US$ 263.8 million against goodwill and certain intangible assets (see Note 4, "Goodwill and Intangible Assets").

2007 Acquisition - Tor and Zhysa

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

We performed a 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. In January and February 2009, we acquired the remaining 39.6% of Tor and Zhysa for consideration of US$ 2.5 million as part of the acquisition of the remaining non-controlling interests in the KINO Channel (see Note 23, "Subsequent Events").

(Tabular amounts in US$ 000's, except share data)

4. GOODWILL AND INTANGIBLE ASSETS

Our goodwill and intangible asset additions are the result of acquisitions in each of our markets (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, 2008, 2007, and 2006 is summarized as follows:

	Balance Dec 31, 2006	Additions	Allocation / Adjustment	Impairment charge	Foreign currency movement	Balance Dec 31, 2007
Bulgaria	$ -	$ -	$ -	$ -	$ -	$ -
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
Total	**$ 905,580**	**$ 73,876**	**$ -**	**$ -**	**$ 134,891**	**$ 1,114,347**

	Balance Dec 31, 2007	Additions	Allocation / Adjustment	Impairment charge	Foreign currency movement	Balance Dec 31, 2008
Bulgaria	$ -	74,137	-	(64,044)	(10,093)	-
Croatia	773	-	-	-	(34)	739
Czech Republic	951,286	-	-	-	(62,350)	888,936
Romania	74,667	2,394	(525)	-	(4,200)	72,336
Slovak Republic	57,635	-	-	-	4,007	61,642
Slovenia	18,393	-	-	-	(1,005)	17,388
Ukraine (STUDIO 1+1)	4,096	251,209	-	(255,305)	-	-
Ukraine (KINO, CITI)	7,497	-	(59)	(7,438)	-	-
Total	**$ 1,114,347**	**$ 327,740**	**$ (584)**	**$ (326,787)**	**$ (73,675)**	**$ 1,041,041**

(Tabular amounts in US$ 000's, except share data)

Broadcast licenses and other intangible assets:

The net book value of our broadcast licenses and other intangible assets as at December 31, 2008, 2007 and 2006 is summarized as follows:

	Indefinite-Lived Broadcast Licenses	Amortized Broadcast Licenses	Trademarks	Customer Relationships	Other	Total
Balance, December 31, 2006	**$ 26,344**	**$ 172,386**	**$ 44,026**	**$ 27,213**	**$ 453**	**$ 270,422**
Additions	23,321	8,974	12,192	46,554	2,126	93,167
Amortization	-	(18,960)	(265)	(5,244)	(501)	(24,970)
Foreign currency movements	1,083	24,778	4,131	4,744	67	34,803
Balance, December 31, 2007	**$ 50,748**	**$ 187,178**	**$ 60,084**	**$ 73,267**	**$ 2,145**	**$ 373,422**
Reallocation (1)	-	-	-	-	624	624
Additions	14,177	139,235	50,198	598	7,473	211,681
Impairment	-	(637)	(8,703)	-	(625)	(9,965)
Amortization	-	(25,088)	(1,054)	(8,155)	(1,084)	(35,381)
Foreign currency movements	(5,069)	(18,630)	(3,478)	2,570	(1,042)	(25,649)
Balance, December 31, 2008	**$ 59,856**	**$ 282,058**	**$ 97,047**	**$ 68,280**	**$ 7,491**	**$ 514,732**

(1) At December 31, 2007 we had not completed our purchase price allocation of MTS in Romania. The carrying value of other intangible assets was adjusted during the first quarter of 2008 to reflect the final value of our Trademark and Programming Agreement with MTV NE which allows MTS access to MTV programming and to use the MTV name.

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. The licenses in Ukraine have economic useful lives between, and are amortized on a straight-line basis over, two and eighteen years. The license in the Czech Republic has an economic useful life of, and is amortized on a straight-line basis over, twelve years. The license in the Slovak Republic has an economic useful life of, and is amortized on a straight-line basis over, thirteen years. The licenses in Bulgaria have an economic useful life between, and are amortized on a straight-line basis over, sixteen and eighteen years.

Customer relationships are deemed to have an economic useful life of, and are amortized on a straight-line basis over, five to fourteen years. Trademarks have an indefinite life, with the exception of those acquired trademarks which we do not intend to use, which have an economic life of, and are being amortized over, two years.

The gross value and accumulated amortization of broadcast licenses and other intangible assets was as follows at December 31, 2008 and December 31, 2007:

	December 31, 2008	December 31, 2007
Gross value	$ 549,140	$ 388,350
Accumulated amortization	(94,264)	(65,676)
Net book value of amortized intangible assets	**$ 454,876**	**$ 322,674**
Indefinite-lived broadcast licenses	59,856	50,748
Total broadcast licenses and other intangible assets, net	**$ 514,732**	**$ 373,422**

(Tabular amounts in US$ 000's, except share data)

The estimated total amortization expense for our existing amortized broadcasting licenses and other intangible assets will be approximately US$ 22.0 million for 2009 and for each of the years 2010-2013.

Impairment of Goodwill, Indefinite-Lived Intangible and Long-Lived Assets

We recognized the following impairment charges in respect of goodwill, indefinite-lived intangible and long-lived assets in the year ended December 31, 2008:

	Long-Lived Assets			Goodwill and Indefinite-Lived Intangible Assets		
	Amortized Trademarks	**Amortized Broadcast Licenses**	**Other Intangible Assets**	**Indefinite-Lived Trademarks**	**Goodwill**	**Total**
Bulgaria	$ 222	$ -	$ 625	$ -	$ 64,044	**$ 64,891**
Ukraine (STUDIO 1+1)	-	-	-	8,481	255,305	**263,786**
Ukraine (KINO, CITI)	-	637	-	-	7,438	**8,075**
Total	**$ 222**	**$ 637**	**$ 625**	**$ 8,481**	**$ 326,787**	**$ 336,752**

We recorded no impairment charges in 2007 and US$ 0.7 million in 2006, all of which was to write off goodwill in our Croatia operations.

We evaluate goodwill and indefinite-lived intangible assets for impairment by reporting unit in the fourth quarter of each year. However, whenever events occur which suggest assets may be impaired in a reporting unit, an additional evaluation of the goodwill and indefinite-lived intangible assets, together with the associated long-lived assets of each asset group, is performed. We have determined that with the exception of Bulgaria and Ukraine (KINO, CITI) each reporting unit is also an asset group because they are the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. In Bulgaria, there are two asset groups, namely RING TV and TV2, and two in Ukraine (KINO, CITI), namely KINO and CITI.

In conjunction with our annual assessment, we noted that a number of events had occurred during the fourth quarter of 2008 which suggested that impairment may exist:

- Growing uncertainty in all of our markets over future growth or contraction in the advertising markets;
- A rapid deepening of the global economic crisis, including a widespread withdrawal of investment funding from the Central and Eastern European markets and companies with investments in them, particularly Ukraine, Bulgaria and Romania;
- Significant and rapid falls in the price of our shares of Class A common stock, beyond the point at which the carrying value of our net assets exceeded the market value of our shares, which were sustained throughout the period;
- An unprecedented spike in sovereign debt yields in our markets, suggesting a fundamental re-pricing of risk by investors; and
- An escalation of the economic and political crisis in Ukraine following its receipt of a US$ 16.5 billion emergency loan from the IMF, including a dispute with Russia over natural gas supplies.

Bulgaria

We revised our estimates of future cash flows in our Bulgaria operations to reflect revised expectations of contraction in the advertising market in 2009 and lower growth in future years. In addition, Bulgaria has been heavily impacted by the global economic crisis which has been reflected in increases in the returns expected by investors to reflect the increased actual and perceived risk of investing in Bulgaria. We concluded that Long-Lived Assets in the Ring TV asset group were not recoverable and recorded a charge to write them down to their fair value of US$ nil. Assets in the TV2 asset group were recoverable so no impairment charge was recorded. In addition, we recorded a charge of US$ 64.9 million to write off goodwill because the fair value of the business did not exceed the combined fair value of the assets.

(Tabular amounts in US$ 000's, except share data)

Ukraine (STUDIO 1+1)

In the fourth quarter of 2008, the outlook for the Ukraine economy in general, and the advertising market in particular, worsened significantly. This was both as a result of the global economic crisis and factors unique to Ukraine, such as the need for assistance from the IMF, increasing political instability caused by disputes between the President and Prime Minister and a dispute with Russia over supplies of natural gas. These developments were reflected in our evaluation of the fair values of the assets of the reporting unit and of the reporting unit itself through, (a) a decline in expected revenues resulting from an expectation of lower growth in the advertising market in future years and (b) an increase in the returns expected by investors to reflect the increased actual and perceived risk of investing in Ukraine.

Ukraine (KINO, CITI)

As in Ukraine (STUDIO 1+1), the rapid decline in the Ukraine economy caused us to conclude that the future cash flows to be generated by the business had decreased and the risk associated had increased substantially. As a result we recorded a charge of US$ 8.1 million to write the carrying value of goodwill and the KINO broadcasting license down to US$ nil.

Critical Estimates and Assumptions

Assessing goodwill, indefinite-lived intangible assets and long-lived assets requires significant judgment. The process involves making a number of estimates in order to evaluate the fair value of a number of assets, the fair value of the reporting units, and the future cash flows expected in each reporting unit. The table below shows the key measurements involved and the valuation methods applied:

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

In all cases, each method involves a number of significant assumptions which could materially change the result, and the decision on whether assets are impaired. The most significant of these assumptions include: the discount rate applied, the total advertising market size, achievable levels of market share, level of forecast operating costs and capital expenditure and the rate of growth into perpetuity. The table below shows whether an adverse change of 10.0% in any of these assumptions would result in additional impairments after reflecting the impairment charge recognized in the year ended December 31, 2008:

10% Adverse Change in	Long-Lived Assets	Indefinite-Lived Trademarks	Indefinite-Lived Broadcast Licenses	Goodwill
Cost of Capital	None	Ukraine (STUDIO 1+1)	Romania, Slovenia	None
Total Advertising Market	Bulgaria	Ukraine (STUDIO 1+1)	Slovenia	Croatia
Market Share	Bulgaria	Ukraine (STUDIO 1+1)	Slovenia	Croatia
Forecast operating costs	Bulgaria	Not applicable	Romania, Slovenia	Croatia
Forecast capital expenditure	None	Not applicable	None	None
Perpetuity Growth rate	Not applicable	Ukraine (STUDIO 1+1)	None	None

Although we considered all current information in respect of calculating our impairment charge for 2008, our stock price has continued to fall substantially since December 31, 2008. This constitutes an indication that the value of our goodwill, indefinite-lived intangible assets and long-lived assets may have fallen further since January 1, 2009, and we may be required to record additional impairment charges in the first quarter of 2009. In addition, if our cash flow forecasts for our operations deteriorate still further, or discount rates continue to increase, we may be required to recognize additional impairment charges in later periods. The assets most susceptible to changes in such key assumptions are the long-lived assets in Bulgaria (TV2), indefinite-lived broadcast licenses in Romania and Slovenia, the indefinite-lived trademark in Croatia and the goodwill in Croatia.

(Tabular amounts in US$ 000's, except share data)

5. INVESTMENTS

We hold the following investments in unconsolidated affiliates:

			Carrying value	
	Type of Affiliate	**Effective Voting interest**	**December 31, 2008**	**December 31, 2007**
Media Pro	Cost Method Investment	8.7%	$ 16,559	$ 16,559
			$ 16,559	**$ 16,559**

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, 2008 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. Our share of the profits of Radio Pro for the period from January 1, 2006 to August 11, 2006 was US$ 7 thousand.

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$ 18.1 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 an unaffiliated third party 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, 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 the loss of STS from January 1, 2006 to January 23, 2006 was US$ 0.7 million.

(Tabular amounts in US$ 000's, except share data)

6. SENIOR DEBT

Our senior debt comprised the following as at December 31, 2008 and December 31, 2007:

	Carrying Value		Fair Value	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
EUR 245.0 million 8.25% Senior Notes	$ 340,966	$ 360,664	$ 233,562	$ 366,976
EUR 150.0 million Floating Rate Senior Notes	208,755	220,815	125,253	204,806
USD 475.0 million 3.50% Senior Convertible Notes	475,000	-	230,375	-
	$ 1,024,721	**$ 581,479**	**$ 589,190**	**$ 571,782**

On May 5, 2005, we issued EUR 245.0 million of 8.25% senior notes (the "Fixed Rate Notes"). The Fixed Rate Notes mature on May 15, 2012.

On May 16, 2007, we issued EUR 150.0 million of floating rate senior notes (the "Floating Rate Notes", and collectively with the Fixed Rate Notes, the "Senior Notes") which bear interest at six-month Euro Inter Bank Offered Rate ("EURIBOR") plus 1.625% (The applicable rate at December 31, 2008 was 5.934%). The Floating Rate Notes mature on May 15, 2014.

On March 10, 2008, we issued US$ 475.0 million of 3.50% Senior Convertible Notes (the "Convertible Notes"). The Convertible Notes mature on March 15, 2013.

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, 2008 and 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 Fixed Rate Notes restrict the manner in which our business is conducted, including the incurrence of additional indebtedness, the making of investments, the payment of dividends or the making of other distributions, entering into certain affiliate transactions and the sale of assets.

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.

(Tabular amounts in US$ 000's, except share data)

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

From:	**Fixed Rate Notes Redemption Price**
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%

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.

Floating Rate Notes

Interest is payable semi-annually in arrears on each May 15 and November 15. The fair value of the Floating Rate Notes as at December 31, 2008 and December 31, 2007 was calculated by multiplying the outstanding debt by the traded market price.

The 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 Floating Rate Notes restrict the manner in which our business is conducted, including the incurrence of additional indebtedness, the making of investments, the payment of dividends or the making of other distributions, entering into certain affiliate transactions and the sale of assets.

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 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 Floating Rate Notes at a purchase price in cash equal to 101.0% of the principal amount of the Floating Rate Notes plus accrued and unpaid interest to the date of purchase.

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

From:	**Floating Rate Notes Redemption Price**
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 Floating Rate Notes but as they are considered clearly and closely related to those Notes, they are not accounted for separately.

Convertible Notes

Interest is payable semi-annually in arrears on each March 15 and September 15. The fair value of the Convertible Notes as at December 31, 2008 was calculated by multiplying the outstanding debt by the traded market price.

The Convertible Notes are secured senior obligations and rank pari passu with all existing and future senior indebtedness and are effectively subordinated to all existing and future indebtedness of our subsidiaries. The amounts outstanding are guaranteed by two subsidiary holding companies and are secured by a pledge of shares of those subsidiaries as well as an assignment of certain contractual rights.

Prior to December 15, 2012, the Convertible Notes are convertible following certain events and from that date, at any time, based on an initial conversion rate of 9.5238 shares of our Class A common stock per US$ 1,000 principal amount of Convertible Notes (which is equivalent to an initial conversion price of approximately US$ 105.00, or a 25% conversion premium based on the closing sale price of US$ 84.00 per share of our Class A common stock on March 4, 2008). The conversion rate is subject to adjustment if we make certain distributions to the holders of our Class A common stock, undergo certain corporate transactions or a fundamental change, and in other circumstances specified in the Convertible Notes. From time to time up to and including December 15, 2012, we will have the right to elect to deliver (i) shares of our Class A common stock or (ii) cash and, if applicable, shares of our Class A common stock upon conversion of the Convertible Notes. At present, we have elected to deliver cash and, if applicable, shares of our Class A common stock. As at December 31, 2008, the Convertible Notes may not be converted. In addition, the holders of the Convertible Notes have the right to put the Convertible Notes to us for cash equal to the aggregate principal amount of the Convertible Notes plus accrued but unpaid interest thereon following the occurrence of certain specified fundamental changes (including a change of control, certain mergers, insolvency and a delisting).

In order to increase the effective conversion price of our Convertible Notes, on March 4, 2008 we purchased, for aggregate consideration of US$ 63.3 million, capped call options over 4,523,809 shares of our Class A common stock from Lehman Brothers OTC Derivatives Inc. ("Lehman OTC," 1,583,333 shares), BNP Paribas ("BNP," 1,583,333 shares) and Deutsche Bank Securities Inc. ("DB," 1,357,144 shares). The amount of shares corresponds to the number of shares of our Class A common stock that would be issuable on a conversion of the Convertible Notes at the initial conversion price if we elected to settle the Convertible Notes solely in shares of Class A common stock. The options entitle us to receive, at our election, cash or shares of Class A common stock with a value equal approximately to the difference between the trading price of our shares at the time the option is exercised and US$ 105.00, up to a maximum trading price of US$ 151.20. At present, we have elected to receive shares of our Class A common stock on exercise of the capped call options.

On September 15, 2008, Lehman Brothers Holdings Inc, ("Lehman Holdings", and collectively with Lehman OTC, "Lehman Brothers"), the guarantor of the obligations of Lehman OTC under the capped call agreement, filed for protection under Chapter 11 of the United States Bankruptcy Code. The bankruptcy filing of Lehman Holding, as guarantor, was an event of default that gave us the right to terminate early the capped call option agreement with Lehman OTC and to claim for losses. We exercised this right on September 16, 2008 and have claimed an amount of US$ 19.9 million, which bears interest at a rate equal to our estimate of our cost of funding plus 1% per annum.

At the date of purchase, we determined that all of these capped call options met the definition of an equity instrument within the scope of EITF Issue No. 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("EITF 00-19") and consequently recognized them on issuance at fair value within Additional Paid-In Capital. We believe that this classification is still correct with respect to the BNP and DB capped call options and have continued to recognize them within Shareholders' Equity. Subsequent changes in fair value have not been, and will not be, recognized as long as the instruments continue to be classified in Shareholders' Equity.

(Tabular amounts in US$ 000's, except share data)

We concluded that from September 16, 2008, upon delivery of the termination notice, the capped call options with Lehman OTC were effectively extinguished. The nullification of the non-bankruptcy provisions of the original contract meant that the fair value of the instrument no longer varies with movements in the value of an underlying (previously, shares of our Class A common stock) and consequently the contract ceased to be a derivative instrument and ceased to fall within the scope of EITF 00-19. Effective September 16, 2008, we reclassified the US$ 22.2 million cost of the Lehman OTC capped call options from Additional Paid-In Capital to Retained Earnings to reflect this extinguishment. We further concluded that our claim did not meet the definition of an asset under FASB Statement of Financial Accounting Concepts No. 6 "Elements of Financial Statements" because the future benefit it embodies is not sufficiently probable. We have therefore treated our bankruptcy claim in accordance with FASB Statement No. 5 "Accounting for Contingencies" and will only recognize a gain upon realization of our claim (see Note 21, "Commitments and Contingencies: Lehman Brothers bankruptcy claim").

Prior to the termination of the capped call options with Lehman OTC, we noted that no dilution would occur prior to our trading price reaching US$ 151.20. This conclusion was based on a number of assumptions, including that we would exercise all capped call options simultaneously, we would continue with our election to receive shares of our Class A common stock on the exercise of the capped call options, and no event that would result in an adjustment to the conversion rate of value of the options would have occurred.

Following the termination of the Lehman OTC capped call options, which represented 35% of the total number of capped call options we acquired on March 4, 2008, limited dilution will occur following the exercise of the BNP and DB capped call options if the price of shares of our Class A common stock is above US$ 105.00 per share when the Convertible Notes are converted. The table below shows how many shares of our Class A common stock we would issue following a conversion of the Convertible Notes and the exercise of the remaining DB and BNP capped call options for a variety of share price scenarios. This table assumes the currently selected settlement methods continue to apply and no event that would result in an adjustment to the conversion rate or the value of the option has occurred:

Stock Price	Shares issued on conversion of Convertible Notes	Shares received on exercise of capped call options	Net shares issued	Value of shares issued (US$ '000)
$105.00 and below	-	-	-	$ -
$ 110.00	(205,628)	133,658	(71,970)	$ (7,917)
$ 120.00	(565,476)	367,559	(197,917)	$ (23,750)
$ 130.00	(869,963)	565,475	(304,488)	$ (39,583)
$ 140.00	(1,130,951)	735,118	(395,833)	$ (55,417)
$ 151.20	(1,382,274)	898,478	(483,796)	$ (73,150)
$ 200.00	(2,148,807)	679,248	(1,469,559)	$ (293,912)

At December 31, 2008, the options could not be exercised because no conversion of any Convertible Notes had occurred. In the event any Convertible Notes had been converted at December 31, 2008, no shares of our Class A common stock would have been issuable because the closing price of our shares was below US$ 105.00 per share. The aggregate fair value of the remaining DB and BNP capped call options at December 31, 2008 was US$ 3.5 million.

(Tabular amounts in US$ 000's, except share data)

Certain derivative instruments, including put options and conversion options, have been identified as being embedded in the Convertible Notes, but as they are either considered to be clearly and closely related to those Convertible Notes, or would be treated as equity instruments if free-standing, they are not accounted for separately. However this treatment changed on January 1, 2009 when we adopted FSP APB 14-1 (see Note 2, "Summary of Significant Accounting Policies: Recent Accounting Pronouncements").

7. ACCOUNTS RECEIVABLE

Accounts receivable comprised the following as at December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
Third-party customers	$ 227,253	$ 231,128
Less allowance for bad debts and credit notes	(14,663)	(13,863)
Related parties	8,913	8,165
Less allowance for bad debts and credit notes	(53)	(717)
Total accounts receivable	**$ 221,450**	**$ 224,713**

Bad debt expense for the years ending December 31, 2008, 2007 and 2006 was US$ 2.5 million, US$ 1.9 million and US$ 2.0 million, respectively.

At December 31, 2008, CZK 820.7 million, (approximately US$ 42.4 million; 2007: CZK 695.6 million, approximately US$ 35.9 million) of receivables in the Czech Republic were pledged as collateral subject to a factoring agreement (see Note 11, "Credit Facilities and Obligations Under Capital Leases").

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8. OTHER ASSETS

Other current and non-current assets comprised the following as at December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
Current:		
Prepaid programming	$ 54,301	$ 50,914
Other prepaid expenses	7,286	11,656
Productions in progress	14,080	5,724
VAT recoverable	3,460	3,891
Deferred tax	5,898	3,652
Capitalized debt costs	5,275	3,104
Loan to related party	-	1,924
Restricted cash	821	1,286
Income taxes recoverable	1,216	1,234
Assets held for sale	5,484	6,385
Other	904	685
Total other current assets	**$ 98,725**	**$ 90,455**

	December 31, 2008	December 31, 2007
Non-current:		
Capitalized debt costs	$ 14,760	$ 10,310
Deferred tax	2,108	2,123
Other	3,875	2,912
Total other non-current assets	**$ 20,743**	**$ 15,345**

Capitalized debt costs primarily comprise the costs incurred in connection with the issuance of our Senior Notes and Convertible Notes (see Note 6, "Senior Debt"), and are being amortized over the terms of the Senior Notes and Convertible Notes using the effective interest method. The carrying value of the costs related to the Convertible Notes changed following our adoption of FSP APB 14-1 on January 1, 2009 (see Note 2 "Summary of Significant Accounting Policies: Recent Accounting Pronouncements").

Assets held for sales represent all assets relating to the CITI Channel.

(Tabular amounts in US$ 000's, except share data)

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following as at December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
Land and buildings	$ 92,421	$ 82,039
Station machinery, fixtures and equipment	190,090	170,200
Other equipment	35,470	31,138
Software licenses	30,219	21,312
Construction in progress	11,293	11,406
Total cost	**$ 359,493**	**316,095**
Less: Accumulated depreciation	(152,826)	(140,787)
Total net book value	**$ 206,667**	**$ 175,308**
Assets held under capital leases (included in the above)		
Land and buildings	$ 5,855	$ 6,193
Station machinery, fixtures and equipment	1,917	800
Total cost	**7,772**	**6,993**
Less: Accumulated depreciation	(1,644)	(1,368)
Net book value	**$ 6,128**	**$ 5,625**

For further information on capital leases, see Note 11, "Credit Facilities and Obligations under Capital Leases".

Depreciation expense for the years ending December 31, 2008, 2007 and 2006 was US$ 52.6 million, US$ 33.5 million and US$ 26.2 million, respectively. This includes corporate depreciation expense for the years ending December 31, 2008, 2007 and 2006 of US$ 0.9 million, US$ 0.8 million and US$ 0.8 million, respectively, which are included in corporate operating costs.

(Tabular amounts in US$ 000's, except share data)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised the following as at December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
Accounts payable	$ 35,778	$ 37,924
Programming liabilities	44,251	49,457
Duties and other taxes payable	22,635	29,945
Accrued staff costs	27,318	29,202
Income taxes payable	7,399	27,705
Accrued production costs	6,531	4,982
Accrued interest payable	10,531	5,768
Authors' rights	4,734	5,522
Other accrued liabilities	15,708	12,808
Total accounts payable and accrued liabilities	**$ 174,885**	**$ 203,313**

11. CREDIT FACILITIES AND OBLIGATIONS UNDER CAPITAL LEASES

Group loan obligations and overdraft facilities comprised the following as at December 31, 2008 and December 31, 2007:

		December 31, 2008	December 31, 2007
Credit facilities:			
Corporate	(a) – (b)	$ 57,180	$ -
Czech Republic	(c) – (e)	12,923	13,829
Romania	(f)	104	683
Slovak Republic	(g)	-	-
Slovenia	(h)	-	-
Ukraine (STUDIO 1+1)	(i)	172	
Total credit facilities		**$ 70,379**	**$ 14,512**
Capital leases:			
Bulgaria operations, net of interest		$ 689	$ -
Romania operations, net of interest		289	242
Slovak Republic operations, net of interest		36	86
Slovenia operations, net of interest		3,867	4,412
Total capital leases		**$ 4,881**	**$ 4,740**
Total credit facilities and capital leases		**$ 75,260**	**$ 19,252**
Less current maturities		(36,502)	(15,090)
Total non-current maturities		**$ 38,758**	**$ 4,162**

Corporate

(a) On July 21, 2006, we entered into a five-year revolving loan agreement for EUR 100.0 million (approximately US$ 139.2 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$ 69.6 million) arranged by EBRD (together with the EUR 100.0 million facility, the "EBRD Loan"). ING Bank N.V. ("ING") and Ceska Sporitelna, a.s. ("CS") are each participating in the EBRD Loan for EUR 37.5 million (approximately US$ 52.2 million).

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. As at December 31, 2008, EUR 25.0 million (approximately US$ 34.8 million) had been drawn and EUR 125.0 million (approximately US$ 174.0 million) was available for drawing and was drawn on February 2, 2009.

Covenants contained in the EBRD Loan are similar to those contained in our Senior Notes (see below and Note 6, "Senior Debt"). 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 the Convertible 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.

(b) We have an uncommitted multicurrency overdraft facility for EUR 10.0 million (approximately US$ 13.9 million) from Bank Mendes Gans ("BMG"), a subsidiary of ING, as part of a cash pooling arrangement. The cash pooling arrangement with BMG enables us to receive credit across the group in respect of cash balances, which our subsidiaries in Netherlands, Bulgaria, the Czech Republic, Romania, the Slovak Republic, Slovenia and Ukraine deposit with BMG. Cash deposited by our subsidiaries with BMG is pledged as security against the drawings of other subsidiaries up to the amount deposited. As at December 31, 2008, the full EUR 10.0 million (approximately US$ 13.9 million) facility was available to be drawn. Interest is payable at the relevant money market rate plus 2%.

As at December 31, 2008, our Dutch holding company, CME Media Enterprises B.V., had EUR 8.4 million (approximately US$ 11.7 million) deposited in the BMG cash pool and had drawn US$ 22.4 million from the BMG cash pool. Our operations in the Czech Republic, the Slovak Republic and Slovenia had deposited CZK 154.9 million (approximately US$ 8.0 million), SKK 125.5 million (approximately US$ 5.8 million) and EUR 2.0 million (approximately US$ 2.8 million), respectively in the BMG cash pool. Our Romania operations had drawn US$0.1 million from the BMG cash pool at December 31, 2008. In addition, our Ukraine operations had drawn EUR 0.1 million (approximately US$ 0.2 million) from the BMG cash pool at December 31, 2008.

Czech Republic

(c) As at December 31, 2008, there were no drawings by CET 21 under a credit facility of CZK 1.2 billion (approximately US$ 62.0 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. Drawings under this facility are secured by a pledge of receivables, which are also subject to a factoring arrangement with Factoring Ceska Sporitelna, a.s. ("FCS"), a subsidiary of CS. On February 19, 2009, the full CZK 1.2 billion (approximately US$ 53.1 million at the date of drawing) of this facility was drawn

(d) As at December 31, 2008, CZK 250 million (approximately US$ 12.9 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, 2008 was 3.63%). Drawings under this facility are secured by a pledge of receivables, which are also subject to a factoring arrangement with FCS.

(e) As at December 31, 2008, there were no drawings under a CZK 300.0 million (approximately US$ 15.5 million) factoring facility with FCS 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) Our Romania operations had drawn US$ 0.1 million from the BMG cash pool at December 31, 2008. Two loans from San Paolo IMI Bank, assumed on our acquisition of MTS, were repaid in January 2008.

Slovak Republic

(g) On May 15, 2008 our Slovak Republic operations secured a SKK 100 million (approximately US$ 4.6 million) overdraft facility from ING. This can be utilized for short term advances up to six months at an interest rate of EURIBOR + 2.0%. At December 31, 2008 there were no drawings under this facility.

Slovenia

(h) On July 29, 2005, Pro Plus entered into a revolving facility agreement for up to EUR 37.5 million (approximately US$ 52.2 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, 2008, EUR 26.3 million (approximately US$ 36.5 million) was available for drawing under this revolving facility. On February 19, 2009, the full EUR 36.5 million (approximately US$ 33.6 million at the date of drawing) of this facility was drawn.

(Tabular amounts in US$ 000's, except share data)

Ukraine (STUDIO 1+1)

Our Ukraine (STUDIO 1+1) operations had drawn EUR 0.1 million (approximately US$ 0.2 million) from the BMG cash pool at December 31, 2008.

Total Group

At December 31, 2008, the maturity of our debt (including our Senior Notes and Convertible Notes) was as follows:

2009	$	35,587
2010		-
2011		34,792
2012		340,966
2013		475,000
2014 and thereafter		208,755
Total	**$**	**1,095,100**

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, 2008:

2009	$	1,146
2010		704
2011		611
2012		598
2013		3,237
2014 and thereafter		-
	$	**6,296**
Less: amount representing interest		(1,415)
Present value of net minimum lease payments	**$**	**4,881**

(Tabular amounts in US$ 000's, except share data)

12. OTHER LIABILITIES

Other current and non-current liabilities comprised the following as at December 31, 2008 and December 31, 2007:

	December 31, 2008	December 31, 2007
Current:		
Deferred revenue	$ 7,684	$ 7,011
Consideration payable – Bulgaria	4,500	-
Consideration payable - Romania	724	2,208
Dividends payable to minority shareholders in subsidiaries	-	1,226
Onerous contracts	1,994	2,832
Deferred tax	177	272
Liability held for sale	2,207	2,030
Obligation to repurchase shares	-	488
Total other current liabilities	**$ 17,286**	**$ 16,067**

	December 31, 2008	December 31, 2007
Non-current:		
Deferred tax	$ 89,126	$ 73,340
Income taxes payable	1,070	2,495
Fair value of derivatives	9,882	16,242
Program rights	9,922	23
Consideration payable – Czech Republic	1,396	-
Other	819	3,262
Total other non-current liabilities	**$ 112,215**	**$ 95,362**

13. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

FAS 157 establishes a hierarchy that prioritizes the inputs to those valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

Basis of Fair Value Measurement

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted instruments.

Level 2 Quoted prices in markets that are not considered to be active or valuations of financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

We evaluate the position of each financial instrument measured at fair value in the hierarchy individually based on the valuation methodology we apply. At December 31, 2008, we had no material financial assets or liabilities carried at fair value using significant level 1 or level 3 inputs and the only instruments we valued using level 2 inputs were currency swap agreements as follows:

Currency Swap

On April 27, 2006, we entered into cross currency swap agreements with JP Morgan Chase Bank, N.A. and Morgan Stanley Capital Services Inc., under which we swapped a fixed annual coupon interest rate (of 9.0%) on notional principal of CZK 10.7 billion (approximately US$ 553.1 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$ 523.1 million) receivable on July 15, October 15, January 15, and April 15, to the termination date of April 15, 2012.

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 Debt"). 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 FAS 133 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.

We value our currency swap agreements using an industry-standard currency swap pricing model which calculates the fair value on the basis of the net present value of the estimated future cash flows receivable or payable. These instruments are allocated to level 2 of the FAS 157 fair value hierarchy because the critical inputs to this model, including the relevant yield curves and the known contractual terms of the instrument, are readily observable.

The fair value of these instruments as at December 31, 2008, was a liability of US$ 9.9 million, which represented a gain of US$ 6.4 million from the liability of US$ 16.2 million as at December 31, 2007. The gain of US$ 6.4 million (2007: loss of US$ (3.7) million, 2006: loss of US$ (12.5) million) was recognized as a change in fair value of derivative instruments in the Consolidated Statements of Operations.

14. SHAREHOLDERS' EQUITY

Preferred Stock

5,000,000 shares of Preferred Stock, with a $ 0.08 par value, were authorized as at December 31, 2008 and 2007. None were issued and outstanding as at December 31, 2008 and 2007.

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, 2008 and 2007. 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.

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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.

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.

(Loss) / income before provision for income taxes, minority interest, equity in income of unconsolidated affiliates and discontinued operations:

The Netherlands and non-Netherlands components of (loss) / income from continuing operations before income taxes are:

	For the Years Ended December 31,		
	2008	2007	2006
Domestic	(15,795)	$ (102,532)	$ (43,777)
Foreign	(199,368)	233,559	94,523
	$ (215,163)	**$ 131,027**	**$ 50,746**

Total tax charge for the years ended December 31, 2008, 2007 and 2006 was allocated as follows:

	For the Years Ended December 31,		
	2008	2007	2006
Income tax expense from continuing operations	$ 34,525	$ 20,822	$ 14,952
Income tax expense from discontinued operations	(64)	(29)	4,873
Currency translation adjustment in accumulated other comprehensive income	-	20,202	22,878
Total tax charge	**$ 34,461**	**$ 40,995**	**$ 42,703**

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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,		
	2008	**2007**	**2006**
Current income tax expense:			
Domestic	$ 253	$ (20,046)	$ (22,745)
Foreign	49,431	51,806	36,000
	$ 49,684	**$ 31,760**	**$ 13,255**
Deferred tax expense / (benefit):			
Domestic	$ 21	$ -	$ 1,467
Foreign	(15,180)	(10,938)	230
	$ (15,159)	**$ (10,938)**	**$ 1,697**
Provision for income taxes	**$ 34,525**	**$ 20,822**	**$ 14,952**

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, 2008, 2007 and 2006:

	For the Years Ended December 31,		
	2008	**2007**	**2006**
Income taxes at Netherlands rates (2008 and 2007: 25.5%, 2006: 29.6%)	$ (54,855)	$ 33,409	$ 15,018
Jurisdictional differences in tax rates	715	(15,971)	(10,445)
Tax effect of impairment losses	73,092	-	149
Effect of change in tax law relating to investment allowances claimed in previous years	-	-	(2,065)
Interest expense disallowed	1,150	4,347	7,365
Tax effect of other permanent differences	6,724	2,597	(656)
Effect of changes in tax rates	9	(9,271)	89
Change in valuation allowance	7,192	9,803	5,418
Other	498	(4,092)	79
Provision for income taxes	**$ 34,525**	**$ 20,822**	**$ 14,952**

In 2008 we recognized impairment losses against goodwill in our Bulgaria, Ukraine (STUDIO 1+1) and Ukraine (KINO, CITI) operations for which there is no tax credit.

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, 2008 and 2007:

	December 31, 2008	December 31, 2007
Assets:		
Tax benefit of loss carry-forwards and other tax credits	$ 48,384	$ 28,247
Programming rights	3,119	3,734
Property, plant and equipment	1,899	1,607
Accrued expense	4,613	4,959
Other	4,684	1,500
Gross deferred tax assets	**62,699**	**$ 40,047**
Valuation allowance	(47,392)	(28,896)
Net deferred tax assets	**15,307**	**$ 11,151**
Liabilities:		
Broadcast licenses, trademarks and customer relationships	$ (86,670)	$ (67,606)
Property, plant and equipment	(6,219)	(3,688)
Temporary difference due to timing	(3,714)	(7,694)
Total deferred tax liabilities	**$ (96,603)**	**$ (78,988)**
Net deferred income tax liability	**$ (81,296)**	**$ (67,837)**

(Tabular amounts in US$ 000's, except share data)

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

	December 31, 2008	December 31, 2007
Current deferred tax assets	$ 5,898	$ 3,652
Non-current deferred tax assets	2,109	2,123
	8,007	$ 5,775
Current deferred tax liabilities	(177)	(272)
Non-current deferred tax liabilities	(89,126)	(73,340)
	$ (89,303)	$ (73,612)
Net deferred income tax liability	**$ (81,296)**	**$ (67,837)**

We provided a valuation allowance against potential deferred tax assets of US$ 47.4 million and US$ 28.9 million as at December 31, 2008 and 2007, 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, 2008, US$ 0.8 million would reverse through goodwill.

During 2008, we had the following movements on valuation allowances:

Balance at December 31, 2007	**$ 28,896**
Charged to costs and expenses	7,192
Charged to other accounts	11,880
Foreign exchange	(576)
Balance at December 31, 2008	**$ 47,392**

As of December 31, 2008 we have operating loss carry-forwards that will expire in the following periods:

Year	2009	2010	2011	2012	2013	Indefinite
Austria	-	-	-	-	-	12,472
Bulgaria	-	-	-	8,581	10,653	-
Croatia	-	442	9,330	25,877	14,479	-
Czech Republic	1,548	2,904	29	46	14	-
Slovenia	-	-	-	-	-	11,880
Ukraine	-	-	-	-	-	17,412
Cyprus	-	-	-	-	-	361
Romania	-	-	-	-	181	-
Total	**1,548**	**3,346**	**9,359**	**34,504**	**25,327**	**42,125**

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In addition, there is a ruling deficit in The Netherlands of US$ 112.5 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$ 77.9 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 valuation allowances against the operating loss carry-forwards arising in Austria, Bulgaria, Croatia, Czech Republic, Slovenia, Ukraine (except STUDIO 1+1), Romania and the ruling deficit in The Netherlands as we consider it more likely than not that we will fail to utilize all or in certain cases part of these tax benefits.

We have not provided income taxes or withholding taxes on US$ 361.2 million (2007: US$ 354.2 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.

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, 2008 is US$ 0.6 million and as at December 31, 2007 we had an accrual of US $ 1.0 million. The decrease for the year of US$ 0.4 million arose as a result of the 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:

Balance at December 31, 2007	**$**	**1,723**
Increases for tax positions taken during a prior period		1,130
Increases for tax positions taken during the current period		1,999
Decreases resulting from the expiry of the statute of limitations		(495)
Other		(54)
Balance at December 31, 2008	**$**	**4,303**

The total amount of unrecognized benefits that, if recognized, would affect the effective tax rate amounts to US$ 1.2 million. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by approximately US$ 0.3 million within 12 months of the reporting date as a result of tax audits closing and statutes of limitations expiring.

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Our subsidiaries file income tax returns in The Netherlands and various other tax jurisdictions including the United States. As at December 31, 2008, analysed by major tax jurisdictions, our subsidiaries are generally no longer subject to income tax examinations for years before:

Country	Year
Bulgaria	2002
Croatia	2005
Czech Republic	2006
Germany	2005
Netherlands	2007
Romania	2004
Slovak Republic	2003
Slovenia	2003
Ukraine	2005
United States	2005

16. INTEREST EXPENSE

Interest expense comprised the following for the years ended December 31, 2008, 2007 and 2006, respectively:

	For the Years Ended December 31,		
	2008	2007	2006
Interest on Senior Notes	$ 43,962	$ 41,549	$ 39,032
Interest on Convertible Notes	13,439	-	-
Loss on redemption of Senior Notes	-	6,853	-
Amortization of capitalized debt issuance costs	4,976	2,871	2,478
Interest on capital leases	384	336	304
Other interest and fees	5,714	3,327	2,398
Total interest expense	$ 68,475	$ 54,936	$ 44,212

The loss on redemption of Senior Notes in 2007 is comprised of a redemption premium of US$ 3.4 million and accelerated amortization of capitalized debt issuance costs of US$ 3.5 million.

The interest and amortization of capitalized debt issuance costs related to the Convertible Notes will change on January 1, 2009 as we have adopted FSP APB 14-1 (see Note 2, "Summary of Significant Accounting Policies: Recent Accounting Pronouncements").

17. 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.

(Tabular amounts in US$ 000's, except share data)

When options are vested, holders may exercise them at any time up to the maximum contractual life of the instrument which is specified in the option agreement. At December 31, 2008, 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, 2008, US$ 1.2 million was received on exercise of options under the Plan. The intrinsic value of awards exercised during 2008 was US$ 0.8 million (2007: US$ 23.3 million, 2006: US$ 8.2 million) and the income tax benefits realized thereon was US$ 0.1 million (2007: US$ 1.1 million, 2006: US$ 1.3 million).

The charge for stock-based compensation in our Consolidated Statement of Operations is as follows:

	For the Years Ended December 31,		
	2008	**2007**	**2006**
Stock-based compensation charged under SFAS 123(R)	6,107	5,734	3,575
Income tax benefit recognized	(641)	(479)	(482)

During the fourth quarter of 2008, Michael Garin, our former Chief Executive Officer announced his intention to retire from his executive position. In connection with this announcement, the terms of unvested options over 97,500 shares were modified to accelerate vesting. As required by FAS 123(R), we reversed the compensation cost previously recognized because at the modification dates the service conditions of the original awards were not expected to be satisfied. At the same time, we recognized the incremental cost resulting from the modification. Because of the shorter life of the modified options, and the decline in our share price since the original awards were granted, the net effect was a credit of US$ 1.3 million.

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, 2008 was US$ 12.7 million and the weighted average period over which it will be recognized is 2.2 years.

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.
- *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.

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The weighted average assumptions used in the Black-Scholes model for grants made in the years ending December 31, 2008, 2007 and 2006 were as follows:

	For the Years Ended December 31,		
	2008	2007	2006
Risk-free interest rate	1.51%	3.62%	4.76%
Expected term (years)	4.60	4.93	5.89
Expected volatility	45.18%	36.15%	43.44%
Dividend yield	0%	0%	0%
Weighted-average fair value	$ 12.31	$ 40.48	$ 31.67

The following table summarizes information about stock option activity during 2008, 2007, and 2006:

	2008		2007		2006	
	Shares	Weighted Average Exercise Price (US$)	Shares	Weighted Average Exercise Price (US$)	Shares	Weighted Average Exercise Price (US$)
Outstanding at beginning of year	**1,176,117**	**$ 56.72**	**1,288,575**	**$ 35.51**	**1,118,275**	**$ 22.23**
Awards granted	342,000	35.92	246,000	108.48	388,500	65.19
Awards exercised	(21,075)	57.97	(315,833)	12.98	(195,450)	18.54
Awards expired	-	-	(20,000)	23.00	-	-
Awards forfeited	(58,000)	80.39	(22,625)	51.79	(22,750)	40.38
Outstanding at end of year	**1,439,042**	**$ 50.81**	**1,176,117**	**$ 56.72**	**1,288,575**	**$ 35.51**

The exercise of stock options has generated a net operating loss brought forward in our Delaware subsidiary of US$ 11.3 million at January 1, 2008. In the year ended December 31, 2008 tax benefits of US$ 1.3 million were recognized in respect of the utilization of part of this loss, and were recorded as additional paid-in capital, net of US$ 0.1 million of transfers related to the write-off of deferred tax assets arising upon exercises and forfeitures. The losses are subject to examination by the tax authorities and to restriction on their utilization.

The following table summarizes information about stock options outstanding at December 31, 2008:

	Options outstanding			
Range of exercise prices	**Shares**	**Average remaining contractual life (years)**	**Aggregate intrinsic value (US$)**	**Weighted average exercise price (US$)**
$ 0.01 - 20.00	261,000	4.79	1,458	16.13
$ 20.01 - 40.00	412,042	6.84	-	23.78
$ 40.01 - 60.00	255,500	6.93	-	52.67
$ 60.01 - 80.00	241,625	5.94	-	67.83
$ 80.01 - 100.00	38,125	3.82	-	90.22
$ 100.01 - 120.00	230,750	6.33	-	111.88
Total	**1,439,042**	**6.17**	**1,458**	**50.81**
Expected to vest	**1,323,370**	**6.10**	**1,414**	**50.33**

(Tabular amounts in US$ 000's, except share data)

The following table summarizes information about stock options exercisable at December 31, 2008:

	Options exercisable			
Range of exercise price	**Shares**	**Average remaining contractual life (years)**	**Aggregate intrinsic value (US$)**	**Weighted average exercise price (US$)**
$ 0.01 - 20.00	261,000	4.79	1,458	16.13
$ 20.01 - 40.00	127,542	5.60	-	26.21
$ 40.01 - 60.00	161,375	6.84	-	51.55
$ 60.01 - 80.00	85,375	7.54	-	71.16
$ 80.01 - 100.00	38,125	3.82	-	90.22
$ 100.01 - 120.00	49,813	6.41	-	113.56
Total	**723,230**	**5.78**	**1,458**	**42.93**

18. EARNINGS PER SHARE

The components of basic and diluted earnings per share are as follows:

	For the Years Ended December 31,		
	2008	**2007**	**2006**
Net (loss) / income available for common shareholders	**$ (255,544)**	**$ 88,568**	**$ 20,424**
Weighted average outstanding shares of common stock (000's)	**42,328**	**41,384**	**40,027**
Dilutive effect of employee stock options (000's)	-	449	573
Common stock and common stock equivalents	**42,328**	**41,833**	**40,600**
Earnings per share:			
Basic	$ (6.04)	$ 2.14	$ 0.51
Diluted	$ (6.04)	$ 2.12	$ 0.50

At December 31, 2008, 877,625 (2007: 206,000, 2006: 319,435) 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. Shares of Class A of common stock potentially issuable under our Convertible Notes may also become dilutive in the future although they were antidilutive to income at December 31, 2008.

19. SEGMENT DATA

We manage our business on a geographic basis and review the performance of each business segment using data that reflects 100% of operating and license company results. Our business segments are Bulgaria, 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.

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 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 and Comprehensive Income;
- stock-based compensation charges;
- foreign currency exchange gains and losses;
- changes in fair value of derivatives; and
- certain unusual or infrequent items (e.g., extraordinary gains and losses, impairments of assets or investments).

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Below are tables showing our Segment Net Revenues, Segment EBITDA, segment capital expenditure, segment depreciation and segment asset information by operation, includ reconciliation of these amounts to our consolidated results for the years ending December 31, 2008, 2007 and 2006 for Consolidated Statement of Operations data and as at December 31, and 2007 for Balance Sheet data:

	SEGMENT FINANCIAL INFORMATION					
	For the Years Ended December 31,					
	Segment Net Revenues (1)			Segment EBITDA		
	2008	2007	2006	2008	2007	2006
Country						
Bulgaria (TV2, RING TV) (2)	$ 1,263	$ -	$ -	$ (10,185)	$ -	$ -
Croatia (NOVA TV)	54,651	37,193	22,310	(5,415)	(13,882)	(14,413)
Czech Republic (3)	376,546	279,237	208,387	208,655	156,496	100,488
Romania (4)	274,627	215,402	148,616	111,783	93,075	65,860
Slovak Republic (TV MARKIZA)	132,693	110,539	73,420	50,228	41,532	20,805
Slovenia (POP TV and KANAL A)	80,696	69,647	54,534	25,413	22,767	19,842
Ukraine (STUDIO 1+1)	96,738	125,323	96,413	(32,944)	27,000	29,973
Ukraine (KINO, CITI) (5)	2,720	1,515	726	(1,855)	(3,536)	(1,795)
Total Segment Data	**$ 1,019,934**	**$ 838,856**	**$ 604,406**	**$ 345,680**	**$ 323,452**	**$ 220,760**
Reconciliation to Consolidated Statement of Operations and Comprehensive Income:						
Consolidated Net Revenues / (Loss) / income before provision for income taxes, minority interest, equity in income of unconsolidated affiliates and discontinued operations	**$ 1,019,934**	**$ 838,856**	**$ 602,646**	**$ (215,163)**	**$ 131,027**	**$ 50,746**
Corporate operating costs	-	-	-	49,676	55,373	34,104
Impairment charge			-	336,752	-	748
Unconsolidated equity affiliates (6)	-	-	1,760	-	-	(1,292)
Depreciation of station property, plant and equipment	-	-	-	51,668	32,653	25,430
Amortization of broadcast licenses and other intangibles	-	-	-	35,381	24,970	18,799
Interest income	-	-	-	(10,006)	(5,728)	(6,359)
Interest expense	-	-	-	68,475	54,936	44,212
Change in fair value of derivatives	-	-	-	(6,360)	3,703	12,539
Foreign currency exchange loss, net	-	-	-	37,877	34,409	44,892
Other income	-	-	-	(2,620)	(7,891)	(3,059)
Total Segment Data	**$ 1,019,934**	**$ 838,856**	**$ 604,406**	**$ 345,680**	**$ 323,452**	**$ 220,760**

(1) All net revenues are derived from external customers. There are no inter-segmental revenues.
(2) We acquired our Bulgaria operations on August 1, 2008.
(3) Our Czech Republic operations comprise TV NOVA, NOVA SPORT and NOVA CINEMA, which was launched in December 2007.
(4) Romanian channels are PRO TV, PRO CINEMA, ACASA, SPORT.RO, MTV ROMANIA and PRO TV INTERNATIONAL for the years ended December 31, 2008 and 2007. SPORT.RO was acquired on February 20, 2007 and MTV ROMANIA was acquired on December 12, 2007. For the year ended December 31, 2006 Romanian channels were PRO TV, PRO CINEMA, ACASA and PRO TV INTERNATIONAL.
(5) We acquired our Ukraine (KINO, CITI) operations in January 2006.
(6) Unconsolidated equity affiliates were STS and Markiza in the Slovak Republic until January 23, 2006.

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	For the Years Ended December 31,		
Depreciation of station property, plant & equipment and amortization of broadcast licenses and other intangibles:	**2008**	**2007**	**2006**
Bulgaria	$ 3,421	$ -	$ -
Croatia	6,198	3,630	2,920
Czech Republic	41,165	28,810	24,274
Romania	15,148	10,511	5,811
Slovak Republic	10,988	6,784	4,070
Slovenia	5,526	4,650	4,004
Ukraine (STUDIO 1+1)	4,490	3,148	3,216
Ukraine (KINO, CITI)	113	90	111
Total	**$ 87,049**	**$ 57,623**	**$ 44,406**
Reconciliation to Consolidated Statement of Operations:			
Unconsolidated equity affiliates	-	-	(177)
Total consolidated depreciation and amortization	**$ 87,049**	**$ 57,623**	**$ 44,229**
Represented as follows:			
Depreciation of station property, plant & equipment	51,668	32,653	25,430
Amortization of broadcast licenses and other intangibles	35,381	24,970	18,799

	For the Years Ended December 31,		
Capital expenditure:	**2008**	**2007**	**2006**
Corporate	$ 708	$ 185	$ 1,990
Bulgaria	3,607	-	-
Croatia	7,417	6,836	2,114
Czech Republic	19,847	35,903	16,608
Romania	18,343	16,981	24,363
Slovak Republic	15,062	8,954	6,777
Slovenia	10,809	8,492	2,506
Ukraine (STUDIO 1+1)	2,872	2,592	6,029
Ukraine (KINO, CITI)	-	-	-
Total	**$ 78,665**	**$ 79,943**	**$ 60,387**

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	As at December 31,	
Total assets (1):	**2008**	**2007**
Bulgaria	$ 107,805	$ -
Croatia	50,431	44,787
Czech Republic	1,306,997	1,429,256
Romania	387,845	360,144
Slovak Republic	240,899	203,302
Slovenia	93,022	89,984
Ukraine (STUDIO 1+1)	118,647	90,064
Ukraine (KINO, CITI)	10,943	11,469
Total segment assets	**$ 2,316,589**	**$ 2,229,006**
Reconciliation to Consolidated Balance Sheet:		
Corporate	86,660	103,044
Assets held for sale(1)	5,484	6,385
Total assets	**$ 2,408,733**	**$ 2,338,435**

	As at December 31,	
Long-lived assets (2):	**2008**	**2007**
Bulgaria	$ 6,404	$ -
Croatia	13,450	12,144
Czech Republic	61,463	58,809
Romania	52,193	44,808
Slovak Republic	40,025	29,345
Slovenia	24,932	21,524
Ukraine (STUDIO 1+1)	7,083	7,380
Ukraine (KINO, CITI)	-	-
Total long-lived assets	**$ 205,550**	**$ 174,010**
Reconciliation to Consolidated Balance Sheet:		
Corporate	1,117	1,298
Total Long-lived assets	**$ 206,667**	**$ 175,308**

(1) Assets held for sale include the assets of the CITI channel, which has been recognized as a discontinued operation in all periods.
(2) 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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20. DISCONTINUED OPERATIONS

	For the Years Ended December 31,		
	2008	**2007**	**2006**
Ukraine(KINO, CITI)			
Pre tax loss from discontinued operations	$ (3,849)	$ (4,509)	$ (2,354)
Tax on result of discontinued operations	64	29	-
Czech Republic			
Tax on disposal of discontinued operations	-	-	(4,863)
Net loss from discontinued operations	**$ (3,785)**	**$ (4,480)**	**$ (7,217)**

Ukraine (KINO, CITI)

In the fourth quarter of 2008 in connection with an agreement with our minority partners to acquire 100% of the KINO channel and sell them our interest in the CITI channel, we segregated the broadcasting licenses and other assets of the KINO channel and transferred them to Gravis-Kino, a new entity spun off from Gravis, which previously operated the KINO and the CITI channels. Between January 14, 2009 and February 10, 2009, we acquired a 100% interest in the KINO channel by acquiring from our minority partners their interests in Tor, Zhysa, TV Stimul, Ukrpromtorg and Gravis-Kino and selling to them our interest in Gravis, which owns the broadcasting licenses and other assets of the CITI channel. We concluded that the CITI channel represented a disposal group and therefore recognized the income and expenses of our CITI channel as a discontinued operation in all periods presented. The assets and liabilities of the CITI channel have been classified as available for sale at each balance sheet date.

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 related legal expenses have therefore all been accounted for as discontinued operations for all periods presented.

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 (the "Settlement Agreement"). 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 (2007: US$ nil, 2006: US$ 4.9 million) through discontinued operations.

The settlement agreement 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 have issued such a decision.

(Tabular amounts in US$ 000's, except share data)

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.

21. COMMITMENTS AND CONTINGENCIES

Commitments

a) Station Programming Rights Agreements

At December 31, 2008, we had the following commitments in respect of future programming, including contracts signed with license periods starting after the balance sheet date:

	December 31, 2008
Bulgaria	$ 53,040
Croatia	3,369
Czech Republic	100,141
Romania	69,874
Slovak Republic	28,403
Slovenia	9,249
Ukraine (STUDIO 1+1)	15,527
Ukraine (KINO, CITI)	864
Total (1)	**$ 280,467**

(1) Of the amounts in the table above, US$ 213.7 million is payable within one year.

b) Operating Lease Commitments

For the fiscal years ended December 31, 2008, 2007, and 2006 we incurred aggregate rent on all facilities of US$ 14.0 million, US$ 11.8 million and US$ 9.7 million. Future minimum operating lease payments at December 31, 2008 for non-cancellable operating leases with remaining terms in excess of one year (net of amounts to be recharged to third parties) are payable as follows:

	December 31, 2008
2009	$ 6,514
2010	3,961
2011	1,815
2012	1,284
2013	2,452
2014 and thereafter	2,526
Total	**$ 18,552**

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, 2008, we consider the fair value of Mr. Sarbu's put option to be approximately US$ nil.

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, 2008 we provided US$ 1.3 million in current liabilities and 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) 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 (2007: US$ nil, 2006 US$ 4.9 million) through discontinued operations in our Consolidated Statement of Operations for the year ended December 31, 2008.

Czech Republic - Factoring of Trade Receivables

CET 21 has a working capital credit facility of CZK 250 million (approximately US$ 12.9 million) with CS. This facility is secured by a pledge of receivables under the factoring agreement with FCS.

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. However, 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.

b) *Lehman Brothers bankruptcy claim*

On March 4, 2008, we purchased for cash consideration of US$ 22.2 million, capped call options from Lehman OTC (See Note 6, "Senior Debt: Convertible Notes") over 1,583,333 shares of our Class A common stock which entitled us to receive, at our election following a conversion under the Convertible Notes, cash or shares of Class A common stock with a value equal to the difference between the trading price of our shares at the time the option is exercised and US$ 105.00, up to a maximum trading price of US$ 151.20.

On September 15, 2008, Lehman Holdings, the guarantor of the obligations of Lehman OTC under the capped call agreement, filed for protection under Chapter 11 of the United States Bankruptcy Code. The bankruptcy filing of Lehman Holding, as guarantor, was an event of default and gave us the right to terminate the capped call agreement with Lehman OTC and claim for losses. We exercised this right on September 16, 2008 and have claimed an amount of US$ 19.9 million, which bears interest at a rate equal to CME's estimate of its cost of funding plus 1% per annum.

On October 3, 2008, Lehman OTC filed for protection under Chapter 11 as well. We have filed claims in the bankruptcy proceedings of both Lehman Holding and Lehman OTC. Our claim is a general unsecured claim and ranks together with similar claims. We do not have any information as to the timing of the satisfaction of our claim or the amount we may receive.

c) Video International termination penalty payable

Until December 31, 2008, the sale of Studio 1+1's advertising was outsourced to Video International-Prioritet LLC and certain of its affiliates (the "Video International Group"), a Ukrainian subsidiary of a Russian advertising sales company, in which we have neither an economic nor voting interest. The sale of KINO's advertising was also outsourced to Video International Group until December 31, 2008, when the relevant contract expired. On December 24, 2008, Studio 1+1 and certain affiliates terminated agreements relating to the sale of advertising and sponsorship on STUDIO 1+1 with the Video International Group. The effective date of these terminations is March 24, 2009. Since January 1, 2009, the Studio 1+1 group has been selling advertising and sponsorship on STUDIO 1+1 directly. In connection with these terminations, Studio 1+1 is required to pay a termination penalty equal to (1) 12% of the average monthly advertising revenues and (ii) 6% of the average monthly sponsorship revenues for advertising and sponsorship sold by the Video International Group for the six months immediately preceding the termination date. We have not reached an agreement with the Video International Group on the amount of the termination penalty but we have recorded a provision and corresponding expense within Station selling, general and administration expenses of US$ 4.9 million representing the amount we currently believe we will be required to pay. Under the terms of the relevant agreements, any disputes will be resolved through an independent arbitration process based in, and under the laws of, England.

d) Licenses

Regulatory bodies in each country in which we operate control access to available frequencies through licensing regimes. We believe that the licenses for our license companies will be renewed prior to expiry. 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. To date, all expiring licenses have been renewed; however, there can be no assurance that any of the licenses will 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.

(Tabular amounts in US$ 000's, except share data)

The analog licenses to operate our terrestrial broadcast operations are effective for the following periods:

Bulgaria	The license of TV2 expires in February 2010.
Croatia	The license of NOVA TV (Croatia) expires in March 2010.
Czech Republic	The license of TV NOVA (Czech Republic) expires in January 2017. The NOVA SPORT license expires in September 2020. The satellite license for NOVA CINEMA expires in November 2019.
Romania	Licenses expire on dates ranging from April 2009 to May 2017.
Slovak Republic	The license of TV MARKIZA 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 time expires in July 2014. The satellite license expires in April 2018. Licenses used for the KINO and CITI channels expire on dates ranging from March 2010 to April 2016.

Digital Terrestrial Television Transition

In the transition from analog to digital terrestrial broadcasting each jurisdiction is following a similar set of steps - although the approach being applied is not uniform. Typically, legislation governing the transition to digital is adopted addressing the licensing of operators of the digital networks as well as the licensing of digital broadcasters, technical parameters concerning the allocation of frequencies to be used for digital services (including those currently being used for analog services), broadcasting standards to be provided, the timing of the transition and, ideally, principles to be applied in the transition, including transparency and non-discrimination. As a rule, these are embodied in a technical transition plan ("TTP") that, in most jurisdictions, is agreed among the relevant Media Council, the national telecommunications agency (which is generally responsible for the allocation and use of frequencies) and the broadcasters.

The TTP will typically include the following: the timeline and final switchover date, time allowances for the phases of the transition, allocation of frequencies for digital broadcasting and other digital services, methods for calculating digital terrestrial signal coverage and penetration of set top boxes, parameters for determining whether the conditions for switchover have been satisfied for any phase, the technical specifications for broadcasting standards to be utilized and technical restrictions on parallel broadcasting in analog and terrestrial during the transition phase.

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

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 2010. The license currently held by CET 21 allows for national digital terrestrial broadcasting of TV NOVA (Czech Republic) in any multiplex. Such license may be extended for an additional 8 years, to 2025, upon application by CET 21. In addition, CET 21 was granted a license for national digital terrestrial broadcasting of NOVA CINEMA. This license is valid until the completion of transition to digital terrestrial broadcasting in the Czech Republic, at which time we expect a new license will be granted. 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 the tender offer for the multiplex operator under the TTP for the Slovak Republic. In addition, in January 2009 Markiza was granted a digital license for a niche channel which must be launched by January 2011.

Draft legislation governing the transition to digital is under discussion in Bulgaria and Croatia. We anticipate that legislation will be adopted during 2009 that will address digital licensing and the TTP for each market in a comprehensive way. We expect that our anchor channels will receive digital licenses in these markets.

The Romanian governmental authorities have adopted amendments to existing legislation which provide that analog broadcasters are entitled to receive digital licenses; however, specific regulations to govern the transition to digitalization are yet to be adopted by the Romanian Media Council. The existing law provides that broadcasters within the same multiplex are entitled to choose their own operator, whether one of those broadcasters, a separate company set up by those broadcasters or a third party.

The Ukrainian governmental authorities have issued generic legislation in respect of the transition to digital. In addition, the Ukrainian Media Council has 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. The Ukrainian Media Council recently held a tender for licenses for additional digital frequencies that will be made available for niche channels in the switchover to digital, and is currently soliciting proposals for technical development of certain digital multiplexes. However, there has been no indication as to when a TTP will be adopted in Ukraine.

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

e) 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 are less than 25.0% of consolidated net assets as at December 31, 2008.

22. RELATED PARTY TRANSACTIONS

Overview

There is a limited local market for many specialist television services in the countries in which we operate; many of these services are provided 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.

We consider our related parties to be those shareholders who have direct control and/or influence and other parties that can significantly influence management as well as our officers and directors; a "connected" party is one in relation to whom we are aware of the existence of a family or business connection to a shareholder.

Related Party Transactions

Croatia

We contract with Concorde Media Beteiligungsgesellschaft mbH, acting as the agent of Tele München Fernseh GmbH & Co. Produktionsgesellschaft, for the purchase of program rights. Both companies are wholly-owned by Dr. Herbert Kloiber, a member of our board of directors. Our total purchases from Concorde Media Beteiligungsgesellschaft mbH during 2008 were US$ nil million, (2007: US$ nil 2006: US$ 0.3 million).

In addition, we purchased programming from companies related to or connected with Mr. Sarbu in 2008. These purchases were approximately US$ 0.1 million (2007: US$ 0.1 million, 2006: US$ 0.3 million).

Czech Republic

We purchased programming from companies related to or connected with Mr. Sarbu in 2008 with a value of approximately US$ 2.7 million (2007: US$ 0.7 million, 2006: US$ 0.7 million).

Slovenia

We purchased programming from companies related to or connected with Mr. Sarbu in 2008 with a value of approximately US$ 0.1 million in 2008 (2007: US$ nil, 2006: US$ nil).

Romania

The total purchases from companies related to or connected with Mr. Sarbu in 2008 were approximately US$ 47.1 million (2007: US$ 28.3 million, 2006: US$ 23.4 million). The purchases were mainly for programming rights and for various technical, production and administrative related services. The total sales to companies related to or connected with Mr. Sarbu in 2008 were approximately US$ 1.9 million (2007: US$ 3.1 million, 2006: US$ 2.5 million). At December 31, 2008, companies connected to Mr. Sarbu had an outstanding balance due to us of US$ 8.6 million (2007: US$ 6.7 million), reflecting advances paid for undelivered programming. At December 31, 2008, companies related to Mr. Sarbu had an outstanding balance due to them of US$ 1.3 million (2007: US$ 0.9 million).

On April 17, 2008 we acquired certain radio broadcasting assets of Radio Pro, which owns the two leading radio channels in Romania. Radio Pro is a 100% subsidiary of Media Pro, in which we hold an 8.7% interest and Mr. Sarbu holds the remaining interest. The purchase price, based on an independent valuation, was RON 47.2 million (approximately US$ 20.6 million), of which Mr. Sarbu's economic interest represents RON 43.1 million (approximately US$18.8 million).

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"). 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, 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.

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$ 18.1 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".

Slovak Republic

We purchased programming from companies related to or connected with Mr. Sarbu in 2008 with a value of approximately US$ 1.7 million (2007: US$ 0.04 million, 2006: US$ 0.4 million). The total amount payable as at December 31, 2008 was US$ 0.4 million.

We purchased film rights from Concorde Media Beteiligungs-GesmbH with a value of US$ 0.1 million in 2008 (2007: US$ nil, 2006: US$ nil).

Ukraine

Innova Marketing is a company 100% owned and managed by Mr. Fuchsmann, who was our partner in our Ukraine (STUDIO 1+1) operations until October 2008. Innova Marketing renders consulting services to Innova. The amount of such services provided in 2008 was US$ 0.2 million (2007: US$ 0.1 million, 2006: US$ 0.1 million).

In 1998 we made a loan to Mr. Fuchsmann, the balance outstanding as at December 31, 2007 was US$ 1.9 million. The interest rate on this loan is US$ three-month LIBOR plus 3.0%, subject to a minimum interest rate of 5.0%. The loan and all interest due thereon was repaid in full on June 30, 2008.

Alexander Rodnyansky, who was our partner in our Ukraine (STUDIO 1+1) operations until October 2008, was also the general director of the Russian broadcaster CTC based in Moscow until August 4, 2008 when he became President of CTC and joined the Board of Directors of that company. Our total purchases from CTC in 2008 were US$ 3.4 million (2007: US$ 8.2 million, 2006: US$ 0.1 million). In addition, we recorded revenue of US$ 0.7 million during 2008 from CTC relating to production of programming (2007: US$ 1.4 million, 2006: US$ 0.8 million).

In addition to the above, we contract with Sablock, a company connected to Mr. Rodnyansky, for license rights costs. Our total purchases during 2008 were US$ 1.0 million (2007: US$ 3.6 million, 2006: US$ 4.0 million). At December 31, 2008, we have recorded a liability to Sablock of US$ nil (2007: US$ nil).

In 2006, we contracted with Kino-Kolo, a magazine that is 75% owned by Mr. Rodnyansky, for advertising Studio 1+1. Purchases of services from Kino-Kolo in 2008 amounted to US$ nil (2007: US$ nil, 2006: US$ 0.1 million).

We receive legal and consulting services from LLC Legal Company Varlamov and Partners, a company headed by the former First Deputy General Director of Studio 1+1. The total amount of services rendered by this company in 2008 was US$ 0.1 million (2007: US$ 0.1 million, 2006: US$ 0.3 million).

We purchased programming from companies related to or connected with Mr. Sarbu in 2008 with a value of approximately US$ 0.1 million (2007: US$ 0.1 million, 2006: US$ nil).

On June 30, 2008 we paid $140.0 million to Mr. Igor Kolomoisky, a member of the Board of Directors of CME and the Supervisory Boards of Studio 1+1 and 1+1 Production, to acquire the interests in the Studio 1+1 group over which he held options (see Note 3, "Acquisitions and Disposals: Ukraine").

As part of the transactions involving the split of the KINO and CITI channels, on February 10, 2009, we acquired a 10% ownership interest in Glavred-Media LLC for US$ 12.0 million, from an entity controlled by Alexander Tretyakov. Mr. Igor Kolomoisky owns indirectly 50% of Glavred and the remaining 40% is owned by Mr. Tretyakov.

23. SUBSEQUENT EVENTS

KINO acquisition

In the fourth quarter of 2008, in accordance with our stated objectives of establishing multi-channel broadcasting platforms in all of our markets and acquiring the remaining non-controlling interests in our channels we reached an agreement with our minority partners to acquire 100.0% of the KINO channel and sell them our interest in the CITI channel. In connection with this agreement, we segregated the broadcasting licenses and other assets of the KINO channel and transferred them to Gravis-Kino, a new entity spun off from Gravis, which previously operated both the KINO and the CITI channels. Between January 14, 2009 and February 10, 2009, we acquired a 100.0% interest in the KINO channel by acquiring from our minority partners their interests in Tor, Zhysa, TV Stimul, Ukrpromtorg and Gravis-Kino and selling to them our interest in Gravis, which owns the broadcasting licenses and other assets of the CITI channel. The net consideration paid by us for these interests was US$ 10.0 million including a payment of US$ 1.5 million for the use of studios, offices and equipment of Gravis and the provision of other transitional services through December 31, 2009. In addition, on February 10, 2009, CME acquired from an entity controlled by Mr. Tretyakov a 10.0% ownership interest in Glavred-Media LLC for $12.0 million. Glavred-Media LLC owns a number of websites and print publications as well as a radio station.

Mr. Kolomoisky, a member of the Board of Directors of CME and the Supervisory Boards of Studio 1+1 and 1+1 Production, indirectly holds a 50% interest in Glavred-Media LLC, and the remaining 40% is owned by Mr. Tretyakov, our former partner in KINO and CITI.

Draw down of credit facilities

On February 2, 2009, we drew the remaining EUR 125.0 million (approximately US$ 174.0 million) under the EBRD Loan. On February 19, 2009, CET 21 drew the full CZK 1.2 billion (approximately US$ 53.1 million at the date of drawing) of its credit facility. At the same time, Pro Plus issued a draw down request to ING to draw the full EUR 26.3 million (approximately US$ 33.6 million at the date of drawing) available under its five-year revolving facility. We drew these funds in order to assure the continued availability of the funds in light of renewed concerns over the solvency of credit providers in the region and intend to keep the funds deposited in low risk cash deposits.

CET 21 has used some of the money it received to repay a portion of the CZK 10,687 million (US$ 552.4 million) loan to us that was outstanding at December 31, 2008. We had previously concluded that this loan was long term in nature as described in paragraph 20(b) of FASB Statement No. 52 "Foreign Currency Translation" because we had no intention of repaying it and recorded a foreign exchange loss of US$ 38.7 million on the retranslation of this loan within Other Comprehensive Income. Now this loan is partly repaid, it is no longer long term in nature and gains or losses on retranslation will be recorded in the Foreign currency exchange gain/loss, net line of the Consolidated Statement of Operations.

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

24. QUARTERLY FINANCIAL DATA

Selected quarterly financial data for the years ended December 31, 2008 and 2007 is as follows:

	For the Year ended December 31, 2008			
	First Quarter (Unaudited)	Second Quarter (Unaudited)	Third Quarter (Unaudited)	Fourth Quarter (Unaudited)
	(US$ 000's, except per share data)			
Consolidated Statement of Operations data:				
Net revenues	$ 223,023	$ 304,808	$ 200,603	291,500
Cost of revenue	146,886	174,812	158,862	189,903
Operating income	45,474	98,743	7,156	(279,170)
Net income / (loss) from continuing operations	15,645	68,361	(13,726)	(322,039)
Net income / (loss) from discontinued operations	(750)	(758)	(1,027)	(1,250)
Net income / (loss)	$ 14,895	$ 67,604	$ (14,754)	$ (323,289)
Net income / (loss) per share:				
Basic EPS	$ 0.35	$ 1.60	$ (0.35)	$ (7.64)
Effect of dilutive securities	-	(0.02)	-	-
Diluted EPS	$ 0.35	$ 1.58	$ (0.35)	$ (7.64)

Note: The amounts shown above reflect the reclassification of the results of the CITI channel as a discontinued operation for all periods presented

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

	For the Year ended December 31, 2007			
	First Quarter (Unaudited)	Second Quarter (Unaudited)	Third Quarter (Unaudited)	Fourth Quarter (Unaudited)
	(US$ 000's, except per share data)			
Consolidated Statement of Operations data:				
Net revenues	$ 147,712	$ 215,992	$ 174,600	$ 300,552
Cost of revenue	103,079	125,353	107,399	165,881
Operating income	14,237	67,653	29,371	99,195
Net income / (loss) from continuing operations	709	35,670	(17,749)	74,418
Net income / (loss) from discontinued operations	(959)	(1,080)	(1,014)	(1,427)
Net income / (loss)	(250)	34,590	(18,763)	72,991
Net income / (loss) per share:				
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

Note: The amounts shown above reflect the reclassification of the results of the CITI channel as a discontinued operation for all periods presented.

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 management, including the President and Chief Operating Officer and the Chief Financial Officer to allow timely decisions regarding required disclosure.

Our President and Chief Operating Officer and the Chief Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2008 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, 2008. This assessment was performed under the direction and supervision of our President and Chief Operating Officer and our Chief Financial Officer, and utilized the framework established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on that evaluation, we concluded that as of December 31, 2008, our internal control over financial reporting was effective. Our independent registered public accounting firm, Deloitte LLP, has audited our financial statements and issued a report on the effectiveness of internal control over financial reporting, which is included herein.

Changes in Internal Controls

There were no changes in our internal controls over financial reporting during the three month period ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

February 25, 2008

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, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, 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, 2008 of the Company and our report dated February 25, 2009 expressed an unqualified opinion on those financial statements and the financial statement schedule.

DELOITTE LLP

London, United Kingdom

February 25, 2009

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is incorporated herein by reference to the sections entitled "Election of Directors," "Management," "Corporate Governance and Board of Director Matters" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement for the 2009 Annual General Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the sections entitled "Compensation Discussion and Analysis", "Compensation Committee Report" and "Compensation Committee Interlocks and Insider Participation" in our Proxy Statement for the 2009 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 2009 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 sections entitled "Certain Relationships and Related Party Transactions" and "Director Independence" in our Proxy Statement for the 2009 Annual General Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated herein by reference to the section entitled "Selection of Auditors" in our Proxy Statement for the 2009 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 Il, Item 8 of this Report:

- Report of Independent Registered Public Accounting Firm;
- Consolidated Balance Sheets as of December 31, 2008 and 2007;
- Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2008, 2007 and 2006;
- Consolidated Statement of Shareholders' Equity for the years ended December 31, 2008, 2007 and 2006;
- Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006; and
- Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedule (included at page S-1 of this Annual Report on Form 10-K).

(a)(3) The following exhibits are included in this report:

EXHIBIT INDEX

Exhibit Number	Description
3.01*	Memorandum of Association (incorporated by reference to Exhibit 3.01 to the Company's Registration Statement No. 3380344 on Form S-1, filed June 17, 1994).
3.02	Bye-Laws of Central European Media Enterprises Ltd., as amended and restated on June 3, 2008.
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 the Registrar of Companies on May 20, 1997 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997).
4.01*	Specimen Class A Common Stock Certificate (incorporated by reference to Exhibit 4.01 to Amendment No. 1 to the Company's Registration Statement No. 33-80344 on Form S-1, filed August 19, 1994).

Exhibit Number	Description
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).
4.03*	Registration Rights Agreement among Central European Media Enterprises Ltd., Lehman Brothers Inc., J.P. Morgan Securities Inc., Deutsche Bank Securities Inc., BNP Paribas and ING Bank N.V., London Branch, dated March 10, 2008 (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008).
4.04*	Indenture among Central European Media Enterprises Ltd., Central European Media Enterprises N.V., CME Media Enterprises B.V. and The Bank of New York, dated March 10, 2008 (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008).
10.01+	Central European Media Enterprises Ltd. 1995 Amended and Restated 2005 Stock Incentive Plan, as amended on April 25, 2007.
10.02*	Agreement between CME Media Enterprises B.V. 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 S.A. put-option between CME Romania B.V., 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 S.A. put-option between CME Romania B.V., 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 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004).
10.06*	Framework Agreement among CME Media Enterprises B.V., 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 between Mr. Peter Kršák and CME Media Enterprises B.V., 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).

Exhibit Number	Description
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., 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*	€37.5 million Facility Agreement, between Produkcija Plus Storitveno Podjetje d.o.o., ING Bank N.V., Nova Ljubljanska banka d.d. and Bank Austria Creditanstalt d.d., dated July 29, 2005 (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 Sporitelna a.s. and CET 21 spol. 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).
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).

Exhibit Number	Description
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, Chief Executive Officer, 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*	Subscription Agreement between Central European Media Enterprises Ltd. and Igor Kolomoisky, dated August 24, 2007 (incorporated by reference to Exhibit 4.02 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007).
10.26*	Registration Rights Agreement between Central European Media Enterprises Ltd. and Igor Kolomoisky, dated as of August 24, 2007 (incorporated by reference to Exhibit 4.03 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007).
10.27*	Supplemental Agreement Relating to the Loan Agreement dated July 21, 2006 (as amended by an amending Letter Agreement dated November 16, 2006) between Central European Media Enterprises Ltd. and 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).
10.28*	Loan Agreement between Central European Media Enterprises Ltd. and 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).
10.29*	Agreement on Transfer of Participation Interest in Media Invest, spol. s.r.o. between Mr. Jan Kovàčik 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).
10.30*	Agreement on Consideration between Mr. Jan Kovàčik 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).
10.31*	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).

Exhibit Number	Description
10.32*	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).
10.33*	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).
10.34*	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).
10.35*+	Employment Agreement between CME Development Corporation and Michael Garin, dated March 30, 2004 (incorporated by reference to Exhibit 10.9 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008).
10.35A*+	Letter of Amendment, dated November 15, 2007, to the Employment Agreement between CME Development Corporation and Michael Garin, dated March 30, 2004 (incorporated by reference to Exhibit 10.36A to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007).
10.36*+	Contract of Employment between CME Development Corporation and Adrian Sarbu, dated December 27, 2007 (incorporated by reference to Exhibit 10.37 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007).
10.37*+	Contract for the Performance of the Office between Pro TV SA and Adrian Sarbu, dated December 27, 2007 (incorporated by reference to Exhibit 10.38 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007).
10.38*	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 spol. 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 (incorporated by reference to Exhibit 10.39 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007).
10.39*	Termination Agreement by and between Aleksandr Rodnyansky, Boris Fuchsmann, International Teleservices Ltd., Central European Media Enterprises Ltd., CME Media Enterprises B.V., CME Ukraine Holding GmbH, CET 21 spol. 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 (incorporated by reference to Exhibit 10.40 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007).

Exhibit Number	Description
10.40*	Assignment Agreement among 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 and Ukrainian Media Services LLC, dated January 31, 2008 (incorporated by reference to Exhibit 10.41 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007).
10.41*	Agreement between Mr. Richard Anthony Sheldon and Nova TV d.d., dated November 26, 2007 (incorporated by reference to Exhibit 10.42 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007).
10.42*	Agreement among Global Komunikacije d.o.o., Nova TV d.d. and Operativna Kompanija d.o.o., dated November 26, 2007 (incorporated by reference to Exhibit 10.43 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007).
10.43*	Agreement among Narval A.M. d.o.o., Studio Millenium d.o.o. and Nova TV d.d., dated November 26, 2007 (incorporated by reference to Exhibit 10.44 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007).
10.44*	Purchase Agreement among Central European Media Enterprises Ltd., Lehman Brothers Inc., J.P. Morgan Securities Inc., Deutsche Bank Securities Inc., BNP Paribas and ING Bank N.V., London Branch, dated March 4, 2008 (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008).
10.45*	Deed of Amendment to the Intercreditor Agreement dated July 21, 2006, as amended, among Central European Media Enterprises Ltd., Central European Media Enterprises N.V., CME Media Enterprises B.V., The Bank of New York, BNY Corporate Trustee Services Limited and European Bank for Reconstruction and Development, dated March 10, 2008 (incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008).
10.46*	Security Assignment between Central European Media Enterprises Ltd., CME Media Enterprises B.V. and The Bank of New York, dated March 10, 2008 (incorporated by reference to Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008).
10.47*	Pledge Agreement among Central European Media Enterprises Ltd., Central European Media Enterprises N.V. and The Bank of New York, dated March 10, 2008 (incorporated by reference to Exhibit 10.4 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008).
10.48*	Deed of Pledge of Shares among Central European Media Enterprises N.V., CME Media Enterprises B.V. and The Bank of New York, dated March 10, 2008 (incorporated by reference to Exhibit 10.5 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008).
10.49*	Agreement to Provide Advertising Services between Video International-Prioritet LLC and Broadcasting Company “Studio 1+1” LLC dated November 30, 2006 (incorporated by reference to Exhibit 10.25 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007).

Exhibit Number	Description
10.50*	Capped Call Transaction between Central European Media Enterprises Ltd., Deutsche Bank AG, London Branch and Deutsche Bank Securities Inc., dated March 4, 2008 (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008).
10.51*	Capped Call Transaction between Central European Media Enterprises Ltd. and BNP Paribas, dated March 4, 2008 (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008).
10.52*	Master Share Purchase Agreement between CME Media Enterprises B.V. and Top Tone Media Holdings Limited, dated July 28, 2008 (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008).
10.53*	TV2 Group Shareholders Agreement between CME Media Enterprises B.V., Top Tone Media Holdings Limited and Equip Limited (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008).
10.54*	Separation Agreement between CME Development Corporation and Michael Garin, dated December 14, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 16, 2008).
21.01	List of subsidiaries.
23.01	Consent of Deloitte LLP.
24.01	Power of Attorney, dated as of February 25, 2009.
31.01	Certification of President and Chief Operating Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certifications of President and Chief Operating Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only).

* 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 Annual Report on Form 10-K.)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 25, 2009	/s/ Adrian Sarbu Adrian Sarbu President and Chief Operating Officer (Principal Executive Officer)
Date: February 25, 2009	/s/ Wallace Macmillan Wallace Macmillan Chief Financial Officer (Principal Financial Officer and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
* Ronald S. Lauder	Chairman of the Board of Directors	February 25, 2009
* Herbert A. Granath	Vice-Chairman of the Board of Directors	February 25, 2009
/s/ Adrian Sarbu Adrian Sarbu	President and Chief Operating Officer (Principal Executive Officer)	February 25, 2009
/s/ Wallace Macmillan Wallace Macmillan	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 25, 2009
* Frank Ehmer	Director	February 25, 2009
* Charles Frank	Director	February 25, 2009
* Herbert Kloiber	Director	February 25, 2009
* Igor Kolomoisky	Director	February 25, 2009
* Alfred W. Langer	Director	February 25, 2009
* Bruce Maggin	Director	February 25, 2009
* Ann Mather	Director	February 25, 2009
* Christian Stahl	Director	February 25, 2009
* Duco Sickinghe	Director	February 25, 2009
* Eric Zinterhofer	Director	February 25, 2009

*By
/s/Wallace Macmillan
Wallace Macmillan
Attorney-in-fact

INDEX TO SCHEDULES

Schedule I

Schedule of Valuation Allowances

(US$ 000's)

	Bad debt and credit note provision	Deferred tax allowance
Balance at December 31, 2005	**9,250**	**11,934**
Charged to costs and expenses	1,981	5,418
Charged to other accounts (1)	1,524	(1,168)
Foreign exchange	(115)	(299)
Balance at December 31, 2006	**12,640**	**15,885**
Charged to costs and expenses	1,852	9,803
Charged to other accounts (1)	(602)	2,000
Foreign exchange	691	1,208
Balance at December 31, 2007	**14,581**	**28,896**
Charged to costs and expenses	2,541	7,192
Charged to other accounts (1)	(2,021)	11,880
Foreign exchange	(385)	(576)
Balance at December 31, 2008	**14,716**	**47,392**

(1) Charged to other accounts for the bad debt and credit note provision consist primarily of accounts receivable written off and opening balance of acquired companies.

Exhibit 3.02

AMENDED AND RESTATED BYE-LAWS

OF

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

(first adopted pursuant to a written resolution of the sole member passed on 12th July, 1994 and amended at annual general meetings of 2nd May, 1997, 14th December, 1999, 25th May, 2000, 15th May, 2002 and 3rd June, 2008).

I N D E X

INTERPRETATION

1. In these Bye-laws, unless the context otherwise requires, the words standing in the first column of the following table shall bear the meaning set opposite them respectively in the second column.

WORD	MEANING
"Act"	The Companies Act 1981 of Bermuda, as amended from time to time.
"Auditor"	the auditor of the Company for the time being and may include any individual or partnership.
"Bye-laws"	these Bye-laws in their present form or as supplemented or amended or substituted from time to time.
"Board" or "Directors"	the Board of Directors of the Company or the Directors present at a meeting of Directors at which a quorum is present.
"capital"	the share capital from time to time of the Company.
"clear days"	in relation to the period of a notice that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect.
"clearing house"	a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.
"Company"	Central European Media Enterprises Ltd.
"competent" regulatory authority"	a competent regulatory authority in the territory where the shares of the Company are listed or quoted on a stock exchange in such territory.
"debenture" and"debenture holder"	include debenture stock and debenture stockholder respectively.
"Designated Stock Exchange"	a stock exchange which is an appointed stock exchange for the purposes of the Act in respect of which the shares of the Company are listed or quoted and where such appointed stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company

"dollars" and "$"	dollars, the legal currency of the United States of America.
"head office"	such office of the Company as the Directors may from time to time determine to be the principal office of the Company.
"Immediate Family"	with respect to any individual, such individual's spouse, descendants (natural or adoptive), grandparents, parents, siblings of the whole or half blood.
"Member"	a duly registered holder from time to time of the shares in the capital of the Company.
"month"	a calendar month.
"Notice"	written notice unless otherwise specifically stated and as further defined in these Bye-laws.
"Office"	the registered office of the Company for the time being.
"paid up"	paid up or credited as paid up.
"Register"	the principal register and where applicable, any branch register of Members of the Company to be kept pursuant to the provisions of the Act.
"Registration Office"	in respect of any class of share capital such place as the Board may from time to time determine to keep a branch register of Members in respect of that class of share capital and where (except in cases where the Board otherwise directs) the transfers or other documents of title for such class of share capital are to be lodged for registration and are to be registered.
"Seal"	common seal or any one or more duplicate seals of the Company (including a securities seal) for use in Bermuda or in any place outside Bermuda.
"Secretary"	any person firm or corporation appointed by the Board to perform any of the duties of secretary of the Company and includes any assistant, deputy, temporary or acting secretary.
"Statutes"	the Act and every other act of the Legislature of Bermuda for the time being in force applying to or affecting the Company, its memorandum of association and/or these Bye-laws.
"year"	a calendar year.

2. In these Bye-laws, unless there be something within the subject or context inconsistent with such construction:

(a) words importing the singular include the plural and vice versa;

(b) words importing a gender include every gender;

(c) words importing persons include companies, associations and bodies of persons whether corporate or not;

(d) the words:

(i) "may" shall be construed as permissive;

(ii) "shall" or "will" shall be construed as imperative;

(e) expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing words or figures in a visible form;

(f) references to any act, ordinance, statute or statutory provision shall be interpreted as relating to any statutory modification or re-enactment thereof for the time being in force;

(g) save as aforesaid words and expressions defined in the Statutes shall bear the same meanings in these Bye-laws if not inconsistent with the subject in the context;

(h) a resolution shall be a special resolution when it has been passed by a majority of not less than three-fourths of votes cast by such Members as, being entitled so to do, vote in person or, in the case of such Members as are corporations, by their respective duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying (without prejudice to the power contained in these Bye-laws to amend the same) the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the Members having the right to attend and vote at any such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' Notice has been given;

(i) a resolution shall be an ordinary resolution when it has been passed by a simple majority of votes cast by such Members as, being entitled so to do, vote in person or, in the case of any Member being a corporation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen (14) clear days' Notice has been duly given;

(j) a special resolution shall be effective for any purpose for which an ordinary resolution is expressed to be required under any provision of these Bye-laws or the Statutes.

SHARE CAPITAL

3. (1) The capital of the Company shall be divided into three classes of shares, namely:

(a) 100,000,000 Shares of Class A Common Stock, par value $0.08 per share ("Class A Shares");

(b) 15,000,000 Shares of Class B Common Stock, par value $0.08 per share ("Class B Shares"); and

(c) 5,000,000 Shares of Preferred Stock, par value $0.08 per share ("Preferred Shares").

The Class A shares and the Class B Shares are together referred to as the "Common Shares".

(2) The holders of Class A Shares shall, subject to the provisions of these Bye-laws:

(b) be entitled to one vote per Class A Share;

(b) be entitled to such dividends as the directors may from time to time declare on Class A Shares pari passu with the holders of Class B Shares; and

(c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for a reorganisation or otherwise or upon a distribution of capital, be entitled, after the satisfaction of the rights of the holders of Preferred Shares, to all the surplus assets of the Company pari passu with the holders of Class B Shares.

(3) The holders of Class B Shares shall, subject to the provisions of these Bye-laws:

(a) be entitled to ten votes per Class B Share;

(b) be entitled to such dividends as the directors may from time to time declare on Class B Shares, pari passu with the holders of Class A Shares; and

(c) in the event of a winding up or dissolution of the Company, whether voluntary or involuntary or for a re-organisation or otherwise or upon a distribution of capital, be entitled, after the satisfaction of the rights of the holders of Preferred Shares, to all the surplus assets of the Company pari passu with the holders of Class A Shares.

(4) The Class B Shares shall be convertible into Class A Shares on a one for one basis at the option of the holder thereof. All of the issued and outstanding Class B Shares shall automatically convert into Class A Shares on a one for one basis when the number of issued and outstanding Class B Shares is less that ten per cent (10%) of the issued and outstanding Common Shares.

(5) Class B Shares may only be transferred to the following (each a "Permitted Transferee"): (i) to other holders of Class B Shares who were holders of Class B shares prior to the consummation of the Company's public offering of Class A Shares, (ii) in the case where the holder of Class B Shares is an individual, to his or her Immediate Family by gift, devise or otherwise through laws of descent or distribution, to a trust established by holders of Class B Shares the beneficiaries of which are one or more of his or her Immediate Family, to a corporation or other entity the majority of beneficial owners of which are or will be owned by holders of Class B Shares, (iii) in the case where the holder of Class B Shares is a corporation, to its shareholders, (iv) in the case where the holder of Class B Shares is a partnership to its partners, and (v) to any person who would be a Permitted Transferee through a series of permitted transfers. Any other transfer of Class B Shares is void. However, nothing in this Bye-law prevents a holder of Class B Shares from converting his Class B Shares into Class A Shares as permitted by the Bye-laws and transferring such Class A Shares as permitted by law.

(6) The transfer of more than fifty percent (50%) of the equity interest in a corporation or partnership which is a holder of Class B Shares to other than a Permitted Transferee shall cause all of the Class B Shares held by such corporation or partnership to automatically convert into Class A Shares on a one for one basis. The Company shall be entitled to seek specific enforcement of the conversion in the event the holder of the Class B Shares fails to comply with the requirements to effect such conversion, and shall be entitled to recover from the holder the court costs, reasonable attorneys' fees and other cost and expenses incurred by the Company in connection with obtaining such specific enforcement.

(7) The Preferred Shares may be issued, subject to the Act, the Company's memorandum of association and these Bye-laws as from time to time amended, from time to time in one or more series of any number of shares, and with distinctive serial designations, all as shall hereafter be stated and expressed in the resolution or resolutions providing for the issuance of such Preferred Shares from time to time adopted by the Board of Directors pursuant to authority so to do which is hereby vested in the Board of Directors. Subject to the Act, the Company's memorandum of association and these Bye-laws, each series of Preferred Shares (a) may have such voting powers, (b) may be subject to redemption at such time or times, price or prices, or rate or rates, and with such adjustments, (c) may be entitled to receive dividends (which may be cumulative or noncumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or of any other series of stock, (d) may have such rights upon the dissolution of, or upon any distribution of the assets of, the Company, (e) may be made convertible into, or exchangeable for, shares of any other class or classes or any other series of the same or any other class or classes of shares of the Company, at such price or prices or at such rate or rates of exchange, and with such adjustments, (f) may be entitled to the benefit of a sinking fund with respect to the purchase or redemption of shares of such series, and (g) may have such other preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of such preferences and/or rights, all as shall be stated in said resolution or resolutions providing for the issue of such Preferred Shares.

Subject to the Act, the Company's memorandum of association and these Bye-laws as from time to time amended, with respect to the closing of the Register or the fixing of a record date for the determination of Members entitled to vote and except as otherwise provided the Act, the Company's memorandum of association and these Bye-laws as from time to time amended or by the resolution or resolutions providing for the issue of any series of Preferred Shares, the holders of outstanding Common Shares shall exclusively have the right to vote for the election of directors and for all other purposes. Except as otherwise provided by the Act, the Company's memorandum of association and these Bye-laws as from time to time amended or by the resolution or resolutions providing for the issue of any series of Preferred Shares, the holders of Common Shares shall be entitled, to the exclusion of the holders of Preferred Shares of any and all series, to receive such dividends as from time to time may be declared by the Board of Directors. Except as otherwise provided by the Act, the Company's memorandum of association and these Bye-laws as from time to time amended or by the resolution or resolutions providing for the issue of any series of Preferred Shares, in the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, after payment shall have been made to the holders of Preferred Shares of the full amount, if any, for which they shall be entitled pursuant to the resolution or resolutions providing for the issue of any series of Preferred Shares, the holders of Common Shares shall be entitled, to the exclusion of the holders of Preferred Shares of any and all series, to share, rateably according to the number of Common Shares held by them, in all remaining assets of the Company available for distribution to its Members.

(8) Subject to the Act, the Company's memorandum of association and, where applicable, the rules of any Designated Stock Exchange and/or any competent regulatory authority, any power of the Company to purchase or otherwise acquire its own shares shall be exercisable by the Board upon such terms and subject to such conditions as it thinks fit.

(9) Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards PROVIDED that nothing in this Bye-law shall prohibit transactions permitted by the Statutes.

ALTERATION OF CAPITAL

4. The Company may from time to time by ordinary resolution passed by the holders of Common Shares in accordance with Section 45 of the Act:

(a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;

(b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares;

(d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association (subject, nevertheless, to the Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;

(e) change the currency denomination of its share capital; and

(f) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

5. The Board may settle as it considers expedient any difficulty which arises in relation to any consolidation and division under the last preceding Bye-law and in particular but without prejudice to the generality of the foregoing may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale (after deduction of the expenses of such sale) in due proportion amongst the Members who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company's benefit. Such purchaser will not be bound to see to the application of the purchase money nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

6. The Company may from time to time by special resolution passed by the holders of Class A Shares and passed by the holders of Class B Shares, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

7. Except so far as otherwise provided by the conditions of issue, or by these Bye-laws, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company, and such shares shall be subject to the provisions contained in these Bye-laws with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.

SHARE RIGHTS

8. Subject to any special rights conferred on the holders of any shares or class of shares, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the Company may by ordinary resolution determine or, if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.

9. Subject to Sections 42 and 43 of the Act, any preference shares may be issued or converted into shares that, at a determinable date or at the option of the Company or the holder if so authorised by its memorandum of association, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution of the Members determine.

9A. (1) There shall be a class vote for the holders of Class A Shares and a class vote for the holders of Class B Shares to pass a resolution to approve a going private transaction, and unless such resolution is passed by a majority of the votes cast at the meeting of each class, the resolution shall not pass.

(2) For the purposes of this bye-law, a "going private transaction" is any Rule 13e-3 transaction as such term is defined in Rule 13e-3 promulgated under the Securities Exchange Act of 1934 of the United States of America, as amended, between the Company and (i) Ronald S. Lauder (the "Principal Shareholder"), (ii) any Affiliate of the Principal Shareholder or (iii) any group consisting of the Principal Shareholder or Affiliates of the Principal Shareholder. For the purposes of this bye-law "Affiliate of the Principal Shareholder" means (i) any individual or entity who or that, directly or indirectly, controls, is controlled by, or is under common control with, the Principal Shareholder, (ii) any corporation or organisation (other than the Company or a majority-owned subsidiary of the Company) of which the Principal Shareholder is an officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of voting securities, or in which the Principal Shareholder has a substantial beneficial interest, (iii) any trust or other estate in which the Principal Shareholder has a substantial beneficial interest or as to which such Principal Shareholder serves as trustee or in a similar fiduciary capacity or (iv) any relative or spouse of a Principal Shareholder, or any relative of such spouse, who has the same residence as such Principal Shareholder.

VARIATION OF RIGHTS

10. Subject to the Act and without prejudice to Bye-law 8, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of these Bye-laws relating to general meetings of the Company shall, mutatis mutandis, apply, but so that:

(a) the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting of such holders, two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum;

(b) every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him or in the case of Class B Shares, ten votes for every such share held by him; and

(c) any holder of shares of the class present in person or by proxy may demand a poll.

11. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking pari passu therewith.

SHARES

12. (1) Subject to the Act and these Bye-laws and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount. Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such offer, option or shares to Members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(2) The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

(3) The Company may purchase its own shares for cancellation or acquire them as Treasury Shares in accordance with the Act on such terms as the Board may from time to time determine. All rights attaching to Treasury Shares shall be suspended and shall not be exercised by the Company while it holds such Treasury Shares and, except where required by the Act, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital, or shares, of the Company. For the purposes of these Bye-Laws, “Treasury Share” shall mean a share of the Company that was or is treated as having been acquired and held by the Company and has been continuously held by the Company since it was so acquired and has not been cancelled.

13. The Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the Act. Subject to the Act, the commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one and partly in the other.

14. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any fractional part of a share or (except only as otherwise provided by these Bye-laws or by law) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

15. Subject to the Act and these Bye-laws, the Board may at any time after the allotment of shares but before any person has been entered in the Register as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Board considers fit to impose.

SHARE CERTIFICATES

16. The shares of the Company's stock may be certificated or uncertificated, as provided under the Act. Every share certificate shall be issued under the Seal or a facsimile thereof and shall specify the number and class and distinguishing numbers (if any) of the shares to which it relates, and the amount paid up thereon and may otherwise be in such form as the Directors may from time to time determine. No certificate shall be issued representing shares of more than one class. The Board may by resolution determine, either generally or in any particular case or cases, that any signatures on any such certificates (or certificates in respect of other securities) need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon or that such certificates need not be signed by any person.

17. (1) In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to one of several joint holders shall be sufficient delivery to all such holders.

(2) Where a share stands in the names of two or more persons, the person first named in the Register shall as regards service of notices and, subject to the provisions of these Bye-laws, all or any other matters connected with the Company, except the transfer of the shares, be deemed the sole holder thereof.

18. Every person whose name is entered, upon an allotment of shares, as a Member in the Register shall be entitled, without payment, to receive one certificate for all such shares of any one class or several certificates each for one or more of such shares of such class upon request in writing to the Company and upon payment for every certificate after the first of such reasonable out-of-pocket expenses as the Board from time to time determines. A shareholder who does not submit such a request in writing to the Company shall receive uncertificated shares.

19. Share certificates requested pursuant to Bye-Law 18 shall be issued in the case of an issue of shares within twenty-one (21) days (or such longer period as the terms of the issue provide) after such a request or in the case of a transfer of fully or partly paid shares within twenty-one (21) days after such a request following the lodgement of a transfer with the Company, not being a transfer which the Company is for the time being entitled to refuse to register and does not register.

20. Upon every transfer of certificated shares, the certificate held by the transferor shall be given up to be cancelled, and shall forthwith be cancelled accordingly, and if requested by the tranferee pursuant to Bye-Law 18 a new certificate shall be issued to the transferee in respect of the shares transferred to him. If any of the shares included in the certificate so given up shall be retained by the transferor a new certificate for the balance shall be issued to him if so requested by the transferor pursuant to Bye-law 18.

21. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed a new certificate representing the same shares may be issued to the relevant member upon request and on payment of such fee as the Designated Stock Exchange may determine to be the maximum payable or such lesser sum as the Board may determine and, subject to compliance with such terms (if any) as to evidence and indemnity and to payment of the costs and reasonable out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of damage or defacement, on delivery of the old certificate to the Company provided always that where share warrants have been issued, no new share warrant shall be issued to replace one that has been lost unless the Directors are satisfied beyond reasonable doubt that the original has been destroyed.

LIEN

22. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that share. The Company shall also have a first and paramount lien on every share (not being a fully paid share) registered in the name of a Member (whether or not jointly with other Members) for all amounts of money presently payable by such Member or his estate to the Company whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person other than such member, and whether the period for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Member or his estate and any other person, whether a Member of the Company or not. The Company's lien on a share shall extend to all dividends or other moneys payable thereon or in respect thereof. The Board may at any time, generally or in any particular case, waive any lien that has arisen or declare any share exempt in whole or in part, from the provisions of this Bye-law.

23. Subject to these Bye-laws, the Company may sell in such manner as the Board determines any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged nor until the expiration of fourteen clear days after a notice in writing, stating and demanding payment of the sum presently payable, or specifying the liability or engagement and demanding fulfilment or discharge thereof and giving notice of the intention to sell in default, has been served on the registered holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

24. The net proceeds of the sale shall be received by the Company and applied in or towards payment or discharge of the debt or liability in respect of which the lien exists, so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the person entitled to the share at the time of the sale. To give effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares so transferred and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

CALLS ON SHARES

25. Subject to these Bye-laws and to the terms of allotment, the Board may from time to time make calls upon the Members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium), and each Member shall (subject to being given at least fourteen (14) clear days' Notice specifying the time and place of payment) pay to the Company as required by such notice the amount called on his shares. A call may be extended, postponed or revoked in whole or in part as the Board determines but no member shall be entitled to any such extension, postponement or revocation except as a matter of grace and favour.

26. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be made payable either in one lump sum or by instalments. The Directors may make arrangements on the issue of shares for a difference between the shareholders in the amount of calls to be paid and in the times of payment.

27. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect thereof or other moneys due in respect thereof.

28. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board may determine, but the Board may in its absolute discretion waive payment of such interest wholly or in part.

29. No Member shall be entitled to receive any dividend or bonus or to be present and vote (save as proxy for another Member) at any General Meeting either personally or by proxy, or be reckoned in a quorum, or exercise any other privilege as a Member until all calls or instalments due by him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid.

30. On the trial or hearing of any action or other proceedings for the recovery of any money due for any call, it shall be sufficient to prove that the name of the Member sued is entered in the Register as the holder, or one of the holders, of the shares in respect of which such debt accrued, that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the Member sued, in pursuance of these Bye-laws; and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

31. Any amount payable in respect of a share upon allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call duly made and payable on the date fixed for payment and if it is not paid the provisions of these Bye-laws shall apply as if that amount had become due and payable by virtue of a call duly made and notified.

32. On the issue of shares the Board may differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

33. The Board may, if it thinks fit, receive from any Member willing to advance the same, and either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him and upon all or any of the moneys so advanced (until the same would, but for such advance, become presently payable) pay interest at such rate (if any) as the Board may decide. The Board may at any time repay the amount so advanced upon giving to such Member not less than one month's notice in writing of its intention in that behalf, unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced. Such payment in advance shall not entitle the holder of such share or shares to participate in respect thereof in a dividend subsequently declared.

FORFEITURE OF SHARES

34. (1) If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due not less than fourteen (14) clear days' notice:

(a) requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment; and

(b) stating that if the notice is not complied with the shares on which the call was made will be liable to be forfeited.

(2) If the requirements of any such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect, and such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share but not actually paid before the forfeiture.

35. When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such notice.

36. The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, references in these Bye-laws to forfeiture will include surrender.

37. Until cancelled in accordance with the requirements of the Act, a forfeited share shall be the property of the Company and may be sold, re-allotted or otherwise disposed of to such person, upon such terms and in such manner as the Board determines, and at any time before a sale, re-allotment or disposition the forfeiture may be annulled by the Board on such terms as the Board determines.

38. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares but nevertheless shall remain liable to pay the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares, with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board determines. The Board may enforce payment thereof if it thinks fit, and without any deduction or allowance for the value of the forfeited shares, at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. For the purposes of this Bye-law any sum which, by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, whether on account of the nominal value of the share or by way of premium, shall notwithstanding that time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.

39. A declaration by a Director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration shall (subject to the execution of an instrument of transfer by the Company if necessary) constitute a good title to the share, and the person to whom the share is disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the share. When any share shall have been forfeited, notice of the declaration shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

40. Notwithstanding any such forfeiture as aforesaid the Board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

41. The forfeiture of a share shall not prejudice the right of the Company to any call already made or instalment payable thereon.

42. The provisions of these Bye-laws as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

REGISTER OF MEMBERS

43. (1) The Company shall keep in one or more books a Register of its Members and shall enter therein the following particulars, that is to say:

(a) the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;

(b) the date on which each person was entered in the Register; and

(c) the date on which any person ceased to be a Member.

(2) Subject to the Act, the Company may keep an overseas or local or other branch register of Members resident in any place, and the Board may make and vary such regulations as it determines in respect of the keeping of any such register and maintaining a Registration Office in connection therewith.

44. The Register and branch register of Members, as the case may be, shall be open to inspection between 10 a.m. and 12 noon on every business day by Members without charge or by any other person, upon a maximum payment of five Bermuda dollars, at the Office or such other place in Bermuda at which the Register is kept in accordance with the Act or, if appropriate, upon a maximum payment of ten dollars at the Registration Office. The Register including any overseas or local or other branch register of Members may, after notice has been given by advertisement in an appointed newspaper and where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.

RECORD DATES

45. Notwithstanding any other provision of these Bye-laws the Company or the Directors may fix any date as the record date for:

(a) determining the Members entitled to receive any dividend, distribution, allotment or issue and such record date may be on, or at any time not more than 30 days before or after, any date on which such dividend, distribution, allotment or issue is declared, paid or made;

(b) determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

TRANSFER OF SHARES

46. Subject to these Bye-laws, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in any other form approved by the Board and may be under hand only.

47. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. The Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Nothing in these Bye-laws shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

48. (1) The Board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share issued under any share scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register a transfer of any share to more than four (4) joint holders. Nothing in these Bye-laws shall impair the settlement of transactions entered into through the facilities of the National Association of Security Dealers Automated Quotations System or other Designate Stock Exchange except as provided by such exchanges.

(2) No transfer shall be made to an infant or to a person of unsound mind or under other legal disability.

(3) The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the Register to any branch register or any share on any branch register to the Register or any other branch register. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.

(4) Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement it shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Register, at the Office or such other place in Bermuda at which the Register is kept in accordance with the Act.

49. Without limiting the generality of the last preceding Bye-law, the Board may decline to recognise any instrument of transfer unless:-

(a) the instrument of transfer is in respect of only one class of share;

(b) the instrument of transfer is lodged at the Office or such other place in Bermuda at which the Register is kept in accordance with the Act or the Registration Office (as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and

(c) if applicable, the instrument of transfer is duly and properly stamped.

50. If the Board refuses to register a transfer of any share in accordance with Bye-law 48, it shall, within two (2) months after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee notice of the refusal.

51. The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange to that effect be suspended at such times and for such periods (not exceeding thirty (30) days in any year) as the Board may determine.

TRANSMISSION OF SHARES

52. If a Member dies, the survivor or survivors where the deceased was a joint holder, and his legal personal representatives where he was a sole or only surviving holder, will be the only persons recognised by the Company as having any title to his interest in the shares; but nothing in this Bye-law will release the estate of a deceased Member (whether sole or joint) from any liability in respect of any share which had been solely or jointly held by him.

53. Subject to Section 52 of the Act, any person becoming entitled to a share in consequence of the death or bankruptcy or winding-up of a Member may, upon such evidence as to his title being produced as may be required by the Board, elect either to become the holder of the share or to have some person nominated by him registered as the transferee thereof. If he elects to become the holder he shall notify the Company in writing either at the Registration Office or Office, as the case may be, to that effect. If he elects to have another person registered he shall execute a transfer of the share in favour of that person. The provisions of these Bye-laws relating to the transfer and registration of transfers of shares shall apply to such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed by such Member.

54. A person becoming entitled to a share by reason of the death or bankruptcy or winding-up of a Member shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share. However, the Board may, if it thinks fit, withhold the payment of any dividend payable or other advantages in respect of such share until such person shall become the registered holder of the share or shall have effectually transferred such share, but, subject to the requirements of Bye-law 75(2) being met, such a person may vote at meetings.

UNTRACEABLE MEMBERS

55. (1) Without prejudice to the rights of the Company under paragraph (2) of this Bye-law, the Company may cease sending cheque for dividend entitlements or dividend warrants by post if such cheque or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheque for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

(2) The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless:

(a) all cheque or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Bye-laws of the Company have remained uncashed;

(b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and

(c) the Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers in accordance with the requirements of, the Designated Stock Exchange to be made of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the "relevant period" means the period commencing twelve years before the date of publication of the advertisement referred to in paragraph (c) of this Bye-law and ending at the expiry of the period referred to in that paragraph.

(3) To give effect to any such sale the Board may authorise some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former Member for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Bye-law shall be valid and effective notwithstanding that the Member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

GENERAL MEETINGS

56. An annual general meeting of the Company shall be held in each year other than the year of incorporation at such time and place as may be determined by the Board.

57. Each general meeting, other than an annual general meeting, shall be called a special general meeting. General meetings may be held in any part of the world as may be determined by the Board.

58. (1) The Board may whenever it thinks fit call special general meetings, and Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Act.

(2) A Member may raise business, including the nomination of a candidate for election as a Director, to be considered at annual and special general meetings of the Company, provided, however, that in order to be brought before a general meeting Member proposals must (i) be a proper matter for Member action under the Act and the rules and regulations promulgated by the U.S. Securities and Exchange Commission (the “Rules and Regulations”), (ii) comply with the requirements of this Bye-law 58 and (iii) with respect to Director nominees, the Member submitting such proposal shall have beneficially owned at least five percent of any class of the Company’s outstanding stock for a period of at least one year. Where a Member proposal is to be considered at an annual general meeting, notice of such Member proposal must be received by the Secretary not less than 120 days prior to the anniversary date of the prior year’s annual general meeting proxy statement. Where a Member proposal is to be considered at a special general meeting, such notice must be received not later than five (5) days following the earlier of the date on which notice of the special general meeting was given to Members in accordance with these Bye-laws or the date on which public disclosure of the date of the special general meeting was made. Any notice of a Member proposal shall contain (i) the name, address and relationship to the Company of the proposing Member and, with respect to director nominations, the proposed nominee, (ii) with respect to director nominations, a statement to the effect that the proposed nominee has no direct or indirect business conflict of interest with the Company, (iii) with respect to director nominations, a statement to the effect that the proposed nominee meets the Company’s published minimum criteria for consideration as a nominee for director of the Company, (iv) the form of resolution to be included in the proxy statement, (v) a brief description as to why the passing of the resolution is beneficial to the Company and (vi) any such other information as would be required under the rules and regulations of the U.S. Securities and Exchange Commission to be included in the Company’s proxy statement if such proposal were to be included therein. Notwithstanding the foregoing, in order to include information with respect to a Member proposal in the Company’s proxy statement and form of proxy for a general meeting, such Member must provide notice as required by, and otherwise comply with, the Act and the Rules and Regulations. The Company may exclude a Member’s proposal from the Company’s proxy statement and form of proxy in accordance with the Act and the Rules and Regulations.

NOTICE OF GENERAL MEETINGS

59. (1) An annual general meeting and any special general meeting shall be called by not less than fourteen (14) clear days' Notice but a general meeting may be called by shorter notice if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and

(b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

(2) The period of notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day on which the meeting is to be held, and the notice shall specify the time and place of the meeting and, in case of special business, the general nature of the business. The notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of these Bye-laws or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Member and to each of the Directors and the Auditors.

60. The accidental omission to give Notice of a meeting or (in cases where instruments of proxy are sent out with the Notice) to send such instrument of proxy to, or the non-receipt of such Notice or such instrument of proxy by, any person entitled to receive such Notice shall not invalidate any resolution passed or the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

61. (1) All business shall be deemed special that is transacted at a special general meeting, and also all business that is transacted at an annual general meeting, with the exception of sanctioning dividends, the reading, considering and adopting of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet, the election of Directors and appointment of Auditors and other officers in the place of those retiring, the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the Directors.

(2) No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. Such number of Members holding a majority of the votes of the Company and present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative shall form a quorum for all purposes.

62. If within thirty (30) minutes (or such longer time not exceeding one hour as the chairman of the meeting may determine to wait) after the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the Board may determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved.

63. The President of the Company or the Chairman shall preside as chairman at every general meeting. If at any meeting the President or the Chairman, as the case may be, is not present within fifteen (15) minutes after the time appointed for holding the meeting, or if neither of them is willing to act as chairman, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, or if the Chairman chosen shall retire from the chair, the Members present in person or by proxy and entitled to vote shall elect one of their number to be chairman.

64. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place as the meeting shall determine, but no business shall be transacted at any adjourned meeting other than business which might lawfully have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen (14) days or more, at least seven (7) clear days' notice of the adjourned meeting shall be given specifying the time and place of the adjourned meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting and the general nature of the business to be transacted. Save as aforesaid, it shall be unnecessary to give notice of an adjournment. No business shall be transacted at any such adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

65. If an amendment is proposed to any resolution under consideration but is in good faith ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a special resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

VOTING

66. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting on a show of hands every Member present in person or by proxy or (being a corporation) is present by a representative duly authorised under Section 78 of the Act shall have one vote and on a poll every Member present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy shall have such number of votes as are attached to every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of such meeting; or

(b) by at least three Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or

(d) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Member.

67. Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.

68. If a poll is duly demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. There shall be no requirement for the chairman to disclose the voting figures on a poll.

69. A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken in such manner (including the use of ballot or voting papers or tickets) and either forthwith or at such time (being not later than thirty (30) days after the date of the demand) and place as the Chairman directs. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll not taken immediately.

70. The demand for a poll shall not prevent the continuance of a meeting or the transaction of any business other than the question on which the poll has been demanded, and, with the consent of the chairman, it may be withdrawn at any time before the close of the meeting or the taking of the poll, whichever is the earlier.

71. On a poll votes may be given either personally or by proxy.

72. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

73. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have.

74. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of this Bye-law be deemed joint holders thereof.

75. (1) A Member who is a patient for any purpose relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such court, and such receiver, committee, curator bonis or other person may vote on a poll by proxy, and may otherwise act and be treated as if he were the registered holder of such shares for the purposes of general meetings, provided that such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the Office, head office or Registration Office, as appropriate, not less than forty-eight (48) hours before the time appointed for holding the meeting, or adjourned meeting or poll, as the case may be.

(2) Any person entitled under Bye-law 53 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight (48) hours at least before the time of the holding of the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his entitlement to such shares, or the Board shall have previously admitted his right to vote at such meeting in respect thereof.

76. No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any General Meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

77. If:

(a) any objection shall be raised to the qualification of any voter; or

(b) any votes have been counted which ought not to have been counted or which might have been rejected; or

(c) any votes are not counted which ought to have been counted;

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the Chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the Chairman decides that the same may have affected the decision of the meeting. The decision of the Chairman on such matters shall be final and conclusive.

PROXIES

78. Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a Member of the Company.

79. If an instrument appointing a proxy is in writing, it shall be under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy in writing purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

80. Subject to the Act, the instrument appointing a proxy, whether in writing or in any other form as may be approved by the Board, and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered or otherwise submitted or communicated to the Company in such form and manner or to such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified for instruments in writing, at the Registration Office or the Office, as may be appropriate) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, if such instrument is in writing, or the date it is submitted or communicated to the Company, if such instrument is in a form other than in writing, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery, submission or communication, as the case may be, of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

81. Instruments of proxy shall be in any common form or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out or provide access to with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

82. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office or the Registration Office (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other document sent therewith) two (2) hours at least before the commencement of the meeting or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.

83. Anything which under these Bye-laws a Member may do by proxy he may likewise do by his duly appointed attorney and the provisions of these Bye-laws relating to proxies and instruments appointing proxies shall apply mutatis mutandis in relation to any such attorney and the instrument under which such attorney is appointed.

CORPORATIONS ACTING BY REPRESENTATIVES

84. (1) Any corporation which is a Member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or any class of Members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member of the Company and such corporation shall for the purposes of these Bye-laws be deemed to be present in person at any such meeting if a person so authorised is present thereat. Any reference in these Bye-laws to a duly authorised representative of a Member being a corporation shall mean a representative authorised under the provisions of this Bye-law.

(2) If a clearing house is a Member, it may authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any meeting of any class of Members provided that, if more than one person is so authorised, the authorization shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised under the provisions of this Bye-law shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual Member.

WRITTEN RESOLUTIONS OF MEMBERS

85. (1) Subject to the Act, a resolution in writing signed (in such manner as to indicate, expressly or impliedly, unconditional approval) by or on behalf of all persons for the time being entitled to receive notice of and to attend and vote at general meetings of the Company shall, for the purposes of these Bye-laws, be treated as a resolution duly passed at a general meeting of the Company and, where relevant, as a special resolution so passed. Any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last Member to sign, and where the resolution states a date as being the date of his signature thereof by any Member the statement shall be prima facie evidence that it was signed by him on that date. Such a resolution may consist of several documents in the like form, each signed by one or more relevant Members.

(2) Notwithstanding any provisions contained in these Bye-laws, a resolution in writing shall not be passed for the purpose of removing a Director before the expiration of his term of office under Bye-law 86(4) or for the purposes set out in Bye-law 154(3) relating to the removal and appointment of the Auditor.

BOARD OF DIRECTORS

86. (1) Unless otherwise determined by the Board of Directors, the number of Directors shall not be less than three (3). At all times, at least two (2) Directors shall be independent directors. The Directors shall be elected or appointed by ordinary resolution in the first place at the statutory meeting of Members and thereafter at each annual general meeting of the Company subject to Bye-law 87 and shall hold office until the next appointment of Directors or until their successors are elected or appointed.

(2) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Board of Directors. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

(3) Neither a Director nor an alternate Director shall be required to hold any shares of the Company by way of qualification and a Director or alternate Director (as the case may be) who is not a Member shall be entitled to receive notice of and to attend and speak at any general meeting of the Company and of all classes of shares of the Company.

(4) Subject to any provision to the contrary in these Bye-laws the Members may, at any general meeting convened and held in accordance with these Bye-laws, by special resolution remove a Director at any time before the expiration of his period of office notwithstanding anything in these Bye-laws or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director fourteen (14) days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his removal.

(5) A vacancy on the Board created by the removal of a Director under the provisions of subparagraph (4) above may be filled by the election or appointment by the Members at the meeting at which such Director is removed to hold office until the next appointment of Directors or until their successors are elected or appointed or, in the absence of such election or appointment the Board of Directors may fill any vacancy in the number left unfilled.

(6) The Board of Directors may from time to time increase or reduce the number of Directors but so that the number of Directors shall never be less than two (2).

RETIREMENT OF DIRECTORS

87. (1) At each annual general meeting all of the Directors for the time being shall retire from office.

(2) A retiring Director shall be eligible for re-election.

88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election or nominated by a Member pursuant to Bye-Law 58(2), be eligible for election as a Director at any general meeting.

DISQUALIFICATION OF DIRECTORS

89. The office of a Director shall be vacated if the Director:

(1) resigns his office by notice in writing delivered to the Company at the Office or tendered at a meeting of the Board whereupon the Board resolves to accept such resignation;

(2) becomes of unsound mind or dies;

(3) without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the Board resolves that his office be vacated; or

(4) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(5) is prohibited by law from being a Director; or

(6) ceases to be a Director by virtue of any provision of the Statutes or is removed from office pursuant to these Bye-laws.

EXECUTIVE DIRECTORS AND COMMITTEES

90. The Board may from time to time appoint any one or more of its body to be a Managing Director, Joint Managing Director or Deputy Managing Director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company or the Company may have against such Director. A Director appointed to an office under this Bye-law shall be subject to the same provisions as to removal as the other Directors of the Company, and he shall (subject to the provisions of any contract between him and the Company) ipso facto and immediately cease to hold such office if he shall cease to hold the office of Director for any cause.

91. Notwithstanding Bye-laws 96, 97, 98 and 99, an executive Director appointed to an office under Bye-law 90 hereof shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director.

91A. The Board may delegate any of its powers to a committee appointed by the Board and every such committee shall conform to such directions as the Board shall impose on them. The Board shall maintain an audit committee, a majority of the members of which shall be independent directors.

ALTERNATE DIRECTORS

92. Any Director may at any time by Notice delivered to the Office or head office or at a meeting of the Directors appoint any person to be his alternate Director. Any person so appointed shall have all the rights and powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present. An alternate Director may be removed at any time by the body which appointed him and, subject thereto, the office of alternate Director shall continue until the next annual election of Directors or, if earlier, the date on which the relevant Director ceases to be a Director. Any appointment or removal of an alternate Director shall be effected by Notice signed by the appointor and delivered to the Office or head office or tendered at a meeting of the Board. An alternate Director may also be a Director in his own right and may act as alternate to more than one Director. An alternate Director shall, if his appointor so requests, be entitled to receive notices of meetings of the Board or of committees of the Board to the same extent as, but in lieu of, the Director appointing him and shall be entitled to such extent to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to exercise and discharge all the functions, powers and duties of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Bye-laws shall apply as if he were a Director save that as an alternate for more than one Director his voting rights shall be cumulative.

93. An alternate Director shall only be a Director for the purposes of the Act and shall only be subject to the provisions of the Act insofar as they relate to the duties and obligations of a Director when performing the functions of the Director for whom he is appointed in the alternative and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for the Director appointing him. An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified by the Company to the same extent mutatis mutandis as if he were a Director but he shall not be entitled to receive from the Company any fee in his capacity as an alternate Director except only such part, if any, of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct.

94. Every person acting as an alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director). If his appointor is for the time being absent from Hong Kong or otherwise not available or unable to act, the signature of an alternate Director to any resolution in writing of the Board or a committee of the Board of which his appointor is a member shall, unless the notice of his appointment provides to the contrary, be as effective as the signature of his appointor.

95. An alternate Director shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director, however, such alternate Director or any other person may be re-appointed by the Directors to serve as an alternate Director PROVIDED always that, if at any meeting any Director retires but is re-elected at the same meeting, any appointment of such alternate Director pursuant to these Bye-laws which was in force immediately before his retirement shall remain in force as though he had not retired.

DIRECTORS' FEES AND EXPENSES

96. The remuneration of the Directors shall from time to time be determined by the Directors and reported to the Members on an annual basis. Such remuneration shall be deemed to accrue from day to day.

97. Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.

98. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law.

99. The Board shall obtain the approval of the Company in general meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

DIRECTORS' AND OFFICERS' INTERESTS

100. A Director may:

(a) hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and, subject to the relevant provisions of the Act, upon such terms as the Board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any Director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Bye-law;

(b) act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm may be remunerated for professional services as if he were not a Director;

(c) continue to be or become a director, managing director, joint managing Director, deputy managing director, executive director, manager or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise and (unless otherwise agreed) no such Director shall be accountable for any remuneration, profits or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of or from his interests in any such other company. Subject as otherwise provided by these Bye-laws the Directors may exercise or cause to be exercised the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as Directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) or voting or providing for the payment of remuneration to the director, managing director, joint managing director, deputy managing director, executive director, manager or other officers of such other company and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

101. Subject to the Act and to these Bye-laws, no Director or officer or proposed or intending Director or officer shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director or officer is in any way interested be liable to be avoided, nor shall any Director or officer so contracting or being so interested be liable to account to the Company or the Members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director or officer holding that office or of the fiduciary relationship thereby established provided that such Director or officer shall disclose the nature of his interest in any contract or arrangement in which he is interested in accordance with Bye-law 102 herein.

102. A Director or officer who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Bye-law, a general notice to the Board by a Director to the effect that:

(a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or

(b) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him;

shall be deemed to be a sufficient declaration of interest under this Bye-law in relation to any such contract or arrangement, provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director or officer takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he is to his knowledge materially interested, but this prohibition shall not apply to any of the following matters namely:

(i) any contract or arrangement for giving to such Director any security or indemnity in respect of money lent by him or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;

(ii))any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any contract or arrangement in which he is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;

(v) any contract or arrangement concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules, where applicable, of the Designated Stock Exchange) is beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest is derived); or

(vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(2) A company shall be deemed to be a company in which a Director owns five (5) per cent. or more if and so long as (but only if and so long as) he and his associates (as defined by the rules, where applicable, of the Designated Stock Exchange), (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the Director's interest is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder.

(3) Where a company in which a Director together with his associates (as defined by the rules, where applicable, of the Designated Stock Exchange) holds five (5) per cent. or more is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.

(4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

GENERAL POWERS OF THE DIRECTORS

104. (1) The business of the Company shall be managed and conducted by the Board, which may pay all expenses incurred in forming and registering the Company and may exercise all powers of the Company (whether relating to the management of the business of the Company or otherwise) which are not by the Statutes or by these Bye-laws required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the Statutes and of these Bye-laws and to such regulations being not inconsistent with such provisions, as may be prescribed by the Company in general meeting, but no regulations made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if such regulations had not been made. The general powers given by this Bye-law shall not be limited or restricted by any special authority or power given to the Board by any other Bye-law.

(2) Without prejudice to the general powers conferred by these Bye-laws it is hereby expressly declared that the Board shall have the following powers:

(a) To give to any person the right or option of requiring at a future date that an allotment shall be made to him of any share at par or at such premium as may be agreed.

(b) To give to any Directors, officers or servants of the Company an interest in any particular business or transaction or participation in the profits thereof or in the general profits of the Company either in addition to or in substitution for a salary or other remuneration.

(c) To resolve that the Company be discontinued in Bermuda and continued in a named country or jurisdiction outside Bermuda subject to the provisions of the Act.

105. [Deleted]

106. The Board may by power of attorney appoint under the Seal any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Bye-laws) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him. Such attorney or attorneys may, if so authorised under the Seal of the Company, execute any deed or instrument under their personal seal with the same effect as the affixation of the Company's Seal.

107. Except as specified in Bye-law 130 or unless expressly authorized by the Board in accordance with these Bye-laws, no Director or Officer may (a) enter into any contract or deed or other agreement pursuant to which the Company is obliged to make payment over such term or such amount as the Board may from time to time determine, or (b) issue or agree to issue any share of the Company. The Board may entrust to and confer upon any officer such powers, with such terms, conditions and restrictions, as the Board in its discretion deems appropriate.

108. All cheque, promissory notes, drafts, bills of exchange and other instruments, whether negotiable or transferable or not, and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine. The Company's banking accounts shall be kept with such banker or bankers as the Board shall from time to time determine.

109. (1) The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's moneys to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit under the Company or any of its subsidiary companies) and ex-employees of the Company and their dependents or any class or classes of such person.

(2) The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as mentioned in the last preceding paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of or upon or at any time after his actual retirement.

BORROWING POWERS

110. The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

111. Debentures, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

112. Any debentures, bonds or other securities may be issued at a discount (other than shares), premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.

113. (1) Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the members or otherwise, to obtain priority over such prior charge.

(2) The Board shall cause a proper register to be kept, in accordance with the provisions of the Act, of all charges specifically affecting the property of the Company and of any series of debentures issued by the Company and shall duly comply with the requirements of the Act in regard to the registration of charges and debentures therein specified and otherwise.

PROCEEDINGS OF THE DIRECTORS

114. The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. A majority of the meetings of the Board of Directors of the Company that are held in any given fiscal year of the Company shall be held outside the United States.

115. A meeting of the Board may be convened by the Secretary on request of a Director or by any Director. The Secretary shall convene a meeting of the Board of which notice may be given in writing or by telephone or in such other manner as the Board may from time to time determine whenever he shall be required so to do by the President or Chairman, as the case may be, or any Director. Any Director may waive notice of any meeting either prospectively or retrospectively.

116. (1) The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be two (2). An alternate Director shall be counted in a quorum in the case of the absence of a Director for whom he is the alternate provided that he shall not be counted more than once for the purpose of determining whether or not a quorum is present.

(2) Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a Meeting as if those participating were present in person.

(3) Any Director who ceases to be a Director at a Board meeting may continue to be present and to act as a Director and be counted in the quorum until the termination of such Board meeting if no other Director objects and if otherwise a quorum of Directors would not be present.

117. The continuing Directors or a sole continuing Director may act notwithstanding any vacancy in the Board but, if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Bye-laws, the continuing Directors or Director, notwithstanding that the number of Directors is below the number fixed by or in accordance with these Bye-laws as the quorum or that there is only one continuing Director, may act for the purpose of filling vacancies in the Board or of summoning general meetings of the Company but not for any other purpose.

118. The Board may elect a chairman and one or more deputy chairman of its meetings and determine the period for which they are respectively to hold such office. If no chairman or deputy chairman is elected, or if at any meeting neither the chairman nor any deputy chairman is present within five (5) minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.

119. A meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board.

120. (1) The Board may delegate any of its powers, authorities and discretions to committees, consisting of such Director, officer, Directors or officers as it thinks fit, and they may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board.

(2) All acts done by any such committee in conformity with such regulations, and in fulfilment of the purposes for which it was appointed, but not otherwise, shall have like force and effect as if done by the Board, and the Board shall have power, with the consent of the Company in general meeting, to remunerate the members of any such committee, and charge such remuneration to the current expenses of the Company.

121. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these Bye-laws for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board under the last preceding Bye-law.

122. A resolution in writing signed by all the Directors except such as are temporarily unable to act through ill-health or disability, and all the alternate Directors, if appropriate, whose appointors are temporarily unable to act as aforesaid shall (provided that such number is sufficient to constitute a quorum and further provided that a copy of such resolution has been given or the contents thereof communicated to all the Directors for the time being entitled to receive notices of Board meetings in the same manner as notices of meetings are required to be given by these Bye-laws) be as valid and effectual as if a resolution had been passed at a meeting of the Board duly convened and held. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors or alternate Directors and for this purpose a facsimile signature of a Director or an alternate Director shall be treated as valid.

123. All acts bona fide done by the Board or by any committee or by any person acting as a Director or members of a committee, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member or the Board or such committee or person acting as aforesaid or that they or any of them were disqualified or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.

MANAGERS

124. The Board may from time to time appoint a General Manager, a Manager or Managers of the Company and may fix his or their remuneration either by way of salary or commission or by conferring the right to participation in the profits of the Company or by a combination of two or more of these modes and pay the working expenses of any of the staff of the General Manager, Manager or Managers who may be employed by him or them upon the business of the Company.

125. The appointment of such General Manager, Manager or Managers may be for such period as the Board may decide, and the Board may confer upon him or them all or any of the powers of the Board as they may think fit.

126. The Board may enter into such agreement or agreements with any such General Manager, Manager or Managers upon such terms and conditions in all respects as the Board may in their absolute discretion think fit, including a power for such General Manager, Manager or Managers to appoint an Assistant Manager or Managers or other employees whatsoever under them for the purpose of carrying on the business of the Company.

OFFICERS

127. (1) The officers of the Company shall consist of the president, vice-president, and Secretary and such additional officers (who may or may not be Directors) as the Board may from time to time determine, all of whom shall be deemed to be officers for the purposes of the Act and these Bye-laws as well as solely for the purposes of the Act, the chairman, deputy chairman and Directors.

(2) The Directors shall, as soon as may be after each appointment or election of Directors, elect amongst the Directors a president and a vice-president or a chairman and a deputy chairman; and if more than one (1) Director is proposed for either of these offices, the election to such office shall take place in such manner as the Directors may determine.

(3) The officers shall receive such remuneration as the Directors may from time to time determine.

(4) Where the Company does not have a quorum of Directors ordinarily resident in Bermuda, the Company shall in accordance with the Act appoint and maintain a resident representative ordinarily resident in Bermuda and the resident representative shall maintain an office in Bermuda and comply with the provisions of the Act.

The Company shall provide the resident representative with such documents and information as the resident representative may require in order to be able to comply with the provisions of the Act.

The resident representative shall be entitled to have notice of, attend and be heard at any Directors' meetings or general meeting of the Company.

128. (1) The Secretary and additional officers, if any, shall be appointed by the Board and shall hold office on such terms and for such period as the Board may determine. If thought fit, two (2) or more persons may be appointed as joint Secretaries. The Board may also appoint from time to time on such terms as it thinks fit one or more assistant or deputy Secretaries.

(2) The Secretary shall attend all meetings of the Members and shall keep correct minutes of such meetings and enter the same in the proper books provided for the purpose. He shall perform such other duties as are prescribed by the Act or these Bye-laws or as may be prescribed by the Board.

129. The President or the Chairman, as the case may be, shall act as chairman at all meetings of the Members and of the Directors at which he is present. In his absence a chairman shall be appointed or elected by those present at the meeting.

130. The officers of the Company shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Directors from time to time. In addition, the President of the Company shall have the power and is expressly authorized to enter into any contract, deed or other agreement that obliges the Company to make payments (or provide services or goods) in an amount (or having a fair value) not exceeding US$250,000 or, of such obligations is contemplated by and within the limits established by an Annual Budget and Operating Plan approved by the Board, obligates the Company to make payments (or provide services or goods) in an amount (or having a fair value) not exceeding US$1,000,000.

131. A provision of the Act or of these Bye-laws requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as or in place of the Secretary.

REGISTER OF DIRECTORS AND OFFICERS

132. (1) The Board shall cause to be kept in one or more books at its Office a Register of Directors and officers and shall enter therein the following particulars with respect to each Director and officer, that is to say:

(a) his or her first name and surname; and

(b) his or her address.

(2) The Board shall within a period of fourteen (14) days from the occurrence of -

(a) any change among its Directors and officers; or

(b) any change in the particulars contained in the Register of Directors and officers,

cause to be entered on the Register of Directors and officers the particulars of such change and of the date on which it occurred.

(3) The Register of Directors and officers shall be open to inspection by members of the public without charge at the Office between 10:00 a.m. and 12:00 noon on every business day.

(4) In this Bye-law "officer" has the meaning ascribed to it in Section 92A(7) of the Act.

MINUTES

133. The Board shall cause Minutes to be duly entered in books provided for the purpose:

(a) of all elections and appointments of Directors and officers;

(b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;

(c) of all resolutions and proceedings of each general meeting of the Members, meetings of the Board and meetings of committees of the Board.

SEAL

134. (1) The Company shall have one or more Seals, as the Board may determine. For the purpose of sealing documents creating or evidencing securities issued by the Company, the Company may have a securities seal which is a facsimile of the Seal of the Company with the addition of the words "Securities Seal" on its face or in such other form as the Board may approve. The Board shall provide for the custody of each Seal and no Seal shall be used without the authority of the Board or of a committee of the Board authorised by the Board in that behalf. Subject as otherwise provided in these Bye-laws, any instrument to which a Seal is affixed shall be signed autographically by one Director and the Secretary or by two Directors or by such other person (including a Director) or persons as the Board may appoint, either generally or in any particular case, save that as regards any certificates for shares or debentures or other securities of the Company the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature. Every instrument executed in manner provided by this Bye-law shall be deemed to be sealed and executed with the authority of the Board previously given.

(2) Where the Company has a Seal for use abroad, the Board may by writing under the Seal appoint any agent or committee abroad to be the duly authorised agent of the Company for the purpose of affixing and using such Seal and the Board may impose restrictions on the use thereof as may be thought fit. Wherever in these Bye-laws reference is made to the Seal, the reference shall, when and so far as may be applicable, be deemed to include any such other Seal as aforesaid.

AUTHENTICATION OF DOCUMENTS

135. Any Director or the Secretary or any person appointed by the Board for the purpose may authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Board or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts there from as true copies or extracts, and if any books, records, documents or accounts are elsewhere than at the Office or the head office the local manager or other officer of the Company having the custody thereof shall be deemed to be a person so appointed by the Board. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Board or any committee which is so certified shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such minutes or extract is a true and accurate record of proceedings at a duly constituted meeting.

DESTRUCTION OF DOCUMENTS

136. The Company shall be entitled to destroy the following documents at the following times:

(a) any share certificate which has been cancelled at any time after the expiry of one (1) year from the date of such cancellation;

(b) any dividend mandate or any variation or cancellation thereof or any notification of change of name or address at any time after the expiry of two (2) years from the date such mandate variation cancellation or notification was recorded by the Company;

(c) any instrument of transfer of shares which has been registered at any time after the expiry of seven (7) years from the date of registration;

(d) any allotment letters after the expiry of seven (7) years from the date of issue thereof; and

(e) copies of powers of attorney, grants of probate and letters of administration at any time after the expiry of seven (7) years after the account to which the relevant power of attorney, grant of probate or letters of administration related has been closed;

and it shall conclusively be presumed in favour of the Company that every entry in the Register purporting to be made on the basis of any such documents so destroyed was duly and properly made and every share certificate so destroyed was a valid certificate duly and properly cancelled and that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and that every other document destroyed hereunder was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. Provided always that: (1) the foregoing provisions of this Bye-law shall apply only to the destruction of a document in good faith and without express notice to the Company that the preservation of such document was relevant to a claim; (2) nothing contained in this Bye-law shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any case where the conditions of proviso (1) above are not fulfilled; and (3) references in this Bye-law to the destruction of any document include references to its disposal in any manner.

DIVIDENDS AND OTHER PAYMENTS

137. Subject to the Act, the Company in General Meeting may from time to time declare dividends in any currency to be paid to the Members but no dividend shall be declared in excess of the amount recommended by the Board. The Company in general meeting may also make a distribution to the Members out of any contributed surplus (as ascertained in accordance with the Act).

138. No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts.

139. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Bye-law as paid up on the share; and

(b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

140. The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

141. The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

142. No dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

143. Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his address as appearing in the Register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

144. All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

145. Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of the Company or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective and binding on the Members. The Board may resolve that no such assets shall be made available to Members with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the Members aforesaid shall be to receive cash payments as aforesaid. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.

146. Intentionally Deleted

RESERVES

147. Before recommending any dividend, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

CAPITALISATION

148 (1). The Board may resolve to capitalise any part of the amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for dividend or distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members.

(2) The Board may resolve to capitalise any sum standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full partly paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.

149. The Board may settle, as it considers appropriate, any difficulty arising in regard to any distribution under the last preceding Bye-law and in particular may issue certificates in respect of fractions of shares or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Members in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members.

SUBSCRIPTION RIGHTS RESERVE

150. The following provisions shall have effect to the extent that they are not prohibited by and are in compliance with the Act:

(1) If, so long as any of the rights attached to any warrants issued by the Company to subscribe for shares of the Company shall remain exercisable, the Company does any act or engages in any transaction which, as a result of any adjustments to the subscription price in accordance with the provisions of the conditions of the warrants, would reduce the subscription price to below the par value of a share, then the following provisions shall apply:

(a) as from the date of such act or transaction the Company shall establish and thereafter (subject as provided in this Bye-law) maintain in accordance with the provisions of this Bye-law a reserve (the "Subscription Rights Reserve") the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional shares required to be issued and allotted credited as fully paid pursuant to sub- paragraph (c) below on the exercise in full of all the subscription rights outstanding and shall apply the Subscription Rights Reserve in paying up such additional shares in full as and when the same are allotted;

(b) the Subscription Rights Reserve shall not be used for any purpose other than that specified above unless all other reserves of the Company (other than share premium account) have been extinguished and will then only be used to make good losses of the Company if and so far as is required by law;

(c) upon the exercise of all or any of the subscription rights represented by any warrant, the relevant subscription rights shall be exercisable in respect of a nominal amount of shares equal to the amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be the relevant portion thereof in the event of a partial exercise of the subscription rights) and, in addition, there shall be allotted in respect of such subscription rights to the exercising warrant holder, credited as fully paid, such additional nominal amount of shares as is equal to the difference between:

(i) the said amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights); and

(ii) the nominal amount of shares in respect of which such subscription rights would have been exercisable having regard to the provisions of the conditions of the warrants, had it been possible for such subscription rights to represent the right to subscribe for shares at less than par

and immediately upon such exercise so much of the sum standing to the credit of the Subscription Rights Reserve as is required to pay up in full such additional nominal amount of shares shall be capitalised and applied in paying up in full such additional nominal amount of shares which shall forthwith be allotted credited as fully paid to the exercising warrant holders; and

(d) if, upon the exercise of the subscription rights represented by any warrant, the amount standing to the credit of the Subscription Rights Reserve is not sufficient to pay up in full such additional nominal amount of shares equal to such difference as aforesaid to which the exercising warrant holder is entitled, the Board shall apply any profits or reserves then or thereafter becoming available (including, to the extent permitted by law, share premium account) for such purpose until such additional nominal amount of shares is paid up and allotted as aforesaid and until then no dividend or other distribution shall be paid or made on the fully paid shares of the Company then in issue. Pending such payment and allotment, the exercising warrant holder shall be issued by the Company with a certificate evidencing his right to the allotment of such additional nominal amount of shares. The rights represented by any such certificate shall be in registered form and shall be transferable in whole or in part in units of one share in the like manner as the shares for the time being are transferable, and the Company shall make such arrangements in relation to the maintenance of a register therefor and other matters in relation thereto as the Board may think fit and adequate particulars thereof shall be made known to each relevant exercising warrant holder upon the issue of such certificate.

(2) Shares allotted pursuant to the provisions of this Bye-law shall rank pari passu in all respects with the other shares allotted on the relevant exercise of the subscription rights represented by the warrant concerned. Notwithstanding anything contained in paragraph (1) of this Bye-law, no fraction of any share shall be allotted on exercise of the subscription rights.

(3) The provision of this Bye-law as to the establishment and maintenance of the Subscription Rights Reserve shall not be altered or added to in any way which would vary or abrogate, or which would have the effect of varying or abrogating the provisions for the benefit of any warrant holder or class of warrant holders under this Bye-law without the sanction of a special resolution of such warrant holders or class of warrant holders.

(4) A certificate or report by the auditors for the time being of the Company as to whether or not the Subscription Rights Reserve is required to be established and maintained and if so the amount thereof so required to be established and maintained, as to the purposes for which the Subscription Rights Reserve has been used, as to the extent to which it has been used to make good losses of the Company, as to the additional nominal amount of shares required to be allotted to exercising warrant holders credited as fully paid, and as to any other matter concerning the Subscription Rights Reserve shall (in the absence of manifest error) be conclusive and binding upon the Company and all warrant holders and shareholders.

ACCOUNTING RECORDS

151. The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

152. The accounting records shall be kept at the Office or, subject to the Act, at such other place or places as the Board decides and shall always be open to inspection by the Directors of the Company. No Member (other than a Director of the Company) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

153. Subject to Section 88 of the Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and laid before the Company in general meeting in accordance with the requirements of the Act provided that this Bye-law shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

AUDIT

154. (1) Subject to Section 88 of the Act, at the annual general meeting or at a subsequent special general meeting in each year, the Members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the Members appoint another auditor. Such auditor may be a Member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company.

(2) Subject to Section 89 of the Act, a person, other than a retiring Auditor, shall not be capable of being appointed Auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of Auditor has been given not less than fourteen (14) days before the annual general meeting and furthermore, the Company shall send a copy of any such notice to the retiring Auditor.

(3) The Members may, at any general meeting convened and held in accordance with these Bye-laws, by special resolution remove the Auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another Auditor in his stead for the remainder of his term.

155. Subject to Section 88 of the Act the accounts of the Company shall be audited at least once in every year.

156. The remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine.

157. If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness, other disability or other circumstances at a time when his services are required, the Directors may fill the vacancy.

158. The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto; and he may call on the Directors or officers of the Company for any information in their possession relating to the books or affairs of the Company.

159. The statement of income and expenditure and the balance sheet provided for by these Bye-Laws shall be examined by the Auditor and compared by him with the books, accounts and vouchers relating thereto; and he shall make a written report thereon stating whether such statement and balance sheet are drawn up so as to present fairly the financial position of the Company and the results of its operations for the period under review and, in case information shall have been called for from Directors or officers of the Company, whether the same has been furnished and has been satisfactory. The financial statements of the Company shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the Members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If so, the financial statements and the report of the Auditor should disclose this fact and name such country or jurisdiction.

NOTICES

160. (1) Any Notice from the Company to a Member may be given:

(a) by delivering it to such Member in person; or
(b) by sending it by letter mail or courier to such Member's address in the Register of Members; or
(c) if consented to by the Member to whom such notice is given, by transmitting it by electronic means (including facsimile and electronic mail, but not telephone) in accordance with such directions as may be given by such Member to the Company for such purpose; or
(d) if consented to by the Member to whom such notice is given, by posting on an electronic network together with a separate notice to the Member of the specific posting; or
(e) if consented to by the Member to whom such notice is given, by any other form of electronic transmission.

(2) Any consent given by a Member with respect to a method of notice set forth in Bye-laws 160 (1)(c)-(e) above may be given by letter mail, courier, or any form of electronic transmission and shall be revocable by the Member by notice to the Company given by letter mail, courier, or any form of electronic transmission. Any such consent shall be deemed revoked if the Company is unable to deliver three consecutive notices in accordance with such consent or when such inability to deliver notice becomes known to the Company's secretary or transfer agent or other person responsible for the giving of notice.

(3) Any Notice from a Member to the Company may be given in accordance with such directions as may be given by the Company for such purpose on its website or otherwise.

161. (1) Any notice delivered in accordance with Bye-laws 160(1)(a) or 160(1)(b) shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted or delivered to the courier.

(2) Any notice delivered in accordance with Bye-law 160(1)(c) shall be deemed to have been served when directed to a number or an electronic mail address at which the Member has consented to receive notice.

(3) Any notice delivered in accordance with Bye-laws 160(1)(d) or 160(1)(e) shall be deemed to have been served upon the later of (i) the notification of the Member in accordance with such Bye-law; and (ii) the publication of the information or document on the electronic network.

162. Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

SIGNATURES

163. For the purposes of these Bye-laws, a cable or telex or facsimile transmission message purporting to come from a holder of shares or, as the case may be, a Director or alternate Director, or, in the case of a corporation which is a holder of shares from a director or the secretary thereof or a duly appointed attorney or duly authorised representative thereof for it and on its behalf, shall in the absence of express evidence to the contrary available to the person relying thereon at the relevant time be deemed to be a document or instrument in writing signed by such holder or Director or alternate Director in the terms in which it is received.

WINDING UP

164. (1) The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

(2) A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

165. If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Act, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the Members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

INDEMNITY

166. (1) The Directors, Secretary and other officers (such term to include, for the purposes of this Bye-law 166 any person appointed to any committee by the Board) for the time being and each such person who is or was or had agreed to become a Director or officer of the Company and each such person who is or was serving or who had agreed to serve as an employee or agent of the Company or as a Director, officer, employee or agent of another company, corporation, partnership, joint venture, trust or other enterprise in which the Company is or was engaged acting in relation to any of the affairs of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and every one of them, and their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, purported to be done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, or on behalf of the Company or purportedly on behalf of the Company, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Subject to the provisions of the Act and without limiting the generality or the effect of the foregoing, the Company may enter into one or more agreements with any person which provide for indemnification greater or different than that provided in this Bye-law.

(2) Each Member agrees to waive and release any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or officer on account of any act done, purported to be done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts by such Director or officer, or the failure of such Director or officer to take any action in the performance of his duties with or for the Company, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or officer.

(3) The indemnity provided by Bye-law 166(1) above shall extend, as a matter of contract between each Member and each former Director and officer of the Company and their heirs, executors and administrators, to any act done, purported to be done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts by the former Directors and officers of the Company. The waiver of claims or right of action by each Member provided by Bye-law 166(2) above shall extend, as a matter of contract between each Member and each former Director and officer of the Company and their heirs, executors and administrators, to any act done, purported to be done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts by the former Directors and officers of the Company.

(4) Any repeal or modification of this Bye-law 166 shall not adversely affect any right or protection existing under this Bye-law 166 immediately prior to such repeal or modification.

(5) The Company may advance moneys to an individual who is indemnified pursuant to Bye-law 166(1) above for the costs, charges and expenses incurred by such individual in defending any civil or criminal proceedings against them, on condition that such individual shall repay the advance if any allegation of fraud or dishonesty is proved against them.

ALTERATION OF BYE-LAWS & AMENDMENT TO MEMORANDUM OF ASSOCIATION

167. No Bye-Law shall be rescinded, altered or amended and no new Bye-Law shall be made until the same has been approved by a resolution of the Directors and confirmed by an ordinary resolution of the holders of Common Shares.

INFORMATION

168. No Member shall be entitled to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interests of the members of the Company to communicate to the public.

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Exhibit 10.01

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

1995 AMENDED AND RESTATED 2005 STOCK INCENTIVE PLAN

As Amended as of April 25, 2007

1. Purpose

The purpose of the 1995 Amended and Restated Stock Incentive Plan (the "Plan") is to induce employees and directors who are not employees of the Company or a Subsidiary ("non-employee directors") to retain their association with Central European Media Enterprises Ltd (the "Company"), its affiliates and its present and future subsidiaries (each a "Subsidiary"), as defined in Section 424(f) of the United States Internal Revenue Code of 1986, as amended (the "Code"), to attract new employees and directors who are not employees and to encourage such employees and directors who are not employees to secure or increase on reasonable terms their stock ownership in the Company. The Board of Directors of the Company (the "Board") believes that the granting of stock or stock-based awards (the "Awards") under the Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those who are or may become primarily responsible for shaping and carrying out the long range plans of the Company and securing its continued growth and financial success. Awards granted hereunder are intended to be either (a) Options, (b) Restricted Stock, (c) Restricted Stock Units (as these terms are defined below), or (c) a combination thereof, as determined by the Committee (the "Committee") referred to in Section 5 hereof at the time of the grant thereof.

2. Adoption of the Plan

The Plan was adopted originally adopted in 1995 as the Central European Media Enterprises Ltd. 1995 Stock Option Plan, amended several times thereafter, and further amended and restated by resolution of the Board on April 11, 2005 and approved by a majority of the votes cast by the Company's shareholders at the Company's annual general meeting of shareholders on June 2, 2005, and amended by resolution of the Board on April 25, 2007. Unless the Plan is terminated earlier by the Board as provided herein, no Award shall be granted after June 1, 2015.

3. Common Shares Subject to Plan

4,500,000 of the authorized but unissued shares of the Class A Common Shares (the "Class A Common Shares") and 450,000 of the authorized but unissued shares of the Class B Common Shares (the "Class B Common Shares", together with the Class A Common Shares, the "Common Shares"), are hereby reserved for issue with respect to the Awards granted under the Plan; *provided, however*, that the aggregate number of Common Shares that may be issued under the Plan shall not exceed 4,500,000; *provided further, however*, that the number of Class A Common Shares reserved shall be reduced by the number of Class B Common Shares that are delivered with respect to Awards granted hereunder. To the extent that Common Shares covered by an Award are not delivered because the Award expires, is forfeited, cancelled or otherwise terminated, such Common Shares shall be deemed not to have been delivered for purposes of determining the maximum number of Common Shares available under the Plan and shall be included in the amount of shares available for Awards and such shares may be subject to further grants of Awards.

4. Administration

The Plan shall be administered by the Committee as provided in Section 5 hereof. Subject to the express provisions of the Plan, the Committee shall have complete authority, in its discretion, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective option agreements or certificates (which need not be identical), to determine the individuals (each a "Participant") to whom and the times and the prices (if any) at which Awards shall be granted, the period during which each Award shall be exercisable (if applicable) and the vesting schedule therefor (which may vary with each Participant and may be granted on a basis less favorable to the Participant than that provided in Section 11 hereof), the number of Class A Common Shares or of Class B Common Shares to be subject to each Award and to make all other determinations necessary or advisable for the administration of the Plan (including whether any Option shall be an incentive stock option or a non-incentive stock option); *provided, however,* that Awards of, or relating to, Class B Common Shares shall be granted only to persons eligible to be a holder of Class B Common Shares pursuant to the Company's Bye-laws; and *provided further, however*, that only the Board shall grant Awards to non-employee directors, other than Awards granted to non-employee directors pursuant to Section 24.B. hereof, and determine the terms thereof. In making such determinations, the Committee or the Board, as the case may be, may take into account the nature of the services rendered by the respective employees and non-employee directors, their present and potential contributions to the success of the Company or any Subsidiary and such other factors as the Committee or the Board in its discretion shall deem relevant. The Committee's or Board's determination on the matters referred to in this Section 4 shall be conclusive. Any dispute or disagreement which may arise under or as a result of or with respect to any Award shall be determined by the Committee, in its sole discretion, and any interpretations by the Committee of the terms of any Award shall be final, binding and conclusive.

5. Committee

The Committee shall mean the Compensation Committee of the Company as constituted by the Board of Directors from time to time and acting in accordance with its duly adopted charter

6. Eligibility

An Award may be granted only to an employee of the Company or a Subsidiary. A director of the Company or a Subsidiary who is not an employee of the Company or a Subsidiary shall be eligible to receive an Award, but only as provided in Sections 4 and 24 hereof.

OPTIONS

7. Awards of Options

A. Options (each an "Option") may be granted alone or in addition to other Awards granted under the Plan and may be of two types: "incentive stock options" (within the meaning of Section 422 of the Code) and "non-incentive stock options". Any Option granted under the Plan shall be in such form as the Committee may from time to time approve.

B. The Committee shall have the authority to grant any Participant incentive stock options, non-incentive stock options or both types of Options (in each case with or without other Awards). Incentive stock options may be granted only to employees of the Company and its Subsidiaries. To the extent that any Option is not designated as an incentive stock option or, even if so designated, does not qualify as an incentive stock option, it shall constitute a non-incentive stock option. Incentive stock options may be granted only within 10 years from the date the Plan is adopted, or the date the Plan is approved by the Company's shareholders, whichever is earlier.

C. Options shall be evidenced by option agreements in a form approved by the Committee. An option agreement shall indicate on its face whether it is intended to be an agreement for an incentive stock option or a non-incentive stock option. The grant date of an Option shall be the date the Committee determines to be the grant date; provided, that the grant complies in all respects with the pricing requirements in Section 8.

D. Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to incentive stock options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify the Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any incentive stock option under Section 422 of the Code.

8. Option Exercise Prices

A. The initial per share option price of an Option which is an incentive stock option shall be the price determined by the Committee, but not less than the fair market value of a Class A Common Share or Class B Common Share on the date of grant; *provided, however,* that, in the case of a Participant who owns, or is deemed to own, Common Shares representing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company, determined pursuant to rules applicable to Section 422(b)(6) of the Code (a "Ten-Percent Holder"), at the time an Option which is an incentive stock option is granted to him, the initial per share option price shall not be less than 110% of the fair market value of a Class A Common Share or Class B Common Share on the date of grant.

B. The initial per share option price of any Option which is a non-incentive stock option granted to an employee shall be the price determined by the Committee, but not less than the fair market value of a Class A Common Share or Class B Common Share on the date of grant. The Committee may provide that the option price per share will increase to reflect the cost of the capital or any other objective measure or may set the initial exercise price at an amount in excess of the fair market value at the time of grant. The per share option price of any Option granted to a non-employee director pursuant to Section 24.A. shall be determined in the same manner as the per share option price for options granted to employees, and the per share option price of an Option granted to a non-employee director pursuant to Section 24.B. shall be determined as provided in Section 24.B.

C. For all purposes of the Plan, the fair market value of a Class A Common Share or a Class B Common Share on any date shall be equal to (i) if, on such day, the Class A Common Shares shall be traded on a national securities exchange, the closing sales price of a Class A Common Share as published by such national securities exchange or if there is no sale of the Class A Common Shares on such date, the average of the bid and asked price on such exchange at the close of trading on such date, or (ii) if the Class A Common Shares are not listed on a national securities exchange on such date, and are traded on a national securities market, the average of the bid and asked price in the over-the-counter market at the close of trading on such date, or (iii) if the provisions of clause (i) and clause (ii) shall not be applicable, such amount as shall be determined in good faith by the Board; provided, that the exercise price shall not be less than the par value of a share of Common Stock.

9. Option Term

Participants shall be granted Options for such term as the Committee shall determine, not in excess of ten years from the date of the granting thereof; *provided, however,* that, in the case of an incentive stock option granted to a Ten-Percent Holder, the term with respect to such Option shall not be in excess of five years from the date of the granting thereof. The Committee may provide that the length of the term of an Option will vary with the length of the period over which the Option first becomes exercisable.

10. Limitations on Amount of Incentive Stock Options Granted

The aggregate fair market value of the Class A Common Shares or the Class B Common Shares for which any Participant may be granted incentive stock options which are exercisable for the first time in any calendar year (whether under the terms of the Plan or any other stock option plan of the Company) shall not exceed $100,000; provided that such grant be made on or before August 2, 2005.

11. Exercise of Options

A. Each Option shall be exercisable and the total number of shares subject thereto shall be purchasable in installments, which need not be equal, as specified in the Option. Except as otherwise determined by the Committee, the first installment shall not become exercisable during the period commencing on the date of the granting of such Option and ending on the day next preceding the first anniversary of such date. An installment once exercisable shall remain exercisable until the Option expires or is terminated.

B. Except as hereinbefore otherwise set forth, an Option may be exercised either in whole at any time or in part from time to time.

C. An Option may be exercised only by a written notice of intent to exercise such Option with respect to a specific number of Class A Common Shares or Class B Common Shares and payment to the Company of the amount of the option price for the number of Class A Common Shares or the Class B Common Shares so specified; *provided, however*, that all or any portion of such payment may be made in kind by the delivery of Class A Common Shares or Class B Common Shares, as the case may be, having a fair market value equal to the portion of the option price so paid; *provided, further, however*, that, subject to the requirements of Regulation T (as in effect from time to time) promulgated under the United States Securities Exchange Act of 1934, as amended, the Committee may implement procedures to allow a broker chosen by a Participant to make payment of all of any portion of the option price payable upon the exercise of an Option and receive, on behalf of such Participant, all or any portion of the Class A Common Shares or Class B Common Shares issuable upon such exercise; *provided, further, however*, that any such exercise shall not violate Section 402 of the United States Sarbanes-Oxley Act of 2002.

D. Notwithstanding the terms of this Section 11, the Board may, in its discretion, permit any Option to be exercised, in whole or in part, prior to the time when it would otherwise be exercisable.

12. Transferability

No Option shall be assignable or transferable except by will and/or by the laws of descent and distribution and, during the life of any Participant, each Option granted to him may be exercised only by him; *provided, however* that the Board or Committee may provide that a Participant may transfer a non-incentive stock option for no consideration to any Family Member of such Participant. For this purpose, “Family Member” shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a Participant (including adoptive relationships); any person sharing the Participant’s household (other than a tenant or employee); any trust in which the Participant and any of these persons have all of the beneficial interest; any trust or foundation in which the Participant and any of these persons control the management of the assets; any corporation, partnership, limited liability company or other entity in which the Participant and any of these other persons are the direct and beneficial owners of all of the equity interests (provided the Participant and these other persons agree in writing to remain the direct and beneficial owners of all such equity interests); and any personal representative of the Participant upon the Participant’s death for purposes of administration of the Participant’s estate or upon the Participant’s incompetency for purposes of the protection and management of the assets of the Participant.

RESTRICTED STOCK AND RESTRICTED STOCK UNITS

13. Restricted Stock and Restricted Stock Units

A. The Committee may make (1) Awards of Class A Common Shares (without any intervening Options) (“Restricted Stock”) or (2) Awards of units valued in US dollars by reference to Class A Common Shares or otherwise based on Class A Common Shares (“Restricted Stock Units”), in each case with such vesting, restrictions, forfeiture provisions, performance requirements, contingencies and other terms as provided herein or as the Committee shall determine.

B. The Committee shall have the authority to grant any Participant Restricted Stock or Restricted Stock Units or both Restricted Stock and Restricted Stock Units (in each case with or without other Awards). The grant date of Restricted Stock or Restricted Stock Units shall be the date the Committee determines.

14. Time-Based Awards and Performance-Based Awards

A. Awards under Section 13 may be issued to vest in one or more installments over the Participant's period of employment or other service to the Company ("Time-Based Awards"), or the Committee may make Awards that entitle the Participant to receive a specified number of vested Class A Common Shares (or the equivalent in cash at the discretion of the Committee) upon the attainment of one or more performance goals or service requirements established by the Committee ("Performance-Based Awards").

B. The vesting schedule for any Time-Based Awards and the term for performance for any Performance-Based Awards shall be set by the Committee at the time of grant, shall constitute a "substantial risk of forfeiture" within the meaning of Section 409A of the Code and shall not exceed ten years (the "Restricted Period").

C. The performance criteria shall be determined by the Committee, in its discretion, and shall be used as a basis for payment with respect to an Award. Such criteria may include, but not be limited to, (i) attainment of or growth in a specified level of earnings per share, (ii) Common Shares price appreciation, (iii) attainment of or growth in a specified level of net income or net operating income, (iv) earnings before interest and taxes, (v) revenues, (vi) market share, (vii) cost reduction goals, (viii) return on equity, (ix) operating cash flow, (x) return on assets, (xi) the completion of certain corporate transactions or other strategic objectives, or (xii) a combination of the foregoing.

D. An Award under Section 13 may be issued in exchange for any consideration which the Committee may deem appropriate in each individual instance, including, without limitation:

(i) cash or cash equivalents;

(ii) services to be rendered to the Company or any Subsidiary (provided that, in such case, the par value of the stock subject to such Award shall be paid in cash or cash equivalents, unless the Committee provides otherwise).

E. The Committee shall determine at the time of the grant of an Award of Restricted Stock Units whether the Award shall be paid in Class A Common Shares or in cash (based on the fair market value of such Restricted Stock Unit as determined by reference to the fair market value of a Class A Common Share on the date the Restricted Stock Unit has vested).

15. Restrictions on Awards, Exercise

A. Participants who receive Awards of Restricted Stock shall deliver to the Company a restricted stock agreement in a form approved by the Committee. Restricted Stock Units shall be evidenced by a restricted stock unit agreement in a form approved by the Committee. Such forms need not be identical for all Participants.

B. Shares representing an Award of Restricted Stock shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more certificates (which may bear appropriate legends referring to the terms, conditions and restrictions applicable to such Award). Shares underlying an Award of Restricted Stock Units shall be evidenced in such manner as the Committee may deem appropriate.

C. The Committee may require that any certificates in respect of an Award of Restricted Stock be held in custody by the Company until any restrictions thereon shall have lapsed and that the Participant deliver a share transfer form, endorsed in blank, relating to the Common Stock covered by such Award that will permit the transfer to the Company of any or all shares of Restricted Stock that shall be forfeited by means of repurchase in accordance with the corresponding restricted stock agreement or shall not become vested in accordance with the Plan.

D. A Participant who receives an Award of Restricted Stock shall on receipt of such Award be a shareholder of the Company with respect to all shares of Restricted Stock and be entitled to vote such shares, to receive all cash dividends made in respect of such shares and to exercise all other rights in respect of such Restricted Stock except that during the Restricted Period:

(i) for any certificates for which the Committee requires that the Company retain custody, a Participant will not be entitled to delivery of the stock certificate or other evidence of such Restricted Stock before the end of such Restricted Period and unless all other vesting requirements shall have been satisfied;

(ii) other than cash dividends, the Company will not issue any such distributions ("Retained Distributions") made or declared with respect to such Restricted Stock until such time as the shares of Restricted Stock in respect of which such Retained Distributions shall have been made or declared shall have become vested (and such Retained Distributions shall be subject to the same restrictions and other terms and conditions as are applicable to the shares of Restricted Stock underlying such Restricted Distributions);

(iii) a Participant who receives an Award of Restricted Stock shall not sell, assign, exchange, transfer, pledge, charge, hypothecate or otherwise dispose of or encumber any of the shares of Restricted Stock before the end of the Restricted Period and unless all other vesting requirements have been satisfied; and

(iv) any breach of any restrictions or other terms or conditions of such Award of any Restricted Stock or any Retained Distributions in respect thereof will result in such Restricted Stock or Retained Distributions being forfeited by means of repurchase in accordance with the corresponding restricted stock agreement.

E. A Participant who receives an Award of Restricted Stock Units shall not be a shareholder on receipt of such Award and such a Participant shall not be considered an owner of any Common Shares by virtue of such Award. During the Restricted Period and until all vesting requirements have been satisfied, a Participant who receives Restricted Stock Units shall not sell, assign, exchange, transfer, pledge, charge hypothecate or otherwise dispose of or encumber any Restricted Stock Units; and any breach of any restrictions or other terms or conditions of such Award of any Restricted Stock Units will result in such Restricted Stock Units being forfeited.

F. Each Restricted Stock Unit shall be exercised on such date as specified in the restricted stock agreement and the total number of shares subject thereto or cash consideration to be received in respect thereof shall be receivable in a fixed scheme of installments, which need not be equal, as specified in the restricted stock unit agreement. In addition, except as otherwise specified in the restricted stock agreement, the first installment shall not be exercised during the period commencing on the date of the granting of such Restricted Stock Unit and ending on the day preceding the first anniversary of such grant date.

GENERAL PROVISIONS

16. Termination of Employment or Service

In the event a Participant leaves the employ of the Company and the Subsidiaries, or the services or the contract of a non-employee consultant to the Company or a Subsidiary previously granted Awards of Options hereunder is terminated or a Participant ceases to serve as a non-employee director (a "Termination"), such Award may thereafter be exercised only as hereinafter provided:

(a) If Termination occurs by reason of (i) disability, (ii) death or (iii) retirement at or after age 65, each Option theretofore granted to him which shall not have theretofore expired or otherwise been cancelled shall become fully vested and shall, to the extent not theretofore exercised, terminate upon the earlier to occur of the expiration of one (1) year after the date of such Termination and the date of termination specified in such Options;

(b) If Termination occurs by reason of (i) termination by the Company or a Subsidiary other than for Cause or (ii) the Participant's voluntary termination, each Option theretofore granted to him that is fully vested which shall not have theretofore expired or otherwise have been cancelled shall, to the extent not theretofore exercised, terminate upon the earlier to occur of the expiration of ninety (90) days after the date of Termination and the date of termination specified in such Award, and

(c) If Termination occurs by reason of termination by the Company for Cause, each Option theretofore granted to him which shall not have theretofore expired or otherwise been cancelled shall immediately terminate.

In the event of a Termination of a Participant who has received an Award of Restricted Stock or Restricted Stock Units, the vesting and exercise of such Awards, as applicable, shall be governed by the corresponding agreement in respect of such Awards.

"Cause" shall mean (i) the commission by a Participant of any act or omission that would constitute a felony under United States federal, state or equivalent foreign law, or an indictable offense under Bermuda law, (ii) a Participant's gross negligence, recklessness, dishonesty, fraud, disclosure of trade secrets or confidential information, willful malfeasance or willful misconduct in the performance of services to the Company or its Subsidiaries, (iii) willful misrepresentation to shareholders or directors which is injurious to the Company; (iv) a willful failure without reasonable justification to comply with reasonable directions of a Participant's supervisor; or (v) a willful and material breach of a Participant's duties or obligations under any agreement with the Company or a Subsidiary.

17. Adjustment of Number of Shares

A. In the event that a dividend shall be declared upon the Class A Common Shares payable in Class A Common Shares, the number of Class A Common Shares then subject to any Award, the number of Class A Common Shares reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Award and the number of Class A Common Shares referred to in Section 24.B. hereof shall be adjusted by adding to each share the number of shares which would be distributable thereon if such shares had been issued on the date fixed for determining the shareholders entitled to receive such stock dividend.

B. In the event that the issued Class A Common Shares shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, whether through reorganization, stock split-up, combination of shares, sale of assets, amalgamation, merger or consolidation in which the Company is the surviving corporation, then there shall be substituted for each Class A Common Share then subject to any Award, for each Class A Common Share reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Award and for each Class A Common Share referred to in Section 24.B. hereof, the number and kind of shares of stock or other securities into which each issued Common Share shall be so changed or for which each such share shall be exchanged.

C. In the event that there shall be any change, other than as specified in this Section 17, in the number or kind of issued Class A Common Shares, or of any stock or other securities into which the Class A Common Shares shall have been changed, or for which it shall have been exchanged, then, if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the number or kind of shares then subject to any Award, the number or kind of shares reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Award and the number or kind of shares referred to in Section 24.B. hereof, such adjustment shall be made by the Committee and shall be effective and binding for all purposes of the Plan and of each corresponding agreement or certificate entered into in accordance with the provisions of the Plan.

D. In the case of any substitution or adjustment in accordance with the provisions of this Section 17, the price (if any) in each agreement or certificate for each share covered thereby prior to such substitution or adjustment shall be the price for all shares of stock or other securities which have been substituted for such share or to which such share shall have been adjusted in accordance with the provisions of this Section 17.

E. No adjustment or substitution provided for in this Section 17 shall require the Company to sell or issue a fractional share under any agreement or certificate.

F. In the event of the dissolution or liquidation of the Company, or a merger, reorganization or consolidation in which the Company is not the surviving corporation, then each Award, to the extent not theretofore exercised, shall be immediately exercisable in full; provided, that such dissolution liquidation, amalgamation, merger, reorganization or consolidation constitutes a "change in control" within the meaning of Section 409A of the Code.

G. This Section 17 shall apply, pari passu, with respect to Class B Common Shares.

18. Purchase for Investment, Withholding and Waivers

Unless the shares to be issued in connection with an Award to a Participant shall be registered prior to the issuance thereof under the United States Securities Act of 1933, as amended, such Participant shall, as a condition of the Company's obligation to issue such shares, be required to give a representation in writing that he is acquiring such shares for his own account as an investment and not with a view to, or for sale in connection with, the distribution of any thereof. In the event of the death of a Participant, the delivery to the Company of tax waivers and other documents as may be required by the Committee. In connection with any Award, a Participant will enter into such arrangements with the Company with respect to all federal, state, local and foreign withholding tax requirements as the Committee may determine or the Company may require.

19. No Shareholder Status

Except as provided in Section 15.D., neither any Participant nor his legal representatives, heirs, executors or assigns shall be or be deemed to be the holder of any Class A Common Share or Class B Common Share covered by an Award unless and until a certificate for such share has been issued and delivered in accordance with the Plan. Upon payment of the purchase price thereof (if any), a share issued in connection with any Award shall be fully paid and non-assessable.

20. No Restrictions on Corporate Acts

Neither the existence of the Plan nor any Award shall in any way affect the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any amalgamations, merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Class A Common Shares or Class B Common Shares or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding whether of a similar character or otherwise.

21. No Employment Right or Right to Continued Service

Neither the existence of the Plan nor the grant of any Award shall require the Company or any Subsidiary to continue any Participant in the employ of the Company or such Subsidiary, as a non-employee consultant to the Company or a Subsidiary or as a director of the Company.

22. Termination and Amendment of the Plan

The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable; *provided, however*, that the Board may not without further approval of the holders of a majority of the Common Shares voting as a single class as provided in the Company's Bye-Laws present in person or by proxy at any special or annual meeting of the shareholders, increase the number of shares as to which Awards may be granted under the Plan (as adjusted in accordance with the provisions of Section 17 hereof), or change the manner of determining the option prices, or extend the period during which an Award may be granted or exercised or otherwise amend the Plan in contravention of any applicable law, rules or regulations, including the rules of any national securities exchange or market on which the Common Shares of the Company may be listed. Except as otherwise provided in Section 17 hereof, no termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted, adversely affect the rights of such Participant under such Award.

23. Expiration and Termination of the Plan

The Plan shall terminate on the business day preceding the tenth anniversary of June 2, 2005 or at such earlier time as the Board may determine. Awards may be granted under the Plan at any time and from time to time prior to its termination. Any Award outstanding under the Plan at the time of the termination of the Plan shall remain in effect until such Award shall have been exercised or shall have expired in accordance with its terms.

24. Options for Non-employee Directors

A. In addition to any Award granted pursuant to Section 4, a non-employee director shall be eligible to receive an annual Award. Except as otherwise provided in this Section 24, any Award granted to a non-employee director shall be subject to all of the terms and conditions of the Plan.

B. (1) Effective at the 2007 annual meeting of the Company and each annual meeting thereafter, each non-employee director who shall have served as a non-employee director since the immediately preceding annual meeting and any other non-employee director as determined by a vote of a majority of the members of the Board (excluding any such other non-employee director) shall be granted (i) an annual Award of a non-incentive stock option to purchase 5,000 Common Shares, which shall be Class B Common Shares in the case of a non-employee director who is eligible to be a holder of Class B Common Shares pursuant to the Company's Bye-laws, or otherwise shall be Class A Common Shares, or (ii) an annual Award of non-incentive stock options, Restricted Stock or Restricted Stock Units (or any combination thereof); provided, that the value of such options, shares of Restricted Stock or Restricted Stock Units (or combination thereof) in the aggregate shall be equal to value to 5,000 non-incentive stock options referred to in subclause (i) on the date of grant. The Compensation Committee shall have discretion to determine the components of the Awards within the limitations of the preceding sentence. For purposes of determining the value of 5,000 non-incentive stock options, the Compensation Committee shall calculate a U.S. dollar amount using the methodology that is employed by the Company for valuing Options in its most recent annual financial statements, including all assumptions contained therein. For purposes of determining the number of shares of Restricted Stock or Restricted Stock Units constituting all or a portion of an Award, the U.S. dollar amount allocated to such Award shall be divided by the fair market value of a share of the Company’s Class A Common Stock on the date of grant.

(2) The initial per share option price of each Option granted to a non-employee director pursuant to this Section 24.B. shall be equal to the fair market value of a Class A Common Share on the date the Option is granted, or 105% of the fair market value of a Class B Common Share on the date the Option is granted. Notwithstanding the preceding sentence, the Committee may provide that the Option price per share will increase to reflect the cost of capital or any other objective measure or may set the initial exercise price at an amount in excess of the fair market value at the time of grant.

(3) The term of each Option granted to a non-employee director pursuant to this Section 24.B. shall be five years from the date of the granting thereof. The Board shall determine by a majority vote the number of installments in which an Option granted pursuant to this Section 24 shall be exercisable; provided, that the first installment shall not become exercisable during the period commencing on the date of the granting of such Option and ending on the day immediately preceding the first anniversary of such date. An installment once exercisable shall remain exercisable until such Option expires or is terminated.

(4) Subject to the provisions (including any applicable solvency test) of the Companies Act 1981, all or any portion of the payment required upon the exercise of an Option granted to a non-employee director may be made in kind by the delivery of Class A Common Shares or Class B Common Shares, as the case may be, having a fair market value on the date the Option is exercised equal to the portion of the option price so paid.

C. The provisions of this Section 24 may not be amended except by the vote of a majority of the members of the Board and by the vote of a majority of the members of the Board who are non-employee directors.

25. Miscellaneous

A. Nothing contained in the Plan shall prevent the Company or any Subsidiary from adopting other or additional compensation arrangements for its employees.

B. Unless otherwise determined by the Committee, any withholding obligations may be settled with Common Shares, including Common Shares that are part of the award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant. The Committee may establish such procedures as it deems appropriate for the settlement of withholding obligations with Common Shares.

C. The Committee shall establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom any amounts payable in the event of the Participant's death are to be paid.

D. Any amounts owed to the Company or a Subsidiary by the Participant of whatever nature may be offset by the Company from the value of any Common Shares, cash or other thing of value under this Plan or an agreement or certificate to be transferred to the Participant, and no Common Shares, cash or other thing of value under this Plan or an agreement or certificate shall be transferred unless and until all disputes between the Company and the Participant have been fully and finally resolved and the Participant has waived all claims against the Company or a Subsidiary in respect thereof.

E. To the extent that the Committee determines that the restrictions imposed by the Plan preclude the achievement of the material purposes of the awards in jurisdictions outside the United States of America, the Committee may in its discretion modify those restrictions as it determines to be necessary or appropriate to conform to applicable requirements or practices of such jurisdictions.

F. The headings contained in the Plan are for reference purposes only and shall not affect the meaning or interpretation of this Plan.

G. If any provision of this Plan shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereby, and this Plan shall be construed as if such invalid or unenforceable provision were omitted.

H. This Plan shall inure to the benefit of and be binding on each successor and assign of the Company. All obligations imposed on a Participant, and all rights granted to the Company hereunder, shall be binding on the Participant's heirs, legal representatives, successors and assigns.

I. This Plan and each agreement or certificate granting an Award constitute the entire agreement with respect to the subject matter hereof and thereof; *provided*, that in the event of any inconsistency between this Plan and such agreement or certificate, the terms and conditions of the Plan shallprevail.

J. None of the Company, any Subsidiary or the Committee shall have any duty or obligation to disclose affirmatively in any manner to a registered or beneficial holder of Common Shares or an Option or other Award, and such holder shall have no right to be advised of, any material non-public information regarding the Company or any Subsidiary at any time prior to, upon or in connection with, the receipt or exercise of an Option or other Award.

26. Governing Law

The Plan and all Awards, agreements and actions hereunder shall be governed by the laws of Bermuda.

* * * * *

Exhibit 21.01

Subsidiaries: Equity Accounted Affiliates and Cost Investments as at February 25, 2009

Company Name	Effective Voting Interest	Jurisdiction of Organization	Type of Affiliate (1)
Top Tone Media S.A.	80.00%	Luxembourg	Subsidiary
Zopal S.A.	80.00%	Luxembourg	Subsidiary
TV 2 EOOD	80.00%	Bulgaria	Subsidiary
LG Consult EOOD	80.00%	Bulgaria	Subsidiary
Top Tone Media Bulgaria EOOD	80.00%	Bulgaria	Subsidiary
Ring TV EAD	80.00%	Bulgaria	Subsidiary
Nova TV d.d.	100.00%	Croatia	Subsidiary
Operativna Kompanija d.o.o.	100.00%	Croatia	Subsidiary
Media House d.o.o.	100.00%	Croatia	Subsidiary
Internet Dnevnik d.o.o.	76.00%	Croatia	Subsidiary
CET 21 spol. s r.o.	100.00%	Czech Republic	Subsidiary
MEDIA CAPITOL, a.s.	100.00%	Czech Republic	Subsidiary
Jyxo, s.r.o.	100.00%	Czech Republic	Subsidiary
BLOG Internet, s.r.o.	100.00%	Czech Republic	Subsidiary
CME Slovak Holdings B.V.	100.00%	Netherlands	Subsidiary
CME Romania B.V.	100.00%	Netherlands	Subsidiary
Media Pro International S.A.	95.00%	Romania	Subsidiary
Media Vision SRL	95.00%	Romania	Subsidiary
Pro TV S.A.	95.0543%	Romania	Subsidiary
Sport Radio TV Media SRL	95.0434%	Romania	Subsidiary
Media Pro Management S.A.	8.70%	Romania	Cost Investment
Media Pro B.V.	10.00%	Netherlands	Cost Investment
Music Television System S.R.L.	95.0543%	Romania	Subsidiary
A.R.J., a.s.	100.00%	Slovak Republic	Subsidiary
MARKIZA-SLOVAKIA, spol. s r.o.	100.00%	Slovak Republic	Subsidiary
GAMATEX spol. s r.o.	100.00%	Slovak Republic	Subsidiary (in liquidation)

A.D.A.M. a.s.	100.00%	Slovak Republic	Subsidiary (in liquidation)
MEDIA INVEST, spol s r.o.	100.00%	Slovak Republic	Subsidiary
EMAIL.SK s.r.o.	80%	Slovak Republic	Subsidiary
PMT, s r.o.	31.50%	Slovak Republic	Cost Investment
MMTV 1 d.o.o.	100.00%	Slovenia	Subsidiary
Produkcija Plus d.o.o.	100.00%	Slovenia	Subsidiary
POP TV d.o.o.	100.00%	Slovenia	Subsidiary
Kanal A d.o.o.	100.00%	Slovenia	Subsidiary
Euro 3 TV d.o.o.	42.00%	Slovenia	Equity-Accounted Affiliate
TELEVIDEO d.o.o.	20.00%	Slovenia	Equity-Accounted Affiliate
International Media Services Ltd.	100.00%	Bermuda	Subsidiary
CME Ukraine Holding GmbH	100.00%	Austria	Subsidiary
Innova Film GmbH	100.00%	Germany	Subsidiary
CME Cyprus Holding Ltd.	100.00%	Cyprus	Subsidiary
Grizard Investments Limited	100.00%	Cyprus	Subsidiary
Grintwood Investments Limited	100.00%	Cyprus	Subsidiary
TV Media Planet Ltd.	100.00%	Cyprus	Subsidiary
1+1 Production	100.00%	Ukraine	Subsidiary
Studio 1+1 LLC	100.00%	Ukraine	Subsidiary
Ukrainian Media Services LLC	99.98%	Ukraine	Subsidiary
Ukrpromtorg-2003 LLC	100.00%	Ukraine	Subsidiary
Gravis-Kino LLC	100.00%	Ukraine	Subsidiary
Nart LLC	100.00%	Ukraine	Subsidiary
TV Stimul LLC	100.00%	Ukraine	Subsidiary
TOR LLC	100.00%	Ukraine	Subsidiary
ZHYSA LLC	100.00%	Ukraine	Subsidiary
Glavred-Media LLC	10.00%	Ukraine	Cost Investment
Central European Media Enterprises N.V.	100.00%	Netherlands Antilles	Subsidiary
Central European Media Enterprises II B.V.	100.00%	Netherlands Antilles	Subsidiary
CME Media Enterprises B.V.	100.00%	Netherlands	Subsidiary
CME Programming B.V.	100.00%	Netherlands	Subsidiary
CME Ukraine Holding B.V.	100.00%	Netherlands	Subsidiary
CME Development Corporation	100.00%	Delaware (USA)	Subsidiary
CME SR d.o.o.	100.00%	Serbia	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.

Exhibit 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-151811 on Form S-3 and Registration Statement Nos. 333-60295, 333-110959, and 333-130405 on Form S-8 of our reports dated February 25, 2009, relating to the financial statements and financial statement schedule of Central European Media Enterprises Ltd. and the effectiveness of Central European Media Enterprises Ltd.'s 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, 2008, and to the reference to us under the heading "Experts" in the Prospectus, which is part of Registration Statement No. 333-151811 on Form S-3.

DELOITTE LLP
London, United Kingdom
February 25, 2009

Exhibit 24.01

POWER OF ATTORNEY

Each person whose signature appears below, constitutes and appoints Adrian Sarbu 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 2008 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 25, 2009

/s/ Ronald S. Lauder __________________ Ronald S. Lauder	/s/ Herb Granath __________________ Herbert A. Granath
/s/ Adrian Sarbu __________________ Adrian Sarbu	/s/ Wallace Macmillan __________________ Wallace Macmillan
/s/ Frank Ehmer __________________ Frank Ehmer	/s/ Charles Frank __________________ Charles Frank
/s/ Igor Kolomoisky __________________ Igor Kolomoisky	/s/ Herbert Kloiber __________________ Herbert Kloiber
/s/ Alfred W. Langer __________________ Alfred W. Langer	/s/ Bruce Maggin __________________ Bruce Maggin
/s/ Ann Mather __________________ Ann Mather	/s/ Duco Sickinghe __________________ Duco Sickinghe
/s/ Christian Stahl __________________ Christian Stahl	/s/ Eric Zinterhofer __________________ Eric Zinterhofer

Exhibit 31.01

CERTIFICATION OF PRESIDENT

I, Adrian Sarbu, certify that:

1. I have reviewed this annual report on Form 10-K of Central European Media Enterprises Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any changes in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Adrian Sarbu
Adrian Sarbu
President and Chief Operating Officer
February 25, 2009

Exhibit 31.02

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 25, 2009

Exhibit 32.01

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, Adrian Sarbu, President and Chief Operating 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/ Adrian Sarbu
Adrian Sarbu
President and Chief Operating Officer
(Principal Executive Officer)
February 25, 2009

/s/ Wallace Macmillan
Wallace Macmillan
Chief Financial Officer
(Principal Financial and Accounting Officer)
February 25, 2009