CENTRAL EUROPEAN MEDIA ENTERPRISES LTD
Form 10-Q
April 26, 2018
Index

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
o 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)	(I.R.S. Employer Identification No.)
O'Hara House, 3 Bermudiana Road, Hamilton, Bermuda	HM 08
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (441) 296-1431
Indicate by check mark whether registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for each shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes T No £
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes T No £
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 T Non-accelerated filer £ Smaller reporting company £
Emerging growth company £
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. £
Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act) Yes £ No T
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of April 23, 2018
Class A Common Stock, par value $0.08	148,721,537

Index

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
FORM 10-Q
For the quarterly period ended March 31, 2018

Index

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(US$ 000's, except share data)

(Unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 74,264	$ 54,903
Accounts receivable, net (Note 7)	139,976	158,903
Program rights, net (Note 6)	76,193	69,706
Other current assets (Note 8)	34,809	33,106
Assets held for sale (Note 3)	143,481	148,156
Total current assets	468,723	464,774
Non-current assets		
Property, plant and equipment, net (Note 9)	105,850	103,648
Program rights, net (Note 6)	175,061	182,170
Goodwill (Note 4)	734,222	712,359
Other intangible assets, net (Note 4)	150,293	148,235
Other non-current assets (Note 8)	15,777	16,869
Total non-current assets	1,181,203	1,163,281
Total assets	$ 1,649,926	$ 1,628,055
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	$147,213	$143,893
Current portion of long-term debt and other financing arrangements (Note 5)	3,439	2,960
Other current liabilities (Note 11)	33,322	9,280
Liabilities held for sale (Note 3)	33,361	32,131
Total current liabilities	217,335	188,264
Non-current liabilities		
Long-term debt and other financing arrangements (Note 5)	1,054,322	1,085,714
Other non-current liabilities (Note 11)	97,542	95,254
Total non-current liabilities	1,151,864	1,180,968
Commitments and contingencies (Note 20)		
TEMPORARY EQUITY		
200,000 shares of Series B Convertible Redeemable Preferred Stock of $0.08 each (December 31, 2017 - 200,000) (Note 13)	267,040	264,593
EQUITY		
CME Ltd. shareholders' equity (Note 14):		
One share of Series A Convertible Preferred Stock of $0.08 each (December 31, 2017 – one)	—	—
148,235,428 shares of Class A Common Stock of $0.08 each (December 31, 2017 – 145,486,497)	11,858	11,639
Nil shares of Class B Common Stock of $0.08 each (December 31, 2017 – nil)	—	—
Additional paid-in capital	1,905,969	1,905,779
Accumulated deficit	(1,728,518)	(1,735,768)
Accumulated other comprehensive loss	(175,254)	(187,438)
Total CME Ltd. shareholders' equity / (deficit)	14,055	(5,788)
Noncontrolling interests	(368)	18

Total equity / (deficit)	13,687	(5,770)
Total liabilities and equity	$1,649,926	$1,628,055

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

1

Index

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

	For the Three Months Ended March 31,	
	2018	2017
Net revenues	$139,182	$111,732
Operating expenses:		
Content costs	69,806	58,645
Other operating costs	12,687	11,255
Depreciation of property, plant and equipment	7,366	5,959
Amortization of broadcast licenses and other intangibles	2,356	2,109
Cost of revenues	92,215	77,968
Selling, general and administrative expenses	26,022	20,740
Operating income	20,945	13,024
Interest expense (Note 15)	(15,012)	(18,993)
Loss on extinguishment of debt (Note 5)	(109)	—
Other non-operating income, net (Note 16)	4,157	2,232
Income / (loss) before tax	9,981	(3,737)
Provision for income taxes	(3,897)	(2,245)
Income / (loss) from continuing operations	6,084	(5,982)
Income / (loss) from discontinued operations, net of tax (Note 3)	988	(5,292)
Net income / (loss)	7,072	(11,274)
Net loss attributable to noncontrolling interests	178	209
Net income / (loss) attributable to CME Ltd.	$7,250	$(11,065)
Net income / (loss)	$7,072	$(11,274)
Other comprehensive income		
Currency translation adjustment	11,785	2,072
Unrealized gain on derivative instruments (Note 12)	191	1,258
Total other comprehensive income	11,976	3,330
Comprehensive income / (loss)	19,048	(7,944)
Comprehensive loss attributable to noncontrolling interests	386	301
Comprehensive income / (loss) attributable to CME Ltd.	$19,434	$(7,643)

PER SHARE DATA (Note 18):		
Net income / (loss) per share:		
Continuing operations — basic	$ 0.01	$(0.05)
Continuing operations — diluted	0.01	(0.05)
Discontinued operations — basic	0.01	(0.04)
Discontinued operations — diluted	0.00	(0.04)
Net income / (loss) attributable to CME Ltd. — basic	0.02	(0.09)
Net income / (loss) attributable to CME Ltd. — diluted	0.01	(0.09)
Weighted average common shares used in computing per share amounts (000's):		
Basic	158,039	154,795
Diluted	241,905	154,795

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

Index

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(US$ 000’s, except share data)
(Unaudited)

	CME Ltd. Series A Convertible Preferred Stock		Class A Common Stock		Class B Common Stock						
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total (Deficit) / Equity
BALANCE December 31, 2017	1	$ —	145,486,497	$ 11,639	—	$ —	$ 1,905,779	$ (1,735,768)	$ (187,438)	$ 18	$ (5,770)
Stock-based compensation	—	—	—	—	—	—	1,112	—	—	—	1,112
Exercise of warrants (Note 14)	—	—	2,280,936	182	—	—	2,099	—	—	—	2,281
Share issuance, stock-based compensation	—	—	467,995	37	—	—	(37)	—	—	—	—
Withholding tax on net share settlement of stock-based compensation	—	—	—	—	—	—	(537)	—	—	—	(537)
Preferred dividend paid in kind	—	—	—	—	—	—	(2,447)	—	—	—	(2,447)
Net income / (loss)	—	—	—	—	—	—	—	7,250	—	(178)	7,072
Unrealized gain on derivative instruments	—	—	—	—	—	—	—	—	191	—	191
Currency translation adjustment	—	—	—	—	—	—	—	—	11,993	(208)	11,785
BALANCE March 31, 2018	1	$ —	148,235,428	$ 11,858	—	$ —	$ 1,905,969	$ (1,728,518)	$ (175,254)	$ (368)	$ 13,687

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

Index

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

	For the Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income / (loss)	$7,072	$(11,274)
Adjustments to reconcile net income / (loss) to net cash generated from continuing operating activities:		
(Income) / loss from discontinued operations, net of tax (Note 3)	(988)	5,292
Amortization of program rights	69,806	58,645
Depreciation and other amortization	11,279	9,432
Loss on extinguishment of debt (Note 5)	109	—
Gain on disposal of fixed assets	(1)	(23)
Deferred income taxes	(90)	(598)
Stock-based compensation (Note 17)	1,074	767
Change in fair value of derivatives	162	(265)
Foreign currency exchange gain, net	(3,729)	(2,044)
Changes in assets and liabilities:		
Accounts receivable, net	23,452	26,525
Accounts payable and accrued liabilities	(8,365)	(12,080)
Program rights	(66,038)	(54,208)
Other assets and liabilities	(550)	860
Accrued interest	8,810	13,102
Income taxes payable	(40)	(34)
Deferred revenue	23,691	18,414
VAT and other taxes payable	871	(2,091)
Net cash generated from continuing operating activities	$66,525	$50,420
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	$(4,098)	$(6,034)
Disposal of property, plant and equipment	13	101
Net cash used in continuing investing activities	$(4,085)	$(5,933)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	$(61,645)	$—
Debt transaction costs	(173)	—
Payment of credit facilities and capital leases	(910)	(327)
Proceeds from exercise of warrants	2,281	301
Net cash used in continuing financing activities	$(60,447)	$(26)
Net cash provided by discontinued operations - operating activities	16,561	2,684
Net cash used in discontinued operations - investing activities	(1,645)	(1,508)
Net cash used in discontinued operations - financing activities	(79)	(67)

Impact of exchange rate fluctuations on cash and cash equivalents			2,531	(152)
Net increase in cash and cash equivalents			$19,361	$45,418
CASH AND CASH EQUIVALENTS, beginning of period			54,903	40,606
CASH AND CASH EQUIVALENTS, end of period			$74,264	$86,024
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest (including mandatory cash-pay Guarantee Fees)	$4,232	$4,133		
Cash paid for income taxes, net of refunds	4,027	2,121		
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:				
Accretion on Series B Convertible Redeemable Preferred Stock	$2,447	$2,357		

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

Index

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

1. ORGANIZATION AND BUSINESS

Central European Media Enterprises Ltd., a Bermuda company limited by shares, is a media and entertainment company operating in Central and Eastern Europe. Our assets are held through a series of Dutch and Curaçao holding companies. We manage our business on a geographical basis, with four operating segments; Bulgaria, the Czech Republic, Romania and the Slovak Republic, which are also our reportable segments and our main operating countries. See Note 19, "Segment Data" for financial information by segment.

We are the market-leading broadcasters in each of our four operating countries with a combined portfolio of 26 television channels. Each country also develops and produces content for their television channels. We generate advertising revenues in our country operations primarily through entering into agreements with advertisers, advertising agencies and sponsors to place advertising on the television channels that we operate. We generate additional revenues by collecting fees from cable, and direct-to-home ("DTH") and internet protocol television ("IPTV") operators for carriage of our channels. Unless otherwise indicated, we own 100% of our broadcast operating and license companies in each country.

Bulgaria

We operate one general entertainment channel, BTV, and five other channels, BTV CINEMA, BTV COMEDY, BTV ACTION, BTV LADY and RING. We own 94.0% of CME Bulgaria B.V. ("CME Bulgaria"), the subsidiary that owns our Bulgaria operations.

Czech Republic

We operate one general entertainment channel, TV NOVA, and seven other channels, NOVA 2, NOVA CINEMA, NOVA SPORT 1, NOVA SPORT 2, NOVA ACTION, NOVA GOLD and NOVA INTERNATIONAL, a general entertainment channel broadcasting in the Slovak Republic.

Romania

We operate one general entertainment channel, PRO TV, and seven other channels, PRO 2, PRO X, PRO GOLD, PRO CINEMA, PRO TV INTERNATIONAL, MTV ROMANIA, as well as PRO TV CHISINAU, a general entertainment channel broadcasting in Moldova.

Slovak Republic

We operate one general entertainment channel, TV MARKIZA, and three other channels, DOMA, DAJTO, and MARKIZA INTERNATIONAL, a general entertainment channel broadcasting in the Czech Republic.

2. BASIS OF PRESENTATION

The terms the "Company", "we", "us", and "our" are used in this Form 10-Q to refer collectively to the parent company, Central European Media Enterprises Ltd. ("CME Ltd."), and the subsidiaries through which our various businesses are conducted. Unless otherwise noted, all statistical and financial information presented in this report has been converted into U.S. dollars using period-end exchange rates. All references to "US$", "USD" or "dollars" are to U.S. dollars, all references to "BGN" are to the Bulgarian leva, all references to "CZK" are to the Czech koruna, all references to "RON" are to the New Romanian lei, and all references to "Euro" or "EUR" are to the European Union Euro.

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Quarterly Report on Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles in the United States of America ("US GAAP"). Amounts as of December 31, 2017 included in the unaudited condensed consolidated financial statements have been derived from audited consolidated financial statements as of that date. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission on February 8, 2018. Our significant accounting policies have not changed since December 31, 2017, except as noted below.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring items and changes in US GAAP, necessary for their fair presentation in conformity with US GAAP for complete financial statements. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services, net of taxes assessed by a government authority that are both imposed on and concurrent with the specific revenue-producing transaction and collected from the customer. Timing of revenue recognition may differ from the timing of invoicing to customers. We defer the recognition of revenues when cash payments are received or due in advance of our performance, including amounts which are refundable. We record a receivable when revenue is recognized prior to invoicing, or deferred revenue when revenue is recognized subsequent to invoicing. Invoicing typically occurs on a monthly basis and customers are obliged to pay within 30 to 60 days of issuance. For certain services and customer types, we require payment before the services are provided.

In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers or to provide customers with financing.

Index

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

Our principal revenue streams and their respective accounting treatments are discussed below:
Television advertising revenues primarily result from the sale of advertising time. Television advertising revenues are earned as the commercials are aired. In many countries, we commit to provide advertisers with certain rating levels in connection with their advertising. Revenue is recorded based on a charge per Gross Rating Point ("GRP") ordered during the month net of estimated shortfalls. Discounts and agency commissions on television advertising revenue are recognized at the point when the advertising is broadcast and are reflected as a reduction to gross revenue. These amounts are known in advance or can be reasonably estimated based on historical practice.
Carriage fees and subscription revenues includes revenues from cable operators and direct-to-home broadcasters and fees from subscriptions to our channels as well as subscriptions to our streaming services. Revenues 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. A portion of this fee revenue is based on the number of subscribers to our channels and recognized during the period, based upon the number of subscribers. The impacts of future changes in subscriber levels are recognized when they occur as estimates of future subscribers are constrained. Revenues from subscriptions to our streaming services are recognized over the period of the subscription.
Other revenues primarily includes revenues from our internet display advertising, as well as revenues from the licensing of our content. Internet display advertising revenues are recognized on a cost-per-impression basis based on the number of times a customer's advertisement is displayed on our websites. Revenues from the licensing of our content are recognized over the license period beginning from delivery or reasonable access to the content.
Our revenue streams involve significant judgment with respect to the discounts and agency commissions we provide to certain customers based on the amount of advertising purchased. Such discounts are based on estimates of the total amount expected to be earned and reduce revenue based on a systematic and rational allocation of the cost of honoring the discounts earned and claimed to each of the underlying revenue transactions that result in progress by the customer towards earning the discount. Due to timing of the information provided by the rating agencies, significant judgment may be necessary to estimate the total volume of GRPs delivered within the contract period.
Use of Estimates
The preparation of financial statements in conformity with US 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 periods. Actual results could differ from those estimates and assumptions.
Discontinued Operations and Assets Held for Sale
We present our results of operations, financial position and cash flows of operations that have either been sold or that meet the criteria for "held-for-sale accounting" as discontinued operations if the disposal represents a strategic shift that will have a major effect on our operations and financial results. At the time an operation qualifies for held-for-sale accounting, the operation is evaluated to determine whether or not the carrying amount exceeds its fair value less cost to sell. Any loss as a result of carrying amounts in excess of fair value less cost to sell is recorded in the period the operation qualifies for held-for-sale accounting. Management judgment is required to (1) assess the criteria required to qualify for held-for-sale accounting, and (2) estimate fair value. Our Croatia and Slovenia operations are classified as discontinued operations and assets held for sale for all periods presented. See Note 3, "Discontinued Operations and Assets Held for Sale".
Basis of Consolidation
The unaudited condensed consolidated financial statements include the accounts of CME Ltd. and our subsidiaries, after the elimination of intercompany accounts and transactions. Entities in which we hold less than a majority voting interest but over which we have the ability to exercise significant influence are accounted for using the equity method. Other investments are accounted for using the cost method.

Seasonality

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

Recent Accounting Pronouncements

Accounting Pronouncements Adopted

On January 1, 2018, we adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 606, Revenue from Contracts with Customers ("ASC 606") using the modified retrospective method applied to those contracts which were not completed as of the adoption date. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under legacy guidance. Based on our assessment of the guidance in ASC 606, our method of recognizing revenue did not change. Furthermore, we did not record an adjustment to opening retained earnings as of January 1, 2018 and there was no impact to revenues for the three months ended March 31, 2018.

In August 2016, the FASB issued guidance which is intended to reduce the existing diversity in practice related to specific cash flow issues. As applicable to us, the guidance requires that cash flows at the settlement of zero-coupon debt instruments or debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing be bifurcated between cash outflows for operating activities for the portion attributable to accrued interest, and cash outflows for financing activities for the portion attributable to the principal. We adopted this guidance as of January 1, 2018 which did not impact our net cash flows generated from continuing operating activities in 2017 or 2018.

Index

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

Recent Accounting Pronouncements Issued

In February 2016, the FASB issued guidance to increase transparency and comparability among organizations by recognizing leasing assets and liabilities on the balance sheet and requiring additional disclosures about an entity's leasing arrangements. The guidance requires that a lessee recognize a liability to make lease payments and a right-of-use asset, with an available exception for leases shorter than twelve months. The guidance is effective for our fiscal year beginning January 1, 2019. We are currently in the process of evaluating the impact of the adoption of this guidance on our condensed consolidated financial statements.

In June 2016, the FASB issued new guidance to provide financial statement users with more information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments replace the incurred loss impairment methodology in the current guidance with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance is effective for our fiscal year beginning January 1, 2020 with early adoption permitted for our fiscal year beginning January 1, 2019. We are in the process of assessing the potential impacts of this guidance.

3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

On July 9, 2017, we entered into a framework agreement with Slovenia Broadband S.à r.l. (the "Purchaser"), a wholly owned subsidiary of United Group B.V., relating to the sale of our Croatia and Slovenia operations for cash consideration of EUR 230.0 million (approximately US$ 283.4 million) (the "Divestment Transaction"), subject to customary working capital adjustments. On March 26, 2018, the Croatian Agency for Electronic Media confirmed the transaction is permissible under Croatian media legislation. We expect the transaction to close subject to obtaining the remaining regulatory approvals from the competition authorities in Croatia and Slovenia as well as the satisfaction of other customary closing conditions. If the transaction is terminated by either party because the transaction has not closed as of June 30, 2018 (extended from March 31, 2018), we would receive a termination fee of EUR 7.0 million (approximately US$ 8.6 million), subject to certain exceptions, including if any requisite regulatory approval has not been obtained as a result of the Purchaser being required to make a specified material divestiture as a condition to such regulatory approval, or if a notification has not been declared complete by a relevant regulatory authority.

The carrying amounts of the major classes of assets and liabilities of our discontinued operations that are classified as held for sale in the condensed consolidated balance sheets at March 31, 2018 and December 31, 2017 were:

	March 31, 2018	December 31, 2017
Assets held for sale		
Cash and cash equivalents	$ 6,033	$ 8,784
Accounts receivable, net	35,364	43,540
Program rights, net	68,210	62,017
Property, plant and equipment, net	22,610	22,870
Other assets	11,264	10,945
Total assets held for sale	$ 143,481	$ 148,156
Liabilities held for sale		
Accounts payable and accrued liabilities	$ 28,006	$ 30,073
Other liabilities	5,355	2,058
Total liabilities held for sale	$ 33,361	$ 32,131

Income / (loss) from discontinued operations, net of tax, comprised the following for the three months ended March 31, 2018 and 2017:

	For the Three Months Ended March 31,	
	2018	2017
Net revenues	$31,814	$23,270
Cost of revenues	21,277	19,858
Selling, general and administrative expenses	5,052	4,168
Operating income / (loss)	5,485	(756)
Interest expense [1]	(4,207)	(4,762)
Other non-operating income, net	333	93
Income / (loss) from discontinued operations, before tax	1,611	(5,425)
(Provision) / credit for income taxes	(623)	133
Income / (loss) from discontinued operations, net of tax	$988	$(5,292)

(1) For the three months ended March 31, 2018 and 2017, we paid US$ 0.9 million and US$ 0.8 million, respectively, of interest and Guarantee Fees associated with the 2018 Euro Term Loan and 2019 Euro Term Loan (as defined in Note 5, "Long-term Debt and Other Financing Arrangements"). These payments were allocated to Net cash provided by discontinued operations - operating activities in our Condensed Consolidated Statements of Cash Flows as we are required to apply the expected proceeds from the Divestment Transaction towards the repayment of the remaining principal amounts owing in respect of the 2018 Euro Term Loan as well as to the fees related to the 2019 Euro Term Loan, including Guarantee Fees and the Commitment Fee which we have previously paid in kind pursuant to the Reimbursement Agreement. To the extent excess funds are available thereafter, the remaining proceeds are required to be applied to the principal amounts owing in respect of the 2019 Euro Term Loan.

Index

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

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill:

Goodwill by reporting unit as at March 31, 2018 and December 31, 2017 was as follows:

	Bulgaria	Czech Republic	Romania	Slovak Republic	Total
Gross Balance, December 31, 2017	$175,071	$837,732	$90,305	$52,463	$1,155,571
Accumulated impairment losses	(144,639)	(287,545)	(11,028)	—	(443,212)
Balance, December 31, 2017	30,432	550,187	79,277	52,463	712,359
Foreign currency	832	17,321	2,271	1,439	21,863
Balance, March 31, 2018	31,264	567,508	81,548	53,902	734,222
Accumulated impairment losses	(144,639)	(287,545)	(11,028)	—	(443,212)
Gross Balance, March 31, 2018	$175,903	$855,053	$92,576	$53,902	$1,177,434

Other intangible assets:

Changes in the net book value of our other intangible assets as at March 31, 2018 and December 31, 2017 are summarized as follows:

	March 31, 2018			December 31, 2017		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Indefinite-lived:						
Trademarks	$90,422	$—	$90,422	$87,900	$—	$87,900
Amortized:						
Broadcast licenses	227,013	(168,926)	58,087	220,194	(161,820)	58,374
Trademarks	433	(433)	—	421	(421)	—
Customer relationships	60,455	(58,849)	1,606	58,771	(56,996)	1,775
Other	1,802	(1,624)	178	1,753	(1,567)	186
Total	$380,125	$(229,832)	$150,293	$369,039	$(220,804)	$148,235

Broadcast licenses consist of our TV NOVA license in the Czech Republic, which is amortized on a straight-line basis through the expiration date of the license in 2025. Our customer relationships are deemed to have an economic useful life of, and are amortized on a straight-line basis over, five years to fifteen years.

5. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Summary

	March 31, 2018	December 31, 2017
Long-term debt	$ 1,047,600	$ 1,079,187
Other credit facilities and capital leases	10,161	9,487
Total long-term debt and other financing arrangements	1,057,761	1,088,674
Less: current maturities	(3,439)	(2,960)
Total non-current long-term debt and other financing arrangements	$ 1,054,322	$ 1,085,714

Financing Transactions

On February 5, 2018, we entered into an amendment to extend the maturity date of the 2018 Euro Term Loan from November 1, 2018 to May 1, 2019. On February 6, 2018, we paid EUR 50.0 million (approximately US$ 61.6 million at February 6, 2018 rates) of the outstanding principal balance of the 2018 Euro Term Loan on which we recognized a loss on extinguishment of US$ 0.1 million.

On April 25, 2018 we entered into a series of amendments which modify certain terms of our 2019 Euro Term Loan, the 2021 Euro Term Loan, the 2021 Revolving Credit Facility (as defined below) and the Reimbursement Agreement

(as defined below) (collectively, the "Financing Transactions"). The Financing Transactions reduce the rates payable under the pricing grid under the Reimbursement Agreement and the 2021 Revolving Credit Facility as well as extend the maturity dates of the 2019 Euro Term Loan, the 2021 Euro Term Loan and the 2021 Revolving Credit Facility. The amount available to us under the 2021 Revolving Credit Facility will increase to US$ 75.0 million. The Financing Transactions are effective on April 26, 2018 (see Note 22, "Subsequent Events").
On April 25, 2018, Time Warner Inc. ("Time Warner") and TW Investor exercised their outstanding warrants to acquire 100,926,996 shares of Class A Common Stock at US$ 1.00 per share. We will use the proceeds from this transaction to repay a substantial portion of the principal amount outstanding of the 2018 Euro Term Loan (see Note 22, "Subsequent Events").

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

We are required to apply the proceeds from the Divestment Transaction to the repayment of the remaining principal amount of the 2018 Euro Term Loan. Any excess amounts will then be applied to pay fees related to the 2019 Euro Term Loan, including Guarantee Fees and the Commitment Fee which we have previously paid in kind pursuant to the Reimbursement Agreement. To the extent excess funds are available thereafter, the remaining proceeds are required to be applied to the principal amounts owing in respect of the 2019 Euro Term Loan (see Note 3, "Discontinued Operations and Assets Held for Sale").

Overview

Total long-term debt and credit facilities comprised the following at March 31, 2018:

	Principal Amount of Liability Component	Debt Issuance Costs [1]	Net Carrying Amount
2018 Euro Term Loan	$ 185,801	$ (278)	$ 185,523
2019 Euro Term Loan	289,956	(325)	289,631
2021 Euro Term Loan	577,608	(5,162)	572,446
2021 Revolving Credit Facility	—	—	—
Total long-term debt and credit facilities	$ 1,053,365	$ (5,765)	$ 1,047,600

(1) Debt issuance costs related to the 2018 Euro Term Loan, 2019 Euro Term Loan and 2021 Euro Term Loan are being amortized on a straight-line basis, which approximates the effective interest method, over the life of the respective instruments. Debt issuance costs related to the 2021 Revolving Credit Facility are classified as non-current assets in our condensed consolidated balance sheet and are being amortized on a straight-line basis over the life of the 2021 Revolving Credit Facility.

Long-term Debt

Our long-term debt comprised the following at March 31, 2018 and December 31, 2017:

	Carrying Amount		Fair Value	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
2018 Euro Term Loan	$ 185,523	$ 240,545	$ 180,486	$ 236,337
2019 Euro Term Loan	289,631	281,871	276,968	268,858
2021 Euro Term Loan	572,446	556,771	525,017	510,882
	$ 1,047,600	$ 1,079,187	$ 982,471	$ 1,016,077

The fair values of the Euro Term Loans (as defined below) as at March 31, 2018 and December 31, 2017 were determined based on comparable instruments that trade in active markets. This measurement of estimated fair value uses Level 2 inputs as described in Note 12, "Financial Instruments and Fair Value Measurements". Certain derivative instruments, including contingent event of default and change of control put options, have been identified as being embedded in each of the Euro Term Loans. The embedded derivatives are considered clearly and closely related to their respective Euro Term Loan, and as such are not required to be accounted for separately.

2018 Euro Term Loan

As at March 31, 2018, the principal amount of our floating rate senior unsecured term credit facility (the "2018 Euro Term Loan") outstanding was EUR 150.8 million (approximately US$ 185.8 million). The 2018 Euro Term Loan bears interest at three-month EURIBOR (fixed pursuant to customary hedging arrangements (see Note 12, "Financial Instruments and Fair Value Measurements") plus a margin of between 1.1% and 1.9% depending on the credit rating of Time Warner. As at March 31, 2018, the all-in borrowing rate on amounts outstanding under the 2018 Euro Term Loan was 6.0%, the components of which are shown in the table below under the heading "Interest Rate Summary".

Interest on the 2018 Euro Term Loan is payable quarterly in arrears on each March 12, June 12, September 12 and December 12. Pursuant to the amendment entered into on February 5, 2018, the 2018 Euro Term Loan will mature on May 1, 2019 and may be prepaid at our option, in whole or in part, without premium or penalty. The 2018 Euro Term Loan is a senior unsecured obligation of CME Ltd., and is unconditionally guaranteed by our 100% owned subsidiary CME Media Enterprises B.V. ("CME BV") and by Time Warner and certain of its subsidiaries.

2019 Euro Term Loan

As at March 31, 2018, the principal amount of our floating rate senior unsecured term credit facility (the "2019 Euro Term Loan") outstanding was EUR 235.3 million (approximately US$ 290.0 million). The 2019 Euro Term Loan bears interest at three-month EURIBOR (fixed pursuant to customary hedging arrangements (see Note 12, "Financial Instruments and Fair Value Measurements")) plus a margin of between 1.1% and 1.9% depending on the credit rating of Time Warner. As at March 31, 2018, the all-in borrowing rate on amounts outstanding under the 2019 Euro Term Loan was 6.0%, the components of which are shown in the table below under the heading "Interest Rate Summary".
Interest on the 2019 Euro Term Loan is payable quarterly in arrears on each February 13, May 13, August 13 and November 13. The 2019 Euro Term Loan matures on November 1, 2019 and may currently be prepaid at our option, in whole or in part, without premium or penalty. The 2019 Euro Term Loan is a senior unsecured obligation of CME Ltd., and is unconditionally guaranteed by CME BV and by Time Warner and certain of its subsidiaries.

Index

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

2021 Euro Term Loan

As at March 31, 2018, the principal amount of our floating rate senior unsecured term credit facility (the "2021 Euro Term Loan") outstanding was EUR 468.8 million (approximately US$ 577.6 million). The 2021 Euro Term Loan bears interest at three-month EURIBOR (fixed pursuant to customary hedging arrangements (see Note 12, "Financial Instruments and Fair Value Measurements")) plus a margin of between 1.1% and 1.9% depending on the credit rating of Time Warner. As at March 31, 2018, the all-in borrowing rate on amounts outstanding under the 2021 Euro Term Loan was 6.0%, the components of which are shown in the table below under the heading "Interest Rate Summary". Interest on the 2021 Euro Term Loan is payable quarterly in arrears on each January 7, April 7, July 7 and October 7. The 2021 Euro Term Loan matures on February 19, 2021 and may be prepaid at our option, in whole or in part, without premium or penalty, upon the earlier of the occurrence of certain events, including if our net leverage (as defined in the Reimbursement Agreement) decreases to below five times for two consecutive quarters, or at any time from February 19, 2020. The 2021 Euro Term Loan is a senior unsecured obligation of CME BV, and is unconditionally guaranteed by CME Ltd. and by Time Warner and certain of its subsidiaries.

Reimbursement Agreement and Guarantee Fees

In connection with Time Warner's guarantees of the 2018 Euro Term Loan, the 2019 Euro Term Loan and 2021 Euro Term Loan (collectively, the "Euro Term Loans"), we entered into a reimbursement agreement (as amended, the "Reimbursement Agreement") with Time Warner. The Reimbursement Agreement provides for the payment of guarantee fees (collectively, the "Guarantee Fees") to Time Warner as consideration for those guarantees, and the reimbursement to Time Warner of any amounts paid by them under any guarantee or through any loan purchase right exercised by it. The loan purchase right allows Time Warner to purchase any amount outstanding under the Euro Term Loans from the lenders following an event of default under the Euro Term Loans or the Reimbursement Agreement. The Reimbursement Agreement is jointly and severally guaranteed by both our 100% owned subsidiary Central European Media Enterprises N.V. ("CME NV") and CME BV and is secured by a pledge over 100% of the outstanding shares of each of CME NV and CME BV. The covenants and events of default under the Reimbursement Agreement are substantially the same as under the 2021 Revolving Credit Facility (described below).

We pay Guarantee Fees to Time Warner based on the amounts outstanding on the Euro Term Loans calculated on a per annum basis and on our consolidated net leverage (as defined in the Reimbursement Agreement) as shown in the table below:

Consolidated Net Leverage	Cash Rate (1)	PIK Fee Rate	Total Rate (2)
≥7.0x	5.00 %	3.50 %	8.50 %
<7.0x - 6.0x	5.00 %	2.25 %	7.25 %
<6.0x - 5.0x	5.00 %	1.00 %	6.00 %
<5.0x	5.00 %	— %	5.00 %

(1) Includes cash paid for interest for the Euro Term Loans and the related customary hedging arrangements.

(2) If we reduce our long-term debt to less than EUR 815.0 million, subject to certain adjustments in respect of specified debt repayments, prior to September 30, 2018, a 50 basis point reduction in the all-in rate would be applied.

Our consolidated net leverage as at March 31, 2018 and December 31, 2017 was 4.8x and 5.4x, respectively. For the three months ended March 31, 2018 and 2017, we recognized US$ 8.7 million and US$ 13.0 million, respectively, of Guarantee Fees as interest expense in our condensed consolidated statements of operations and comprehensive income / loss.

The Guarantee Fees relating to the 2018 Euro Term Loan and the 2019 Euro Term Loan are payable semi-annually in arrears on each May 1 and November 1. The Guarantee Fees relating to the 2021 Euro Term Loan are payable semi-annually in arrears on each June 1 and December 1. The first 5.0% of the all-in rate for each facility (including the base rate and the rate paid pursuant to the hedging arrangements) must be paid in cash and the remainder is payable at our election in cash or in kind.

The Guarantee Fees paid in kind are presented as a component of other non-current liabilities (see Note 11, "Other Liabilities") and bear interest per annum at their respective Guarantee Fee rate (as set forth in the table below). Guarantee Fees paid in cash are included in cash flows from operating activities in our condensed consolidated statements of cash flows.

Interest Rate Summary

	Base Rate		Rate Fixed Pursuant to Interest Rate Hedges		Guarantee Fee Rate		All-in Borrowing Rate	
2018 Euro Term Loan	1.50	%	0.14	%	4.36	%	6.00	%
2019 Euro Term Loan	1.50	%	0.31	%	4.19	%	6.00	%
2021 Euro Term Loan	1.50	%	0.28	%	4.22	%	6.00	%
2021 Revolving Credit Facility [1]	9.31	% [2]	—	%	—	%	9.31	%

[1] As at March 31, 2018, the 2021 Revolving Credit Facility was undrawn.

[2] Based on the three month LIBOR of 2.31% as at March 31, 2018.

Index

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

2021 Revolving Credit Facility

We had no balance outstanding under the US$ 50.0 million revolving credit facility (the "2021 Revolving Credit Facility") as at March 31, 2018.

The 2021 Revolving Credit Facility bears interest at a rate per annum based on, at our option, an alternate base rate plus 6.0% or an amount equal to the greater of (i) an adjusted LIBO rate and (ii) 1.0%, plus, in each case, 7.0%, with the first 5.0% paid in cash and the remainder payable at our election in cash or in kind by adding such accrued interest to the applicable principal amount outstanding under the 2021 Revolving Credit Facility. The interest rate on the 2021 Revolving Credit Facility is determined on the basis of our net leverage ratio (as defined in the Reimbursement Agreement) and ranges from LIBOR (subject to a floor of 1.0%) plus 9.0% if our net leverage is greater than or equal to seven times, to LIBOR (subject to a floor of 1.0%) plus 6.0% per annum if our net leverage ratio is less than five times. The maturity date of the 2021 Revolving Credit Facility is February 19, 2021. When drawn, the 2021 Revolving Credit Facility permits prepayment at our option in whole or in part without penalty.

The 2021 Revolving Credit Facility is jointly and severally guaranteed by CME NV and CME BV and is secured by a pledge over 100% of the outstanding shares of each of CME NV and CME BV. The 2021 Revolving Credit Facility agreement contains limitations on CME's ability to incur indebtedness, incur guarantees, grant liens, pay dividends or make other distributions, enter into certain affiliate transactions, consolidate, merge or effect a corporate reconstruction, make certain investments acquisitions and loans, and conduct certain asset sales. The agreement also contains maintenance covenants in respect of interest cover, cash flow cover and total leverage ratios, and has covenants in respect of incurring indebtedness, the provision of guarantees, making investments and disposals, granting security and certain events of defaults.

Other Credit Facilities and Capital Lease Obligations

Other credit facilities and capital lease obligations comprised the following at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Credit facilities [(1) – (3)]	$ —	$ —
Capital leases	10,161	9,487
Total credit facilities and capital leases	10,161	9,487
Less: current maturities	(3,439)	(2,960)
Total non-current credit facilities and capital leases	$ 6,722	$ 6,527

(1) We have a cash pooling arrangement with Bank Mendes Gans ("BMG"), a subsidiary of ING Bank N.V. ("ING"), which enables us to receive credit throughout the group in respect of cash balances which our subsidiaries 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 March 31, 2018, we had deposits of US$ 38.1 million in and no drawings on the BMG cash pool. Interest is earned on deposits at the relevant money market rate. As at December 31, 2017, we had deposits of US$ 12.4 million in and no drawings on the BMG cash pool.

(2) As at March 31, 2018 there were no drawings outstanding under a CZK 575.0 million (approximately US$ 27.9 million) factoring framework agreement with Factoring Česka spořitelna ("FCS"), a.s. As at December 31, 2017, approximately CZK 127.2 million (approximately US$ 6.2 million at March 31, 2018 rates) of receivables were factored on a non-recourse basis and derecognized from the condensed consolidated balance sheet. Under this facility, receivables from certain customers in the Czech Republic may be factored on a recourse or non-recourse basis. The facility has a factoring fee of 0.19% of any factored receivable and bears interest at one-month PRIBOR plus 0.95% per annum for the period that receivables are factored and outstanding.

(3)

As at March 31, 2018 and December 31, 2017, there were RON 136.1 million (approximately US$ 36.0 million) and RON 99.8 million (approximately US$ 26.4 million), respectively, of receivables factored under a factoring framework agreement with Global Funds IFN S.A. that were derecognized from the condensed consolidated balance sheet. Under this facility, receivables from certain customers in Romania may be factored on a non-recourse basis. The facility has a factoring fee of 4.0% of any factored receivable and bears interest at 6.0% per annum from the date the receivables are factored to the due date of the factored receivable.

Total Group

At March 31, 2018, the maturity of our long-term debt and credit facilities was as follows:

2018	$—
2019	475,757
2020	—
2021	577,608
2022	—
2023 and thereafter	—
Total long-term debt and credit facilities	1,053,365
Debt issuance costs	(5,765)
Carrying amount of long-term debt and credit facilities	$1,047,600

On April 25, 2018 we entered into amendments which extend the maturity date of the 2019 Euro Term Loan to November 1, 2021, and the maturity date of the 2021 Euro Term Loan and the 2021 Revolving Credit Facility to April 26, 2023. These amendments are effective on April 26, 2018 (see Note 22, "Subsequent Events").

Index

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

Capital Lease Commitments

We lease certain of our office and broadcast facilities as well as machinery and equipment under various leasing arrangements. The future minimum lease payments, by year and in the aggregate, under capital leases with initial or remaining non-cancellable lease terms in excess of one year, consisted of the following at March 31, 2018:

2018	$2,717
2019	3,229
2020	2,899
2021	1,648
2022	58
2023 and thereafter	—
Total undiscounted payments	10,551
Less: amount representing interest	(390)
Present value of net minimum lease payments	$10,161

6. PROGRAM RIGHTS

Program rights comprised the following at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Program rights:		
Acquired program rights, net of amortization	$ 163,649	$ 161,929
Less: current portion of acquired program rights	(76,193)	(69,706)
Total non-current acquired program rights	87,456	92,223
Produced program rights – Feature Films:		
Released, net of amortization	930	939
Produced program rights – Television Programs:		
Released, net of amortization	57,402	49,888
Completed and not released	7,341	9,987
In production	21,538	28,971
Development and pre-production	394	162
Total produced program rights	87,605	89,947
Total non-current acquired program rights and produced program rights	$ 175,061	$ 182,170

7. ACCOUNTS RECEIVABLE

Accounts receivable comprised the following at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Third-party customers	$ 150,179	$ 168,805
Less: allowance for bad debts and credit notes	(10,203)	(9,902)
Total accounts receivable	$ 139,976	$ 158,903

Index

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US$ 000’s, except share and per share data)
(Unaudited)

8. OTHER ASSETS

Other current and non-current assets comprised the following at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Current:		
Prepaid acquired programming	$ 24,326	$ 22,579
Other prepaid expenses	7,389	7,616
VAT recoverable	793	650
Income taxes recoverable	180	109
Other	2,121	2,152
Total other current assets	$ 34,809	$ 33,106

	March 31, 2018	December 31, 2017
Non-current:		
Capitalized debt costs	$ 12,237	$ 12,947
Deferred tax	2,922	2,964
Other	618	958
Total other non-current assets	$ 15,777	$ 16,869

Capitalized debt costs are being amortized over the term of the 2021 Revolving Credit Facility using the straight-line method, which approximates the effective interest method.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Land and buildings	$ 89,490	$ 86,480
Machinery, fixtures and equipment	205,061	195,682
Other equipment	16,545	16,121
Software	55,862	53,143
Construction in progress	1,816	3,026
Total cost	368,774	354,452
Less: accumulated depreciation	(262,924)	(250,804)
Total net book value	$ 105,850	$ 103,648
Assets held under capital leases (included in the above)		
Machinery, fixtures and equipment	$ 16,944	$ 14,193
Total cost	16,944	14,193
Less: accumulated depreciation	(6,105)	(5,151)
Total net book value	$ 10,839	$ 9,042

The movement in the net book value of property, plant and equipment during the three months ended March 31, 2018 and 2017 was comprised of:

	For the Three Months Ended March 31, 2018	2017
Opening balance	$103,648	$89,080
Additions [(1)]	6,493	5,133

Disposals	(12)	(77)
Depreciation	(7,366)	(5,959)
Foreign currency movements	3,087	1,156
Ending balance	$105,850	$89,333

(1) Includes assets acquired under capital leases of US$ 1.9 million and US$ 0.5 million for the three months ended March 31, 2018 and 2017, respectively.

Index

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

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised the following at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Accounts payable and accrued expenses	$ 50,054	$ 53,408
Related party accounts payable	211	252
Programming liabilities	20,252	16,923
Related party programming liabilities	17,065	20,027
Duties and other taxes payable	10,065	8,769
Accrued staff costs	11,108	18,430
Accrued interest payable	3,243	3,326
Related party accrued interest payable (including Guarantee Fees)	18,518	6,273
Income taxes payable	14,777	14,018
Other accrued liabilities	1,920	2,467
Total accounts payable and accrued liabilities	$ 147,213	$ 143,893

11. OTHER LIABILITIES

Other current and non-current liabilities comprised the following at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Current:		
Deferred revenue	$ 29,685	$ 5,675
Legal provisions	3,066	2,907
Other	571	698
Total other current liabilities	$ 33,322	$ 9,280

	March 31, 2018	December 31, 2017
Non-current:		
Deferred tax	$ 20,989	$ 20,569
Related party commitment fee payable (1)	10,765	10,765
Related party Guarantee Fee payable (Note 5)	58,855	58,855
Other	6,933	5,065
Total other non-current liabilities	$ 97,542	$ 95,254

(1) Represents the commitment fee ("Commitment Fee") payable to Time Warner, including accrued interest, in respect of its obligation under a commitment letter dated November 14, 2014 between Time Warner and us whereby Time Warner agreed to provide or assist with arranging a loan facility to repay our 5.0% senior convertible notes at maturity in November 2015. The Commitment Fee is payable by November 1, 2019, the maturity date of the 2019 Euro Term Loan, or earlier if the repayment of the 2019 Euro Term Loan is accelerated. The Commitment Fee bears interest at 8.5% per annum and such interest is payable in arrears on each May 1 and November 1, and may be paid in cash or in kind, at our election.

During the three months ended March 31, 2018 and 2017, we recognized revenue of US$ 2.5 million and US$ 2.5 million related to our deferred revenue existing at December 31, 2017 and 2016, respectively. The increase in our deferred revenues for the three months ended March 31, 2018 is primarily the result of cash payments received from customers in advance of satisfying our performance obligations.

12. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

ASC 820, "Fair Value Measurements and Disclosure", establishes a hierarchy that prioritizes the inputs to those valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

Basis of Fair Value Measurement

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted instruments.
Level 2	Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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

Index

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

We evaluate the position of each financial instrument measured at fair value in the hierarchy individually based on the valuation methodology we apply. The carrying amount of financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, approximate their fair value due to the short-term nature of these items. The fair value of our long-term debt is included in Note 5, "Long-term Debt and Other Financing Arrangements".

Hedging Activities

Cash Flow Hedges of Interest Rate Risk

We are party to interest rate swap agreements to mitigate our exposure to interest rate fluctuations on the outstanding principal amount of the Euro Term Loans. These interest rate swaps provide us with variable-rate cash receipts in exchange for fixed-rate payments over the lives of the agreements, with no exchange of the underlying notional amount. These instruments are carried at fair value on our condensed consolidated balance sheets as other current and other non-current liabilities based on their maturity.

A portion of the instrument maturing on November 1, 2019 and the entire instrument maturing on February 21, 2021 are designated as cash flow hedges. The effective portion of the changes in the fair value of these instruments is recorded in accumulated other comprehensive income / loss and subsequently reclassified to interest expense when the hedged item affects earnings. The ineffective portion of changes in the fair value is recognized immediately in other non-operating income, net in our condensed consolidated statements of operations and comprehensive income / loss. For the three months ended March 31, 2018 and 2017, we did not recognize any charges related to hedge ineffectiveness. The instrument maturing November 1, 2018 is not designated as a cash flow hedge. All changes in fair value are recorded in other non-operating income, net in our condensed consolidated statements of operations and comprehensive income / loss.

Information relating to financial instruments is as follows:

Trade Date	Number of Contracts	Description	Aggregate Notional Amount	Maturity Date	Objective	Fair Value as at March 31, 2018
April 5, 2016	5	Interest rate swap	EUR 468,800	February 21, 2021	Interest rate hedge underlying 2021 Euro Term Loan	$ (2,101)
April 5, 2016	4	Interest rate swap	EUR 150,800	November 1, 2018	Interest rate hedge underlying 2018 Euro Term Loan	$ (160)
November 10, 2015	3	Interest rate swap	EUR 235,335	November 1, 2019	Interest rate hedge underlying 2019 Euro Term Loan	$ (1,403)

We value the interest rate swap agreements using a valuation model which calculates the fair value on the basis of the net present value of the estimated future cash flows. The most significant input used in the valuation model is the expected EURIBOR-based yield curve. These instruments were allocated to Level 2 of the fair value hierarchy because the critical inputs to this model, including current interest rates, relevant yield curves and the known contractual terms of the instruments, were readily observable.

In February 2018, we settled in part the interest rate swaps underlying the 2018 Euro Term Loan to align with the EUR 50.0 million reduction of the principal balance of that loan following the repayment on February 6, 2018 (see Note 5, "Long-term Debt and Other Financing Arrangements"). Changes in the fair value of the settled portion of these interest rate swaps is recognized within other non-operating income, net in our condensed consolidated statements of operations and comprehensive income / loss.

The expected proceeds from the Divestment Transaction will be used to satisfy amounts owing in respect of the 2018 Euro Term Loan and a portion of the 2019 Euro Term Loan (see Note 5, "Long-term Debt and Other Financing Arrangements"). The anticipated reduction of principal amounts owing in respect of the 2019 Euro Term Loan will reduce future interest payments that the interest rate swap maturing on November 1, 2019 is designed to hedge. To maintain the effectiveness of the interest rate swap, we have dedesignated a portion to align the notional amount of the instrument with the 2019 Euro Term Loan principal we expect to remain after the application of Divestment Transaction proceeds. For the portion dedesignated, all related fair value adjustments, including those previously recognized in accumulated other comprehensive income / loss, are recognized in other non-operating income, net in our condensed consolidated statements of operations and comprehensive income / loss (see Note 14, "Equity").

Foreign Currency Risk

From time to time, we have entered into forward foreign exchange contracts to reduce our exposure to movements in foreign exchange rates related to contractual payments under certain dollar-denominated agreements. As at March 31, 2018, we had no forward foreign exchange contracts outstanding.

Fair Value of Derivatives

The change in fair value of derivatives not recognized within accumulated other comprehensive income / loss comprised the following for the three months ended March 31, 2018 and 2017:

	For the Three Months Ended March 31,	
	2018	2017
Gain on currency swaps	$—	$368
Loss on interest rate swaps	(228)	—
Change in fair value of derivatives	$(228)	$368

Index

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

13. CONVERTIBLE REDEEMABLE PREFERRED SHARES

200,000 shares of our Series B Convertible Redeemable Preferred Stock, par value US$ 0.08 per share (the "Series B Preferred Shares") were issued and outstanding as at March 31, 2018 and December 31, 2017. As at March 31, 2018 and December 31, 2017, the carrying value of the Series B Preferred Shares was US$ 267.0 million and US$ 264.6 million, respectively. The Series B Preferred Shares are held by Time Warner Media Holdings B.V. ("TW Investor"). As of March 31, 2018, the 200,000 shares of Series B preferred stock were convertible into approximately 110.2 million shares of Class A common stock.

The initial stated value of the Series B Preferred Shares of US$ 1,000 per share accretes at an annual rate of 3.75%, compounded quarterly, from June 25, 2016 to June 24, 2018. We have the right to pay cash to the holder in lieu of any further accretion. Each Series B Preferred Share may, at the holder's option, be converted into the number of shares of our Class A common stock determined by dividing (i) the accreted stated value plus accrued but unpaid dividends, if any, in each case as of the conversion date, by (ii) the conversion price, which was approximately US$ 2.42 at March 31, 2018, but is subject to adjustment from time to time pursuant to customary weighted-average anti-dilution provisions with respect to our issuances of equity or equity-linked securities at a price below the then-applicable conversion price (excluding any securities issued under our benefit plans at or above fair market value). We have the right to redeem the Series B Preferred Shares in whole or in part upon 30 days' written notice. The redemption price of each outstanding Series B Preferred Share is equal to its accreted stated value plus accrued but unpaid dividends, if any, in each case as of the redemption date specified in the redemption notice. After receipt of a redemption notice, each holder of Series B Preferred Shares will have the right to convert, prior to the date of redemption, all or part of such Series B Preferred Shares to be redeemed by us into shares of our Class A common stock in accordance with the terms of conversion described above.

Holders of the Series B Preferred Shares have no voting rights on any matter presented to holders of any class of our capital stock, with the exception that they may vote with holders of shares of our Class A common stock (i) with respect to a change of control event or (ii) as provided by our Bye-laws or applicable Bermuda law. Holders of Series B Preferred Shares will participate in any dividends declared or paid on our Class A common stock on an as-converted basis. The Series B Preferred Shares will rank pari passu with our Series A Convertible Preferred Stock and senior to all other equity securities of the Company in respect of payment of dividends and distribution of assets upon liquidation. The Series B Preferred Shares have such other rights, powers and preferences as are set forth in the Certificate of Designation for the Series B Preferred Shares.

We concluded that the Series B Preferred Shares were not considered a liability and that the embedded conversion feature in the Series B Preferred Shares was clearly and closely related to the host contract and therefore did not need to be bifurcated. The Series B Preferred Shares are required to be classified outside of permanent equity because such shares can be redeemed for cash in certain circumstances. The Series B Preferred Shares are carried on the balance sheet at redemption value. As the Series B Preferred Shares are redeemable, we have accreted changes in the redemption value since issuance. For the three months ended March 31, 2018 and 2017, we recognized accretion on the Series B Preferred Shares of US$ 2.4 million and US$ 2.4 million, respectively, with corresponding decreases in additional paid-in capital.

14. EQUITY

Preferred Stock

5,000,000 shares of Preferred Stock were authorized as at March 31, 2018 and December 31, 2017.

One share of Series A Convertible Preferred Stock (the "Series A Preferred Share") was issued and outstanding as at March 31, 2018 and December 31, 2017. The Series A Preferred Share is convertible into 11,211,449 shares of Class A common stock on the date that is 61 days after the date on which the ownership of our outstanding shares of Class A common stock by a group that includes TW Investor and its affiliates would not be greater than 49.9%. The Series

A Preferred Share is entitled to one vote per each share of Class A common stock into which it is convertible and has such other rights, powers and preferences, including potential adjustments to the number of shares of Class A common stock to be issued upon conversion, as are set forth in the Certificate of Designation for the Series A Preferred Share.

200,000 shares of Series B Preferred Shares were issued and outstanding as at March 31, 2018 and December 31, 2017 (see Note 13, "Convertible Redeemable Preferred Shares"). As of March 31, 2018, the 200,000 Series B Preferred Shares were convertible into approximately 110.2 million shares of Class A common stock.

Class A and Class B Common Stock

440,000,000 shares of Class A common stock and 15,000,000 shares of Class B common stock were authorized as at March 31, 2018 and December 31, 2017. The rights of the holders of Class A common stock and Class B common stock are identical except for voting rights. The shares of Class A common stock are entitled to one vote per share and the shares of Class B common stock are entitled to ten votes per share. Shares of Class B common stock are convertible into shares of Class A common stock on a one-for-one basis for no additional consideration. 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 holders of our common stock. Under our bye-laws, 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.

There were 148.2 million and 145.5 million shares of Class A common stock outstanding at March 31, 2018 and December 31, 2017, respectively, and no shares of Class B common stock outstanding at March 31, 2018 or December 31, 2017.

As at March 31, 2018, TW Investor owns 41.4% of the outstanding shares of Class A common stock and has a 45.5% voting interest in the Company due to its ownership of the Series A Preferred Share.

On April 25, 2018, Time Warner and TW Investor exercised their warrants to acquire 100,926,996 shares of Class A Common Stock at US$ 1.00 per share (see Note 22, "Subsequent Events").

Warrants

On May 2, 2014, we issued 114,000,000 warrants in connection with a rights offering. Each warrant may be exercised until May 2, 2018 and entitles the holder thereof to receive one share of our Class A common stock at an exercise price of US$ 1.00 per share in cash. During the three months ended March 31, 2018, 2,280,936 warrants were exercised resulting in net proceeds to us of approximately US$ 2.3 million. As at March 31, 2018, 103,573,640 warrants remained outstanding. Time Warner and TW Investor collectively held 100,926,996 of these warrants, all of which were exercised on April 25, 2018 (see Note 22, "Subsequent Events"). The warrants are classified in additional paid-in capital, a component of equity, and are not subject to subsequent revaluation.

Index

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

Accumulated Other Comprehensive Loss
The movement in accumulated other comprehensive loss during the three months ended March 31, 2018 comprised the following:

	Currency translation adjustment, net	Unrealized (loss) / gain on derivative instruments designated as hedging instruments	TOTAL Accumulated Other Comprehensive Loss
BALANCE December 31, 2017	$ (184,256)	$ (3,182)	$ (187,438)
Other comprehensive income / (loss) before reclassifications:			
Foreign exchange gain on intercompany loans [1]	1,531	—	1,531
Foreign exchange gain on the Series B Preferred Shares	7,151	—	7,151
Currency translation adjustment	3,311	—	3,311
Change in the fair value of hedging instruments	—	(731)	(731)
Amounts reclassified from accumulated other comprehensive loss:			
Changes in fair value reclassified to interest expense	—	621	621
Changes in fair value reclassified to other non-operating income, net [2]	—	301	301
Net other comprehensive income	11,993	191	12,184
BALANCE March 31, 2018	$ (172,263)	$ (2,991)	$ (175,254)

(1) Represents foreign exchange gains on intercompany loans that are of a long-term investment nature which are reported in the same manner as translation adjustments.

(2) We expect to repay a portion of the 2019 Euro Term Loan with the expected proceeds from the Divestment Transaction (see Note 5, "Long-term Debt and Other Financing Arrangements"). This anticipated reduction of principal amounts owing in respect of the 2019 Euro Term Loan will reduce future interest payments that the interest rate swap maturing on November 1, 2019 is designed to hedge. To maintain the effectiveness of the interest rate swap, we have dedesignated a portion to align the notional amount of the instrument with the 2019 Euro Term Loan principal we expect to remain after the application of Divestment Transaction proceeds. For the dedesignated portion, all changes in fair value and those previously recognized in accumulated other comprehensive income / loss are recognized in other non-operating income, net in our condensed consolidated statements of operations and comprehensive income / loss (see Note 12, "Financial Instruments and Fair Value Measurements").

15. INTEREST EXPENSE

Interest expense comprised the following for the three months ended March 31, 2018 and 2017:

	For the Three Months Ended March 31,	
	2018	2017
Interest on long-term debt and other financing arrangements	$ 13,455	$ 17,629
Amortization of capitalized debt issuance costs	1,557	1,364
Total interest expense	$ 15,012	$ 18,993

We paid cash interest (including mandatory cash-pay Guarantee Fees) of US$ 4.2 million and US$ 4.1 million during the three months ended March 31, 2018 and 2017, respectively. Interest expense related to the 2018 Euro Term Loan and 2019 Euro Term Loan has been allocated to results from discontinued operations relative to the proportion of those principal balances expected to be repaid from the proceeds of the Divestment Transaction (see Note 3, "Discontinued Operations and Assets Held for Sale").

16. OTHER NON-OPERATING INCOME / EXPENSE

Other non-operating income / expense comprised the following for the three months ended March 31, 2018 and 2017:

	For the Three Months Ended March 31,	
	2018	2017
Interest income	$142	$77
Foreign currency exchange gain, net	4,266	1,612
Change in fair value of derivatives (Note 12)	(228)	368
Other (expense) / income, net	(23)	175
Total other non-operating income	$4,157	$2,232

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

17. STOCK-BASED COMPENSATION

Under our 2015 Stock Incentive Plan (the "2015 Plan"), 6,000,000 shares of Class A common stock are authorized for grants of stock options, restricted stock units ("RSU"), restricted stock and stock appreciation rights to employees and non-employee directors. In addition, any shares available under our Amended and Restated Stock Incentive Plan (which expired on June 1, 2015), including in respect of any awards that expire, terminate or are forfeited, will be available for awards under the 2015 Plan. Under the 2015 Plan, awards are made to employees and directors at the discretion of the Compensation Committee. Any awards previously issued under the Amended and Restated Stock Incentive Plan will continue to be governed by the terms of that plan.

The charge for stock-based compensation in our condensed consolidated statement of operations and comprehensive income / loss was as follows:

	For the Three Months Ended March 31,	
	2018	2017
Stock-based compensation expense from continuing operations	$1,074	$767
Stock-based compensation expense from discontinued operations	38	29

Stock Options

Grants of options allow the holders to purchase shares of Class A common stock at an exercise price, which is generally the market price prevailing at the date of the grant, with vesting between one and four years after the awards are granted. There was no option activity during the three months ended March 31, 2018. The summary of stock options outstanding as at March 31, 2018 and December 31, 2017 is presented below:

	Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	2,011,392	$ 2.32	7.58	$ 4,677
Outstanding at March 31, 2018	2,011,392	2.32	7.33	3,772
Vested and expected to vest	2,011,392	2.32	7.33	3,772
Exercisable at March 31, 2018	1,005,696	$ 2.32	7.33	$ 1,886

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 March 31, 2018, the maximum life of options that were issued under the 2015 Plan was ten years. Upon providing the appropriate written notification, holders pay the exercise price and receive shares. Shares delivered in respect of stock option exercises are newly issued shares.

The fair value of stock options is estimated on the grant date using the Black-Scholes option-pricing model and recognized ratably over the requisite service period as a component of selling, general and administrative expenses. The aggregate intrinsic value (the difference between the stock price on the last day of trading of the first quarter of March 31, 2018 and the exercise prices multiplied by the number of in-the-money options) represents the total intrinsic value that would have been received by the option holders had they exercised all in-the-money options as at March 31, 2018. This amount changes based on the fair value of our Class A common stock. As at March 31, 2018, there was US$ 1.0 million of unrecognized compensation expense related to stock options which is expected to be recognized over a weighted-average period of 1.3 years.

There were no options granted during the quarter ended March 31, 2018.

Restricted Stock Units

Each RSU represents a right to receive one share of Class A common stock of the Company for each RSU that vests in accordance with a time-based vesting schedule, generally between one to four years from the date of grant. Upon vesting, shares of Class A common stock are issued from authorized but unissued shares. Holders of RSU awards are not entitled to receive cash dividend equivalents and are not entitled to vote. The grant date fair value of RSUs is calculated as the closing price of our Class A common shares on the date of grant and presented as a component of selling, general and administrative expenses.

The following table summarizes information about unvested RSU and PRSU as at March 31, 2018:

	Number of Shares / Units	Weighted Average Grant Date Fair Value
Unvested at December 31, 2017	2,694,063	$ 3.07
Granted	759,120	4.40
Vested	(601,697)	2.83
Unvested at March 31, 2018	2,851,486	$ 3.47

As at March 31, 2018 and December 31, 2017, there were 479,406 and 719,109, respectively, of unvested RSUs with performance conditions. No RSUs with performance conditions were granted or forfeited during the three months ended March 31, 2018. As at March 31, 2018, the intrinsic value of unvested RSUs was US$ 12.0 million. Total unrecognized compensation cost related to unvested RSUs as at March 31, 2018 was US$ 7.0 million and is expected to be recognized over a weighted-average period of 2.3 years.

Index

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

18. EARNINGS PER SHARE

We determined that the Series B Preferred Shares are a participating security, and accordingly, our basic and diluted net income / loss per share is calculated using the two-class method. Under the two-class method, basic net income / loss per common share is computed by dividing the net income available to common shareholders after deducting contractual amounts of accretion on our Series B Preferred Shares and the income allocated to these shares by the weighted-average number of common shares outstanding during the period. Diluted net income / loss per share is computed by dividing the adjusted net income by the weighted-average number of dilutive shares outstanding during the period.

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

	For the Three Months Ended March 31,	
	2018	2017
Income / (loss) from continuing operations	$6,084	$(5,982)
Net loss attributable to noncontrolling interests	178	209
Less: preferred share accretion paid in kind (Note 13)	(2,447)	(2,357)
Less: income allocated to Series B Preferred Shares	(1,563)	—
Income / (loss) from continuing operations available to common shareholders, net of noncontrolling interest	2,252	(8,130)
Income / (loss) from discontinued operations, net of tax (Note 3)	988	(5,292)
Net income / (loss) attributable to CME Ltd. available to common shareholders — basic	3,240	(13,422)
Effect of dilutive securities		
Dilutive effect of Series B Preferred Shares	65	—
Net income / (loss) attributable to CME Ltd. available to common shareholders — diluted	$3,305	$(13,422)
Weighted average outstanding shares of common stock — basic (1)	158,039	154,795
Dilutive effect of common stock warrants, employee stock options and RSUs	83,866	—
Weighted average outstanding shares of common stock — diluted	241,905	154,795
Net income / (loss) per share:		
Continuing operations — basic	$0.01	$(0.05)
Continuing operations — diluted	0.01	(0.05)
Discontinued operations — basic	0.01	(0.04)
Discontinued operations — diluted	0.00	(0.04)
Net income / (loss) attributable to CME Ltd. — basic	0.02	(0.09)
Net income / (loss) attributable to CME Ltd. — diluted	0.01	(0.09)

(1) For the purpose of computing basic earnings per share, the 11,211,449 shares of Class A common stock underlying the Series A Preferred Share are included in the weighted average outstanding shares of common stock - basic, because the holder of the Series A Preferred Share is entitled to receive any dividends payable when dividends are declared by the Board of Directors with respect to any shares of the common stock.

The following weighted-average, equity awards and convertible shares were excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive for the periods presented:

	For the Three Months Ended March 31,	
	2018	2017
Employee stock options	—	2,011
RSUs	903	1,176
Series B Preferred Shares	—	105,658
Total	903	108,845

These instruments may become dilutive in the future. As set forth in the Certificate of Designation for the Series B Preferred Shares, the holders of our Series B Preferred Shares are not contractually obligated to share in our losses.

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

19. SEGMENT DATA

We manage our business on a geographical basis, with four operating segments: Bulgaria, the Czech Republic, Romania and the Slovak Republic, which are also our reportable segments and our main operating countries. These segments reflect how CME Ltd.'s operating performance is evaluated by our chief operating decision makers, who we have identified as our co-Chief Executive Officers; how operations are managed by segment managers; and the structure of our internal financial reporting.

Our segments generate revenues primarily from the sale of advertising and sponsorship on our channels. This is supplemented by revenues from cable and satellite television service providers that carry our channels on their platforms and from revenues through the sale of distribution rights to third parties. We do not rely on any single major customer or group of major customers. Intersegment revenues and profits have been eliminated in consolidation.

We evaluate our consolidated results and the performance of our segments based on net revenues and OIBDA (as defined below). We believe OIBDA is useful to investors because it provides a meaningful representation of our performance as it excludes certain items that either do not impact our cash flows or the operating results of our operations. OIBDA is also used as a component in determining management bonuses.

OIBDA includes amortization and impairment of program rights and is calculated as operating income / loss before depreciation, amortization of intangible assets, impairments of assets and certain unusual or infrequent items that are not considered by our chief operating decision makers when evaluating our performance. From January 1, 2018, stock-based compensation and certain operating costs incurred on behalf of our segments at the corporate level have been allocated to our segments for purposes of evaluating their performance. Prior period information has been recast to conform to the current period presentation.

Below are tables showing our net revenues, OIBDA, total assets, capital expenditures and long-lived assets for our continuing operations by segment for the three months ended March 31, 2018 and 2017 for condensed consolidated statements of operations and comprehensive income / loss data and condensed consolidated statements of cash flow data; and as at March 31, 2018 and December 31, 2017 for condensed consolidated balance sheet data.

Net revenues:	For the Three Months Ended March 31,	
	2018	2017
Bulgaria	$19,433	$15,305
Czech Republic	51,534	39,474
Romania	45,961	38,944
Slovak Republic	22,953	18,340
Intersegment revenues [(1)]	(699)	(331)
Total net revenues	$139,182	$111,732

(1) Reflects revenues earned from the sale of content to other country segments in CME Ltd. All other revenues are third party revenues.

OIBDA:	For the Three Months Ended March 31,	
	2018	2017
Bulgaria	$2,981	$1,258
Czech Republic	15,370	10,747
Romania	18,893	14,460
Slovak Republic	1,103	748

Elimination	12	(8)
Total operating segments	38,359	27,205
Corporate	(7,692)	(6,113)
Total OIBDA	30,667	21,092
Depreciation of property, plant and equipment	(7,366)	(5,959)
Amortization of broadcast licenses and other intangibles	(2,356)	(2,109)
Operating income	20,945	13,024
Interest expense (Note 15)	(15,012)	(18,993)
Loss on extinguishment of debt (Note 5)	(109)	—
Other non-operating income, net (Note 16)	4,157	2,232
Income / (loss) before tax	$9,981	$(3,737)

Index

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

Total assets: [1]	March 31, 2018	December 31, 2017
Bulgaria	$ 150,696	$ 155,885
Czech Republic	841,942	842,716
Romania	303,362	307,286
Slovak Republic	159,121	149,866
Total operating segments	1,455,121	1,455,753
Corporate	51,324	24,146
Assets held for sale	143,481	148,156
Total assets	$ 1,649,926	$ 1,628,055

[1] Segment assets exclude any intercompany balances.

Capital expenditures:	For the Three Months Ended March 31,	
	2018	2017
Bulgaria	$451	$133
Czech Republic	2,507	3,198
Romania	576	1,709
Slovak Republic	411	465
Total operating segments	3,945	5,505
Corporate	153	529
Total capital expenditures	$4,098	$6,034

Long-lived assets: [1]	March 31, 2018	December 31, 2017
Bulgaria	$ 8,930	$ 7,863
Czech Republic	45,213	46,146
Romania	29,723	28,515
Slovak Republic	18,606	17,450
Total operating segments	102,472	99,974
Corporate	3,378	3,674
Total long-lived assets	$ 105,850	$ 103,648

[1] Reflects property, plant and equipment, net.

Revenues from contracts with customers comprised the following at March 31, 2018 and December 31, 2017:

Consolidated revenue by type:	For the Three Months Ended March 31,	
	2018	2017
Television advertising	$111,796	$89,053
Carriage fees and subscriptions	23,297	18,886
Other	4,089	3,793
Total net revenues	$139,182	$111,732

Management reviews the performance of our operations based on the above revenue types as well as on a geographic basis as described above. Management does not review other disaggregations of revenues from contracts with customers.

21

Index

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

20. COMMITMENTS AND CONTINGENCIES
Commitments
a) Programming Rights Agreements and Other Commitments
At March 31, 2018, we had total commitments of US$ 87.8 million (December 31, 2017: US$ 99.1 million) in respect of future programming, including contracts signed with license periods starting after the balance sheet date. In addition, we have digital transmission obligations, future minimum operating lease payments for non-cancellable operating leases with remaining terms in excess of one year (net of any sublease income) and other commitments as follows:

	Programming purchase obligations	Other commitments [(1)]	Operating leases	Capital expenditures
2018	$ 24,663	$ 13,232	$ 2,264	$ 1,411
2019	24,536	12,049	848	218
2020	18,530	2,224	443	—
2021	12,984	148	365	—
2022	3,312	125	356	—
2023 and thereafter	3,773	42	1,782	—
Total	$ 87,798	$ 27,820	$ 6,058	$ 1,629

(1) Other commitments are primarily comprised of digital transmission commitments.
Contingencies
Litigation
We are from time to time party to legal proceedings, arbitrations and regulatory proceedings arising in the normal course of our business operations, including the proceeding described below. We evaluate, on a quarterly basis, developments in such matters and provide accruals for such matters, as appropriate. In making such decisions, we consider the degree of probability of an unfavorable outcome and our ability to make a reasonable estimate of the amount of a loss. An unfavorable outcome in any such proceedings, if material, could have an adverse effect on our business or consolidated financial statements.
In the fourth quarter of 2016, our Slovak subsidiary MARKIZA-SLOVAKIA, spol. s.r.o. ("Markiza") was notified of claims that were filed in June 2016 in a court of first instance in Bratislava, the Slovak Republic to collect amounts allegedly owing under four promissory notes. These four promissory notes were purportedly issued in June 2000 by Pavol Rusko in his personal capacity and were purportedly guaranteed by Markiza under the signature of Mr. Rusko, who was an executive director of Markiza at that time as well as one of its shareholders. The notes purport to be issued in favor of Marian Kocner, a controversial Slovak businessman, and to a former associate of Mr. Kocner, and were supposedly assigned several times, ultimately to Sprava a inkaso zmeniek, s.r.o., a company owned by Mr. Kocner that is the plaintiff in these proceedings. Two of the notes allegedly matured in 2015 and the other two in 2016. The four notes purport to be in the aggregate amount of approximately EUR 69.0 million and accrue interest from their purported maturity dates.
Despite a random case assignment system in the Slovak Republic, claims in respect of three of the notes were initially assigned to the same judge. The judge who was assigned the claim in respect of the fourth promissory note (in the amount of approximately EUR 26.2 million) terminated proceedings in January 2017 because the plaintiff failed to pay court fees. The plaintiff refiled this claim in June 2017; the judge who was assigned the refiled claim terminated proceedings in September after the plaintiff again failed to pay court fees. In responses to the claims in respect of the other three promissory notes that were filed in August 2017 and in his testimony, Mr. Rusko asserted that he signed the three notes in June 2000. We do not believe that the notes were signed in June 2000 or that any of the notes are

authentic. Although proceedings have commenced in respect of all three notes, the number of hearings that may be held in respect of any of the notes and over what time period is unknown. We are vigorously defending the claims.

Index

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

21. RELATED PARTY TRANSACTIONS

We consider our related parties to be our officers, directors and shareholders who have direct control and/or influence over the Company as well as other parties that can significantly influence management. We have identified transactions with individuals or entities associated with Time Warner, which is represented on our Board of Directors and holds a 45.5% voting interest in CME Ltd. as at March 31, 2018, as material related party transactions.

Time Warner

	For the Three Months Ended March 31,	
	2018	2017
Cost of revenues	$5,318	$3,476
Interest expense	10,473	14,375

	March 31, 2018	December 31, 2017
Programming liabilities	$ 17,065	$ 20,027
Other accounts payable and accrued liabilities	211	252
Accrued interest payable [(1)]	18,518	6,273
Other non-current liabilities [(2)]	69,620	69,620

(1) Amount represents accrued Guarantee Fees for which we have not yet paid in cash or made an election to pay in kind. See Note 5, "Long-term Debt and Other Financing Arrangements".

(2) Amount represents the Commitment Fee, as well as the Guarantee Fees for which we have made an election to pay in kind. See Note 5, "Long-term Debt and Other Financing Arrangements".

22. SUBSEQUENT EVENTS

Exercise of warrants by Time Warner

On April 25, 2018, Time Warner and TW Investor exercised their outstanding warrants to acquire 100,926,996 shares of Class A Common Stock at US$ 1.00 per share. We will use the proceeds from this transaction to repay a substantial portion of the principal amount outstanding of the 2018 Euro Term Loan (see Note 5, "Long-term Debt and Other Financing Arrangements").

In connection with the exercise of warrants to acquire 100,926,996 shares of Class A Common Stock, Time Warner and TW Investor issued standing proxies to the independent directors of the Company, pursuant to which they granted the right to vote these shares on all matters at general meetings of the Company other than a change of control. In accordance with the standing proxies, such shares will be voted in proportion to votes cast at a general meeting of the Company, excluding such shares (see Part II, Item 5, Other Information).

Amendments to our debt obligations

On April 25, 2018, we entered into the Financing Transactions which modify certain terms of the 2019 Euro Term Loan, the 2021 Euro Term Loan, the 2021 Revolving Credit Facility and the Reimbursement Agreement. Pursuant to the Financing Transactions, the following information is effective from April 26, 2018:

2018 Euro Term Loan

The all-in borrowing rate on amounts outstanding under the 2018 Euro Term Loan will be 3.75% from May 2018, under the amended pricing grid, following the improvement in our net leverage ratio (as defined in the Reimbursement Agreement).

2019 Euro Term Loan

Pursuant to the Financing Transactions, the maturity date of the 2019 Euro Term Loan has been extended to November 1, 2021. The all-in borrowing rate on amounts outstanding under the 2019 Euro Term Loan will be 3.75% from May 2018, under the amended pricing grid, following the improvement in our net leverage ratio (as defined in

the Reimbursement Agreement).
2021 Euro Term Loan
Pursuant to the Financing Transactions, the maturity date of the 2021 Euro Term Loan has been extended to April 26, 2023. The all-in borrowing rate on amounts outstanding under the 2021 Euro Term Loan will be 4.25% from May 2018, under the amended pricing grid, following the improvement in our net leverage ratio (as defined in the Reimbursement Agreement).

Index

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

2021 Revolving Credit Facility

Pursuant to the Financing Transactions, the amount available to us under the 2021 Revolving Credit Facility will increase to US$ 75.0 million and the maturity date has been extended to April 26, 2023. The 2021 Revolving Credit Facility bears interest at a rate per annum based on, at our option, an alternate base rate ("ABR Loans" as defined in the 2021 Revolving Credit Facility Agreement) plus the spread applicable to ABR Loans based on our consolidated net leverage or an amount equal to the greater of (i) an adjusted LIBO rate and (ii) 1.0%, plus the spread applicable to the Eurodollar Loans (as defined in the 2021 Revolving Credit Facility Agreement) based on our consolidated net leverage, with all amounts payable in cash. Pursuant to the Financing Transactions, the following spreads are applicable:

Consolidated Net Leverage	Alternate Base Rate Loans		Eurodollar Loans	
≥7.0x	5.25	%	6.25	%
<7.0x - 6.0x	4.25	%	5.25	%
<6.0x - 5.0x	3.50	%	4.50	%
<5.0x - 4.0x	3.00	%	4.00	%
<4.0x - 3.0x	2.50	%	3.50	%
<3.0x	2.25	%	3.25	%

Hedging Activities

We will enter into interest-rate swaps corresponding to the outstanding principal amounts and maturity dates of the 2019 Euro Term Loan and the 2021 Euro Term Loan to mitigate our exposure to interest rate fluctuations on the outstanding principal amount of these loans.

Guarantee Fees

Guarantee Fees paid to Time Warner are based on the amounts outstanding on each of the Euro Term Loans calculated on a per annum basis and on our consolidated net leverage (as defined in the Reimbursement Agreement) as shown in the table below:

Consolidated Net Leverage	2018 Euro Term Loan		2019 Euro Term Loan		2021 Euro Term Loan	
≥ 7.0x	6.00	%	6.00	%	6.50	%
< 7.0x - 6.0x	5.00	%	5.00	%	5.50	%
< 6.0x - 5.0x	4.25	%	4.25	%	4.75	%
< 5.0x - 4.0x	3.75	%	3.75	%	4.25	%
< 4.0x - 3.0x	3.25	%	3.25	%	3.75	%
< 3.0x	3.25	%	3.25	%	3.50	%

The all-in rate remains subject to a further reduction of up to 50 basis points if CME's total debt is reduced below EUR 815.0 million on or prior to September 30, 2018, subject to certain adjustments in respect of specified debt repayments, such that the Guarantee Fee cannot be less than 3.0%. Pursuant to the Financing Transactions, the Guarantee Fees must be paid in cash.

Covenants

Pursuant to the Financing Transactions, the number of maintenance covenants has been reduced and certain other covenants are less restrictive below specified total leverage thresholds.

Legal Proceedings

On April 26, 2018, the court of first instance in Bratislava ruled in favor of the claimant in respect of one promissory note having a face value of EUR 8.3 million (see Part II, Item I, "Legal Proceedings"). We plan to appeal this decision.

Index

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following defined terms are used in this Quarterly Report on Form 10-Q:

- "2018 Euro Term Loan" refers to our floating rate senior unsecured term credit facility due May 1, 2019, guaranteed by Time Warner, dated as of November 14, 2014, as amended on March 9, 2015, February 19, 2016, June 22, 2017, and February 5, 2018;
- "2019 Euro Term Loan" refers to our floating rate senior unsecured term credit facility due November 1, 2021, guaranteed by Time Warner, dated as of September 30, 2015, as amended on February 19, 2016, June 22, 2017 and April 25, 2018;
- "2021 Euro Term Loan" refers to our floating rate senior unsecured term credit facility due April 26, 2023, entered into by CME BV (as defined below), guaranteed by Time Warner and CME Ltd., dated as of February 19, 2016, as amended on June 22, 2017 and April 25, 2018;
- "Euro Term Loans" refers collectively to the 2018 Euro Term Loan, 2019 Euro Term Loan and 2021 Euro Term Loan;
- "2021 Revolving Credit Facility" refers to our second amended and restated revolving credit facility due April 26, 2023, dated as of May 2, 2014, as amended and restated as of February 19, 2016, and as further amended and restated on April 25, 2018;
- "Divestment Transaction" refers to the framework agreement dated July 9, 2017 with Slovenia Broadband S.à r.l., as amended on April 10, 2018, for the sale of our Croatia and Slovenia operations (see Item 1, Note 3, "Discontinued Operations and Assets Held for Sale" for further information);
- "Guarantee Fees" refers to amounts accrued and payable to Time Warner as consideration for Time Warner's guarantees of the Euro Term Loans;
- "Reimbursement Agreement" refers to our second amended and restated reimbursement agreement with Time Warner which provides that we will reimburse Time Warner for any amounts paid by them under any guarantee or through any loan purchase right exercised by Time Warner, dated as of November 14, 2014, amended and restated on February 19, 2016, and as further amended and restated on April 25, 2018;
- "CME BV" refers to CME Media Enterprises B.V., our 100% owned subsidiary;
- "CME NV" refers to Central European Media Enterprises N.V., our 100% owned subsidiary;
- "Time Warner" refers to Time Warner Inc.; and
- "TW Investor" refers to Time Warner Media Holdings B.V.

The exchange rates used in this report are as at March 31, 2018, unless otherwise indicated.

Please note that we may announce information using SEC filings, press releases, public conference calls, webcasts and posts to the "Investors" section of our website, www.cme.net. We intend to continue to use these channels to communicate important information about CME Ltd. and our operations. We encourage investors, the media, our customers and others interested in the Company to review the information we post at www.cme.net.

I. Forward-looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 22E of the Securities Exchange Act of 1934 (the "Exchange Act"), including those relating to our capital needs, business strategy, expectations and intentions. Statements that use the terms “believe”, “anticipate”, “trend”, “expect”, “plan”, “estimate”, “forecast”, “should”, “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. In particular, information appearing under the sections entitled "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" includes forward looking-statements. 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 changes in global and regional economic conditions and the extent, timing and duration of the recovery in our markets; levels of television advertising spending and the rate of development of the advertising markets in the countries in which we operate; the extent to which our debt service obligations and covenants may restrict our business; our exposure to additional tax liabilities as well as liabilities resulting from regulatory or legal proceedings initiated against us; our ability to refinance our existing indebtedness; our success in continuing our initiatives to diversify and enhance our revenue streams; our ability to make cost-effective investments in our television businesses, including investments in programming; our ability to develop and acquire necessary programming and attract audiences; our ability to consummate the Divestment Transaction; and changes in the political and regulatory environments where we operate and in the application of relevant laws and regulations. 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. All forward-looking statements speak only as of the date of this report. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law.

Index

II. Overview

Central European Media Enterprises Ltd. ("CME Ltd.") is a media and entertainment company operating mainly in four countries in Central and Eastern Europe. We manage our business on a geographical basis, with four operating segments: Bulgaria, the Czech Republic, Romania, and the Slovak Republic, which are also our reportable segments. These operating segments reflect how CME Ltd.'s operating performance is evaluated by our chief operating decision makers, who we have identified as our co-Chief Executive Officers, how our operations are managed by segment managers, and the structure of our internal financial reporting.

On July 9, 2017, we entered into a framework agreement with Slovenia Broadband S.à r.l., a wholly owned subsidiary of United Group B.V., relating to the sale of our Croatia and Slovenia operations. Accordingly, these operations are classified as held for sale and they are presented as discontinued operations for all periods in this report; and the discussion below relates to our continuing operations in the four remaining operating segments.

Non-GAAP Financial Measures

In this report we refer to several non-GAAP financial measures, including OIBDA, OIBDA margin, free cash flow and unlevered free cash flow. We believe that each of these metrics is useful to investors for the reasons outlined below. Non-GAAP financial measures may not be comparable to similar measures reported by other companies. Non-GAAP financial measures should be evaluated in conjunction with, and are not a substitute for, US GAAP financial measures.

We evaluate our consolidated results and the performance of our segments based on net revenues and OIBDA. We believe OIBDA is useful to investors because it provides a meaningful representation of our performance, as it excludes certain items that do not impact either our cash flows or the operating results of our operations. OIBDA and unlevered free cash flow are also used as components in determining management bonuses.

OIBDA includes amortization and impairment of program rights and is calculated as operating income / loss before depreciation, amortization of intangible assets and impairments of assets and certain unusual or infrequent items that are not considered by our co-Chief Executive Officers when evaluating our performance. From January 1, 2018, stock-based compensation and certain operating costs incurred on behalf of our segments at the corporate level have been allocated to our segments for purposes of evaluating their performance. Prior period information has been recast to conform to the current period presentation. Our key performance measure of the efficiency of our consolidated operations and our segments is OIBDA margin. We define OIBDA margin as the ratio of OIBDA to net revenues.

Following a repricing of our Guarantee Fees in March 2017 and April 2018, the proportion of interest and related Guarantee Fees on our outstanding indebtedness that must be paid in cash has increased. In addition to this obligation to pay more Guarantee Fees in cash, we expect to use cash generated by the business to pay certain Guarantee Fees that were previously paid in kind. These cash payments are all reflected in free cash flow; accordingly, we believe unlevered free cash flow, defined as free cash flow before cash payments for interest and Guarantee Fees, best illustrates the cash generated by our operations when comparing periods. We define free cash flow as net cash generated from continuing operating activities less purchases of property, plant and equipment, net of disposals of property, plant and equipment and excluding the cash impact of certain unusual or infrequent items that are not included in costs charged in arriving at OIBDA because they are not considered by our co-Chief Executive Officers when evaluating performance.

For additional information regarding our business segments, including a reconciliation of OIBDA to US GAAP financial measures, see Item 1, Note 19, "Segment Data". For a reconciliation of free cash flow and unlevered free cash flow to a US GAAP financial measure, see "Free Cash Flow and Unlevered Free Cash Flow" below.

While our reporting currency is the dollar, our consolidated revenues and costs are divided across a range of European currencies and CME Ltd.'s functional currency is the Euro. Given the significant movement of the currencies in the markets in which we operate against the dollar, we believe that it is useful to provide percentage movements based on actual percentage movements ("% Act"), which includes the effect of foreign exchange, as well as like-for-like percentage movements ("% Lfl"). The like-for-like percentage movement references reflect the impact of applying the current period average exchange rates to the prior period revenues and costs. Since the difference between like-for-like and actual percentage movements is solely the impact of movements in foreign exchange rates, our discussion in the following analysis is focused on constant currency percentage movements in order to highlight those

factors influencing operational performance. The incremental impact of foreign exchange rates is presented in the tables preceding such analysis. Unless otherwise stated, all percentage increases or decreases in the following analysis refer to year-on-year percentage changes between the three months ended March 31, 2018 and 2017.
Executive Summary
The following table provides a summary of our consolidated results of our continuing operations for the three months ended March 31, 2018 and 2017:

	For the Three Months Ended March 31, (US$ 000's)			
			Movement	
	2018	2017	% Act	% Lfl
Net revenues	$139,182	$111,732	24.6 %	6.8 %
Operating income	20,945	13,024	60.8 %	43.3 %
Operating margin	15.0 %	11.7 %	3.3 p.p.	3.8 p.p.
OIBDA	$30,667	$21,092	45.4 %	26.4 %
OIBDA margin	22.0 %	18.9 %	3.1 p.p.	3.4 p.p.

Our consolidated net revenues increased in the three months ended March 31, 2018 compared to the corresponding period in 2017 due to growth in both television advertising revenues and carriage fees and subscription revenues. Television advertising spending in the markets of the countries in which we operate grew an estimated 9% overall at constant rates in the first three months of 2018 compared to 2017. Our television advertising revenues grew 26% at actual rates and 7% at constant rates during the same period due to higher levels of advertising spending in all countries. Carriage fees and subscription revenues increased 23% at actual rates and 8% at constant rates in the three months ended March 31, 2018 compared to the corresponding period in 2017 due to growth in the number of subscribers as well as higher prices.
Costs charged in arriving at OIBDA increased 20% at actual rates and 2% at constant rates in the three months ended March 31, 2018 compared to the corresponding period in 2017 primarily due to a 2% increase in content costs at constant rates, as we invested more in popular local content.

Index

Since the growth in revenue outpaced the increase in costs, our OIBDA margin increased in the three months ended March 31, 2018. This dynamic also drove an increase in operating income, with a similar improvement in operating margin. We expect revenues to grow at a faster pace than costs in 2018 and for the next few years, leading to continued OIBDA margin expansion year on year, although trends may vary from quarter to quarter. The improvement in our operations during the twelve month period ended March 31, 2018 reduced our net leverage ratio to 4.8x at the end of the quarter.

The launch of the spring season was completed in the first quarter, and we have maintained our leading audience share in all countries. In the Slovak Republic, we regained audience share and generated higher ratings compared to last year, when our reach was initially lower as our channels were distributed exclusively on cable, satellite and IPTV platforms in the country from January 2017. We continue to leverage popular content we produce for our prime time schedules, and supplement that with both foreign and locally acquired content to ensure we continue to attract the largest audience in each of our countries in the most profitable manner.

On February 5, 2018, we entered into an amendment to extend the maturity date of the 2018 Euro Term Loan from November 1, 2018 to May 1, 2019.

On April 25, 2018, we entered into a series of amendments which modify certain terms of the 2019 Euro Term Loan, the 2021 Euro Term Loan, the 2021 Revolving Credit Facility and the Reimbursement Agreement (collectively, the "Financing Transactions"). The Financing Transactions reduce the rates payable under the pricing grid under the Reimbursement Agreement as well as extend the maturity dates of the 2019 Euro Term Loan, the 2021 Euro Term Loan and the 2021 Revolving Credit Facility. The Financing Transactions are effective on April 26, 2018 (see Note 22, "Subsequent Events"). With the new pricing grids applicable to the Euro Term Loans, and based on our net leverage ratio of less than 5x at the end of the first quarter, our weighted average cost of borrowing will decline almost 200 basis points to nearly 4.0% from May 2018.

On April 25, 2018, Time Warner exercised 100,926,996 warrants and we will apply the proceeds of US$ 100.9 million, along with excess cash on hand, to repay EUR 110.0 million (approximately US$ 135.5 million) of the outstanding principal balance of the 2018 Euro Term Loan. If such repayment had occurred by March 31, 2018, CME's net leverage ratio would have decreased from 4.8x to 4.3x as a result.

Divestment Transaction to Accelerate Deleveraging

On July 9, 2017, we agreed to sell our operations in Croatia and Slovenia to Slovenia Broadband S.à r.l., a subsidiary of United Group B.V., subject to obtaining regulatory approvals and other customary closing conditions. On March 26, 2018 the Croatian Agency for Electronic Media confirmed the transaction is permissible under Croatian media legislation. We expect the transaction to close during the second quarter of 2018, subject to obtaining the remaining regulatory approvals from the competition authorities in Croatia and Slovenia as well as other customary closing conditions being satisfied.

Total cash consideration for the transaction is EUR 230.0 million (approximately US$ 283.4 million), subject to customary working capital adjustments. Upon closing, the proceeds will be used to repay the remaining balance of the 2018 Euro Term Loan in full, and we plan to use the remaining proceeds to repay the fees related to the 2019 Euro Term Loan, including Guarantee Fees and the Commitment Fee. To the extent excess funds are available thereafter, we will use such funds to repay a portion of the 2019 Euro Term Loan. Following the Financing Transactions, upon repayment of debt following the closing of the Divestment Transaction, together with the repayment of debt using proceeds from warrant exercises, we expect our average borrowing cost on our senior debt would decrease to approximately 3.2%. If all such repayments had occurred by March 31, 2018, CME's net leverage ratio would have decreased from 4.8x to 3.5x as a result.

Free Cash Flow and Unlevered Free Cash Flow

	For the Three Months Ended March 31, (US$ 000's)		
	2018	2017	Movement
Net cash generated from continuing operating activities	$66,525	$50,420	31.9 %
Capital expenditures, net	(4,085)	(5,933)	31.1 %
Free cash flow	62,440	44,487	40.4 %

Cash paid for interest (including mandatory cash-pay Guarantee Fees)	4,232	4,133	2.4	%
Unlevered free cash flow	$66,672	$48,620	37.1	%

(US$ 000's)	March 31, 2018	December 31, 2017	Movement	
Cash and cash equivalents	$ 74,264	$ 54,903	35.3	%

Our unlevered free cash flow increased during the first three months of 2018 compared to the same period in 2017 reflecting higher collection of cash from receivables generated during the significant improvement in fourth quarter performance in 2017 when compared to 2016, as well as increased prepayments from customers and lower capital expenditures.

In February 2018 we repaid EUR 50.0 million (approximately US$ 61.6 million at February 6, 2018 rates) of the principal outstanding on the 2018 Euro Term Loan.

Index

Market Information

The following table sets out our estimates of the year-on-year changes in real GDP, real private consumption and the television advertising market, net of discounts, in our countries for the three months ended March 31, 2018:

	For the Three Months Ended March 31, 2018		
Country	Real GDP Growth	Real Private Consumption Growth	Net TV Ad Market Growth
Bulgaria	3.9 %	4.1 %	10.3 %
Czech Republic	4.3 %	4.3 %	6.3 %
Romania*	5.6 %	6.1 %	10.6 %
Slovak Republic	3.9 %	3.8 %	11.6 %
Total CME Ltd. Markets	4.6 %	4.8 %	9.0 %

* Romanian market excludes Moldova.

Sources: Real GDP Growth and Real Private Consumption Growth, CME Ltd. estimates based on market consensus; TV Ad Market Growth, CME Ltd. estimates at constant exchange rates.

After adjusting for inflation, we estimate that during the first three months of 2018, GDP grew in each of the countries in which we operate at a rate that exceeded the average growth rate for Western Europe. Analysts forecast this trend to persist for the duration of 2018, which would make four consecutive years that growth in these territories outpaces more developed markets. Higher average wages in Romania continues to support significant growth in private consumption, and unemployment remains at historically low rates in Bulgaria and the Czech and Slovak Republics. We believe the growth in real private consumption forecast for 2018 will support overall growth in the television advertising markets across the four countries where we continue to operate.

We estimate that the TV advertising markets in the countries in which we operate increased by 9% on average at constant rates in the three months ended March 31, 2018 compared to the same period in 2017. In Bulgaria, we estimate the market grew due to selling more of the gross ratings points ("GRPs") produced, which was partially offset by lower average market prices. In the Czech Republic, estimated market growth was driven primarily by selling more GRPs, as advertisers brought forward some spending to earlier in the year, including more advertising around the Olympics and the earlier timing of the Easter holiday. In Romania, the market grew due to higher average prices, as well as more GRPs sold related to a new prime-time format on a competing channel. While the economy there continues to expand rapidly, we do not expect this level of growth in spending on advertising for the full year. In the Slovak Republic, the market growth resulted from higher average prices as well as more GRPs sold, which included government spending around completed infrastructure projects. If spending by the public sector is excluded, we estimate the market grew by 4%. We also regained audience share and generated higher ratings compared to last year, when our reach was lower because our channels were distributed exclusively on cable, satellite and IPTV platforms in the country from January 2017.

Segment Performance

Our total Net Revenues and OIBDA by segment were as follows:

	NET REVENUES For the Three Months Ended March 31, (US$ 000's)			
			Movement	
	2018	2017	% Act	% Lfl
Bulgaria	$ 19,433	$ 15,305	27.0 %	10.2 %
Czech Republic	51,534	39,474	30.6 %	6.5 %
Romania	45,961	38,944	18.0 %	5.4 %
Slovak Republic	22,953	18,340	25.2 %	8.6 %
Intersegment revenues	(699)	(331)	NM (1)	NM (1)
Total net revenues	$ 139,182	$ 111,732	24.6 %	6.8 %

(1) Number is not meaningful.

	OIBDA For the Three Months Ended March 31, (US$ 000's)			
			Movement	
	2018	2017	% Act	% Lfl
Bulgaria	$ 2,981	$ 1,258	137.0 %	105.4 %
Czech Republic	15,370	10,747	43.0 %	16.6 %
Romania	18,893	14,460	30.7 %	16.7 %
Slovak Republic	1,103	748	47.5 %	27.2 %
Eliminations	12	(8)	NM [1]	NM [1]
Total operating segments	38,359	27,205	41.0 %	21.3 %
Corporate	(7,692)	(6,113)	(25.8)%	(4.4)%
Consolidated OIBDA	$ 30,667	$ 21,092	45.4 %	26.4 %

(1) Number is not meaningful.

28

Index

Bulgaria

	Three Months Ended March 31, (US$ 000's)			
			Movement	
	2018	2017	% Act	% Lfl
Television advertising	$13,132	$9,769	34.4 %	16.6 %
Carriage fees and subscriptions	5,307	4,673	13.6 %	(1.4)%
Other	994	863	15.2 %	0.0 %
Net revenues	19,433	15,305	27.0 %	10.2 %
Costs charged in arriving at OIBDA	16,452	14,047	17.1 %	1.6 %
OIBDA	$2,981	$1,258	137.0 %	105.4 %
OIBDA margin	15.3 %	8.2 %	7.1 p.p.	7.1 p.p.

The television advertising market in Bulgaria increased an estimated 10% at constant rates in the three months ended March 31, 2018 compared to the same period in 2017.

Our television advertising revenues increased significantly at constant rates in the first quarter of 2018 compared to the same period in 2017 primarily due to an increase in the volume of GRPs sold. This was driven by strong demand for advertising on television, as well as an earlier start to some campaigns on our channels compared to the timing of bookings last year. There was also an increase in average prices.

On a constant currency basis, costs charged in arriving at OIBDA increased in the first quarter of 2018 compared to the same period of 2017 due to an increase in content costs resulting primarily from the launch of a new telenovela on our main channel in the access-prime time slot. This was partially offset by lower personnel costs and professional fees.

Czech Republic

	Three Months Ended March 31, (US$ 000's)			
			Movement	
	2018	2017	% Act	% Lfl
Television advertising	$45,394	$35,107	29.3 %	5.5 %
Carriage fees and subscriptions	3,920	2,639	48.5 %	21.2 %
Other	2,220	1,728	28.5 %	4.8 %
Net revenues	51,534	39,474	30.6 %	6.5 %
Costs charged in arriving at OIBDA	36,164	28,727	25.9 %	2.7 %
OIBDA	$15,370	$10,747	43.0 %	16.6 %
OIBDA margin	29.8 %	27.2 %	2.6 p.p.	2.6 p.p.

The television advertising market in the Czech Republic increased an estimated 6% at constant rates in the three months ended March 31, 2018 compared to the same period in 2017.

Television advertising revenues increased at constant rates in the first quarter of 2018 compared to the same period in 2017 primarily due to an increase in the volume of GRPs sold, as advertisers brought forward some spending to earlier in the year to take advantage of lower seasonality coefficients, as well as more advertising around the Olympics and the earlier timing of the Easter holiday. Carriage fees and subscription revenues increased on a constant currency basis due to an increase in the number of subscribers as well as new contracts with higher prices.

Costs charged in arriving at OIBDA increased on a constant currency basis in the first quarter of 2018 compared to the same period in 2017 due to an increase in the number of episodes of fiction productions this year compared to the schedule in 2017. This was partially offset by less entertainment programming as well as lower marketing expenses, following the rebranding of our niche channels in the first quarter of 2017.

Index

Romania

	Three Months Ended March 31, (US$ 000's)			
			Movement	
	2018	2017	% Act	% Lfl
Television advertising	$ 33,430	$ 28,124	18.9 %	6.1 %
Carriage fees and subscriptions	11,827	10,063	17.5 %	5.0 %
Other	704	757	(7.0)%	(17.1)%
Net revenues	45,961	38,944	18.0 %	5.4 %
Costs charged in arriving at OIBDA	27,068	24,484	10.6 %	(1.3)%
OIBDA	$ 18,893	$ 14,460	30.7 %	16.7 %
OIBDA margin	41.1 %	37.1 %	4.0 p.p.	4.0 p.p.

The television advertising market in Romania increased an estimated 11% at constant rates in the three months ended March 31, 2018 compared to the same period in 2017.

Our television advertising revenues increased at constant rates in the first quarter of 2018 compared to the same period last year due to higher average prices. While the economy continues to expand rapidly, we don't expect this level of television advertising market growth for the full year. In addition to that, we have seen some spending shift to the lower priced competition since they have more inventory to sell. Carriage fees and subscription revenues grew on a constant currency basis during the quarter primarily due to an increase in the number of subscribers.

Costs charged in arriving at OIBDA decreased at constant rates during the first quarter of 2018 primarily due to lower production costs for locally produced formats this year when compared to the schedule in 2017, as well as savings on foreign acquired programming.

Slovak Republic

	Three Months Ended March 31, (US$ 000's)			
			Movement	
	2018	2017	% Act	% Lfl
Television advertising	$ 19,840	$ 16,053	23.6 %	7.5 %
Carriage fees and subscriptions	2,243	1,511	48.4 %	28.8 %
Other	870	776	12.1 %	(7.1)%
Net revenues	22,953	18,340	25.2 %	8.6 %
Costs charged in arriving at OIBDA	21,850	17,592	24.2 %	7.8 %
OIBDA	$ 1,103	$ 748	47.5 %	27.2 %
OIBDA margin	4.8 %	4.1 %	0.7 p.p.	0.7 p.p.

(1) Number is not meaningful.

The television advertising market in the Slovak Republic increased an estimated 12% at constant rates in the three months ended March 31, 2018 compared to the same period in 2017.

Our television advertising revenues increased on a constant currency basis in the first quarter of 2018 compared to the same period in 2017 from selling more GRPs as we had more inventory than the prior year. This included government spending around completed infrastructure projects and if spending by the public sector is excluded, we estimate the market grew by 4% and our revenues increased 5%. We also regained audience share and generated higher ratings compared to last year, when our reach was initially lower because our channels were distributed exclusively on cable, satellite and IPTV platforms in the country from January 2017. The change in the way our channels are distributed also resulted in a significant increase in carriage fees and subscriptions revenue from higher prices due to certain contracts signed during the course of 2017.

On a constant currency basis, costs charged in arriving at OIBDA increased during the first quarter due to an increase in spending on content, as there were higher costs associated with a new series launched this year in the access-prime time slot and higher legal fees, which were partially offset by savings on foreign acquired content.

Index

III. Analysis of the Results of Operations and Financial Position

	For the Three Months Ended March 31, (US$ 000's)			
			Movement	
	2018	2017	% Act	% Lfl
Revenue:				
Television advertising	$ 111,796	$ 89,053	25.5 %	7.2 %
Carriage fees and subscriptions	23,297	18,886	23.4 %	7.8 %
Other revenue	4,089	3,793	7.8 %	(9.1)%
Net Revenues	139,182	111,732	24.6 %	6.8 %
Operating expenses:				
Content costs	69,806	58,645	19.0 %	2.3 %
Other operating costs	12,687	11,255	12.7 %	(4.5)%
Depreciation of property, plant and equipment	7,366	5,959	23.6 %	4.3 %
Amortization of broadcast licenses and other intangibles	2,356	2,109	11.7 %	(8.5)%
Cost of revenues	92,215	77,968	18.3 %	1.1 %
Selling, general and administrative expenses	26,022	20,740	25.5 %	5.9 %
Operating income	$ 20,945	$ 13,024	60.8 %	43.3 %

Revenue:

Television advertising revenues: We estimate television advertising spending in our markets grew on average by 9% at constant rates in the three months ended March 31, 2018 as compared to the same period in 2017, positively impacting our television advertising revenues. See "Overview - Segment Performance" above for additional information on television advertising revenues for each of our operating countries.

Carriage fees and subscriptions: Carriage fees and subscriptions revenues grew approximately 8% at constant rates during the three months ended March 31, 2018 as compared to the same period in 2017 due primarily to higher subscriber counts and increased rates. See "Overview - Segment Performance" above for additional information on carriage fees and subscription revenues for each of our operating countries.

Other revenues: Other revenues includes primarily internet advertising revenues and revenues generated through the licensing of our own productions. Other revenues decreased at constant rates during the three months ended March 31, 2018 as compared to the same period in 2017 primarily due to a lower volume of production services in the Slovak Republic.

Operating Expenses:

Content costs: Content costs (including production costs and amortization and impairment of program rights) increased during the three months ended March 31, 2018 compared to the same period in 2017 primarily due to the inclusion of more hours of local productions in our broadcast schedules.

Other operating costs: Other operating costs (excluding content costs, depreciation of property, plant and equipment, amortization of broadcast licenses and other intangibles as well as selling, general and administrative expenses) decreased at constant rates during the three months ended March 31, 2018 compared to the same period in 2017, primarily due to reductions in transmission costs as well as payroll and related cost savings in the Slovak Republic and Bulgaria, which were partially offset by increases to amounts paid for authors' rights in Romania.

Depreciation of property, plant and equipment: Total depreciation of property, plant and equipment increased during the three months ended March 31, 2018 compared to the same period in 2017 primarily due to depreciation on machinery and equipment placed in service during 2017.

Amortization of broadcast licenses and other intangibles: Total amortization of broadcast licenses and other intangibles decreased at constant rates during the three months ended March 31, 2018 compared to the same period in 2017 primarily due to certain intangibles in the Czech Republic becoming fully amortized in 2017.

Selling, general and administrative expenses: Selling, general and administrative expenses increased during the three months ended March 31, 2018 as compared to the same period in 2017 primarily due to increased legal fees in the

Slovak Republic and the impact of the reversal of bad debt charges in Bulgaria and Romania during the first quarter of 2017, partially offset by decreased advertising expense in the Czech Republic due to the rebranding of our niche channels in the first quarter of 2017. Corporate costs also increased during the three months ended March 31, 2018 as compared to the same period in 2017 but are expected to be broadly in line on a full year basis.

Operating income: Operating income during the three months ended March 31, 2018 increased compared to the same period in 2017 primarily due to increases in television advertising and carriage fee revenues, which outpaced the increases in content costs, as well as reductions in other operating costs. Our operating margin, which is determined as operating income / loss divided by net revenues, was 15.0% for the three months ended March 31, 2018 compared to 11.7% for the three months ended March 31, 2017.

Index

Other income / expense:

	For the Three Months Ended March 31, (US$ 000's)		
	2018	2017	% Act
Interest expense	$(15,012)	$(18,993)	21.0 %
Loss on extinguishment of debt	(109)	—	NM [1]
Non-operating income / (expense):			
Interest income	142	77	84.4 %
Foreign currency exchange gain, net	4,266	1,612	164.6 %
Change in fair value of derivatives	(228)	368	NM [1]
Other (expense) / income, net	(23)	175	NM [1]
Provision for income taxes	(3,897)	(2,245)	(73.6)%
Income / (loss) from discontinued operations, net of tax	988	(5,292)	NM [1]
Net loss attributable to noncontrolling interests	178	209	(14.8)%

[1] Number is not meaningful.

Interest expense: Interest expense during the three months ended March 31, 2018 decreased compared to the three months ended March 31, 2017 primarily due to reduced borrowing costs following a reduction in our net leverage ratio as defined within the Reimbursement Agreement. See Item 1, Note 5, "Long-term Debt and Other Financing Arrangements".

Loss on extinguishment of debt: During the three months ended March 31, 2018, we recognized a loss on extinguishment of debt related to our repayment of EUR 50.0 million (approximately US$ 61.6 million at February 6, 2018 rates) of the 2018 Euro Term Loan.

Interest income: Interest income primarily reflects earnings on cash balances and was not material.

Foreign currency exchange gain, net: We are exposed to fluctuations in foreign exchange rates on the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary. This includes third party receivables and payables, as well as certain of our intercompany loans which are not considered of a long-term investment nature. Our subsidiaries generally receive funding via loans that are denominated in currencies other than the functional currency of the lender, therefore any change in the relevant exchange rate will require us to recognize a transaction gain or loss on revaluation. Certain of our intercompany loans are classified as long-term in nature, and therefore gains or losses on revaluation are not recorded through the statement of operations and comprehensive income / loss. See the discussion under "Currency translation adjustment, net" below.

During the three months ended March 31, 2018, we recognized a net gain of US$ 4.3 million comprised of transaction gains of US$ 0.3 million relating to the revaluation of intercompany loans, transaction gains of approximately US$ 2.0 million on our long-term debt and other financing arrangements and transaction gains of US$ 2.0 million relating to the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary.

During the three months ended March 31, 2017, we recognized a net gain of US$ 1.6 million comprised of transaction gains of US$ 0.7 million relating to the revaluation of intercompany loans, transaction gains of approximately US$ 0.1 million on our long-term debt and other financing arrangements and transaction gains of US$ 0.8 million relating to the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary.

Change in fair value of derivatives: During the three months ended March 31, 2018, we recognized losses as a result of the change in the fair value of our interest rate swaps that are not designated as hedging instruments. During the three months ended March 31, 2017, we recognized gains as a result of the change in the fair value of our since settled USD/EUR foreign currency forward contracts. See Item 1, Note 12, "Financial Instruments and Fair Value Measurements".

Other (expense) / income, net: Our other income / expense, net during the three months ended March 31, 2018 and 2017 was not material.

Provision for income taxes: The provision for income taxes for the three months ended March 31, 2018 reflects income tax charges on profits in the Czech Republic and Romania and the impact of losses on which no tax benefit has been received.

The provision for income taxes for the three months ended March 31, 2017 reflects losses on which no tax benefit has been received and an income tax charge on profits in Romania.

Our operating subsidiaries are subject to income taxes at statutory rates of 10% in Bulgaria, 16% in Romania, 19% in the Czech Republic and 21% in the Slovak Republic.

Income / (loss) from discontinued operations, net of tax: Income / (loss) from discontinued operations, net of tax for the three months ended March 31, 2018 and 2017 is comprised of the operational results of the Croatia and Slovenia operations as well as the allocation of interest expense and Guarantee Fees from the 2018 Euro Term Loan and 2019 Euro Term Loan and transaction costs. See Item 1, Note 3, "Discontinued Operations and Assets Held for Sale" and Note 5, "Long-term Debt and Other Financing Arrangements".

Net loss attributable to noncontrolling interests: The results attributable to noncontrolling interests for the three months ended March 31, 2018 and 2017 relate to the noncontrolling interest share of our Bulgaria operations.

Other comprehensive income / loss:

	For the Three Months Ended March 31, (US$ 000's)		
	2018	2017	% Act
Currency translation adjustment, net	$11,785	$2,072	NM [1]
Unrealized gain on derivative instruments	191	1,258	(84.8)%

[1] Number is not meaningful.

32

Index

Currency translation adjustment, net: The underlying equity value of our investments (which are denominated in the functional currency of the relevant entity) are converted into dollars at each balance sheet date, with any change in value of the underlying assets and liabilities being recorded as a currency translation adjustment to the balance sheet rather than net income / loss. Other comprehensive income / loss due to currency translation adjustment, net comprised the following for the three months ended March 31, 2018 and 2017:

	For the Three Months Ended March 31, (US$ 000's)			
	2018	2017	% Act	
Foreign exchange gain on intercompany transactions	$1,531	$786	94.8	%
Foreign exchange gain on the Series B Preferred Shares	7,151	4,966	44.0	%
Currency translation adjustment	3,103	(3,680)	NM [(1)]	
Currency translation adjustment, net	$11,785	$2,072	NM [(1)]	

[(1)] Number is not meaningful.

Certain of our intercompany loans are denominated in currencies other than the functional currency of the lender and are considered to be of a long-term investment nature as the repayment of these loans is neither planned nor anticipated for the foreseeable future. The foreign exchange gains on the remeasurement of these intercompany loans to the lender's functional currency are treated in the same manner as currency translation adjustments.

The following charts depict the movement of the dollar versus the functional currencies of our operations, based on monthly closing rates, during the three months ended March 31, 2018 and March 31, 2017.

Percent Change During the Three Months Ended March 31, 2018

Index

Percent Change During the Three Months Ended March 31, 2017

Unrealized gain on derivative instruments: The gains on derivatives classified as cash flow hedges of the Euro Term Loans, which are recognized in accumulated other comprehensive income / loss, for the three months ended March 31, 2018 and 2017 are due to the effective portion of the changes in the fair value of our interest rate swaps on the 2019 and 2021 Euro Term Loans. See Item 1, Note 12, "Financial Instruments and Fair Value Measurements".

Condensed consolidated balance sheets as at March 31, 2018 and December 31, 2017:

	Condensed Consolidated Balance Sheet (US$ 000's)			
	March 31, 2018	December 31, 2017	% Act	% Lfl
Current assets	$468,723	$ 464,774	0.8 %	(2.3)%
Non-current assets	1,181,203	1,163,281	1.5 %	(1.4)%
Current liabilities	217,335	188,264	15.4 %	12.0 %
Non-current liabilities	1,151,864	1,180,968	(2.5)%	(4.9)%
Temporary equity	267,040	264,593	0.9 %	0.9 %
CME Ltd. shareholders' equity / (deficit)	14,055	(5,788)	NM (1)	NM (1)
Noncontrolling interests in consolidated subsidiaries	(368)	18	NM (1)	NM (1)

(1) Number is not meaningful.

Note: The analysis below is intended to highlight the key factors at constant rates that led to the movements from December 31, 2017, excluding the impact of foreign currency translation.

Current assets: Excluding the impact of assets held for sale, current assets at March 31, 2018 increased slightly at constant rates from December 31, 2017 primarily due to customer prepayments on their 2018 advertising campaigns, offset by the seasonality of operations.

Non-current assets: Non-current assets at March 31, 2018 decreased at constant rates from December 31, 2017 primarily due to amortization of program rights related to significant projects first aired during 2018, as well as depreciation of property, plant and equipment and amortization of broadcast licenses in the Czech Republic.

Current liabilities: Excluding the impact of liabilities held for sale, current liabilities at March 31, 2018 increased from December 31, 2017. The increase is primarily due to higher deferred revenue from customer prepayments on their 2018 advertising campaigns.

Non-current liabilities: Non-current liabilities at March 31, 2018 decreased from December 31, 2017 primarily due to our election to repay a portion of the 2018 Euro Term Loan in February 2018. See Item 1, Note 5, "Long-term Debt and Other Financing Arrangements".

Temporary equity: Temporary equity at March 31, 2018 and December 31, 2017 represents the accreted value of the Series B Preferred Shares issued to TW Investor on June 25, 2013.

CME Ltd. shareholders' equity / (deficit): The increase in shareholders' equity primarily reflects the impact of currency translation adjustments in accumulated other comprehensive loss and the net income attributable to CME Ltd. during the three months ended March 31, 2018.

Index

Noncontrolling interests in consolidated subsidiaries: Noncontrolling interests in consolidated subsidiaries at March 31, 2018 decreased from December 31, 2017 due to the net loss attributable to the noncontrolling interest in Bulgaria.

IV. Liquidity and Capital Resources

IV (a) Summary of Cash Flows

Cash and cash equivalents increased by US$ 19.4 million during the three months ended March 31, 2018. The change in cash and cash equivalents for the periods presented below is summarized as follows:

	For the Three Months Ended March 31, (US$ 000's)	
	2018	2017
Net cash generated from continuing operating activities	$66,525	$50,420
Net cash used in continuing investing activities	(4,085)	(5,933)
Net cash used in continuing financing activities	(60,447)	(26)
Net cash generated from discontinued operations	14,837	1,109
Impact of exchange rate fluctuations on cash and cash equivalents	2,531	(152)
Net increase in cash and cash equivalents	$19,361	$45,418

Operating Activities

The increase in cash generated from continuing operations during the three months ended March 31, 2018 reflects the collection of cash from receivables generated during the significant improvement in fourth quarter performance in 2017 when compared to 2016 as well as increased prepayments from customers. We paid cash interest (including mandatory cash-pay Guarantee Fees) of US$ 4.2 million during the three months ended March 31, 2018 compared to US$ 4.1 million during the three months ended March 31, 2017.

Investing Activities

Our net cash used in continuing investing activities for the three months ended March 31, 2018 and 2017 relates to capital expenditures for property, plant and equipment.

Financing Activities

Cash used in continuing financing activities during the three months ended March 31, 2018 primarily reflected principal repayments made on our 2018 Euro Term Loan, partially offset by cash received from the exercise of warrants. The cash used in continuing financing activities during the three months ended March 31, 2017 primarily reflected payments made under capital lease agreements, substantially offset by proceeds received from the exercise of warrants.

Discontinued Operations

The net cash generated from discontinued operations during the three months ended March 31, 2018 and March 31, 2017 primarily reflected results from operations as well as prepayments from customers, offset by capital expenditures for property, plant and equipment.

IV (b) Sources and Uses of Cash

Our ongoing source of cash is primarily the receipt of payments from advertisers, advertising agencies and distributors of our television channels. In addition, we expect to receive cash from the exercise of warrants, as well as proceeds from the Divestment Transaction. We also have available the 2021 Revolving Credit Facility (see Item 1, Note 5, "Long-term Debt and Other Financing Arrangements"). As at March 31, 2018, the aggregate principal amount available under the 2021 Revolving Credit Facility, was US$ 50.0 million. Surplus cash, after funding ongoing operations, may be remitted to us, where appropriate, by our subsidiaries in the form of debt interest payments, principal repayments, dividends, and other distributions and loans from our subsidiaries. On April 25, 2018, we entered into the Financing Transactions, and as a result, the amount available under the 2021 Revolving Credit Facility increases to US$ 75.0 million. The Financing Transactions are effective on April 26, 2018 (see Item 1, Note 22, "Subsequent Events").

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 (if applicable) 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 at least 5.0%) be allocated to a reserve, which is capped at a proportion of the registered capital of a company (ranging from 5.0% to 20.0%). There are no third-party restrictions that limit our subsidiaries' ability to transfer amounts to us in the form of loans or advances.

Index

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

Our future contractual obligations as at March 31, 2018 were as follows:

	Payments due by period (US$ 000's)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt – principal[1]	$1,053,365	$—	$1,053,365	$—	$—
Long-term debt – interest	206,625	60,789	145,836	—	—
Unconditional purchase obligations	89,427	33,682	39,476	12,605	3,664
Operating leases	6,058	2,488	1,076	712	1,782
Capital lease obligations	10,551	3,581	5,869	1,101	—
Other long-term obligations	27,820	14,050	13,509	250	11
Total contractual obligations	$1,393,846	$114,590	$1,259,131	$14,668	$5,457

(1) On April 25, 2018 we entered into amendments which extend the maturity date of the 2019 Euro Term Loan to November 1, 2021, and the maturity date of the 2021 Euro Term Loan and the 2021 Revolving Credit Facility to April 26, 2023. These amendments are effective on April 26, 2018 (see Note 22, "Subsequent Events").

Long-Term Debt

For more information on our long-term debt, see Item 1, Note 5, "Long-term Debt and Other Financing Arrangements". Interest payable on our long-term debt is calculated using interest rates and exchange rates in effect as at March 31, 2018. For the purposes of the above table, it is assumed that all Guarantee Fees will be paid in cash following the Financing Transactions (see Note 22, "Subsequent Events").

Unconditional Purchase Obligations

Unconditional purchase obligations primarily comprise future programming commitments. At March 31, 2018, we had commitments in respect of future programming of US$ 87.8 million. This includes contracts signed with license periods starting after March 31, 2018.

Operating Leases

For more information on our operating lease commitments see Item 1, Note 20, "Commitments and Contingencies".

Other Long-Term Obligations

Other long-term obligations are primarily comprised of digital transmission commitments.

Other

Top Tone Media Holdings Limited has exercised its right to acquire additional equity in CME Bulgaria. However, the closing of this transaction has not yet occurred because purchaser financing is still pending. If consummated, we would own 90.0% of our Bulgaria broadcast operations. The option strike price is the fair value of the equity in CME Bulgaria, as determined by an independent valuation.

IV (d) Cash Outlook

Because cash flows from operating activities were negative from 2012 to 2014, we relied on equity and debt financings to ensure adequate funding for our operations. Since 2015, our cash flow from operating activities has been positive and our cost of borrowing has consistently decreased.

In the first quarter of 2018, we generated unlevered free cash flow of US$ 66.7 million compared to US$ 48.6 million in the first quarter of 2017 and as at March 31, 2018, we had US$ 74.3 million in cash and cash equivalents. Our nearest debt maturity is May 1, 2019 when the remaining outstanding principal balance of the 2018 Euro Term Loan of EUR 150.8 million (approximately US$ 185.8 million at March 31, 2018 rates) is due for repayment and as at March 31, 2018, we have repaid all related accrued Guarantee Fees that were previously paid in kind.

On April 25, 2018, we entered into the Financing Transactions which reduce the rates payable under the pricing grids applicable to our Euro Term Loans and the 2021 Revolving Credit Facility. The amount available to us under the 2021 Revolving Credit Facility will increase to US$ 75.0 million (see Item 1, Note 22, "Subsequent Events"). Effective from May 2018, the new pricing grids, combined with our improved net leverage of 4.8x as of March 31, 2018 (compared to 5.4x as of December 31, 2017), will result in a weighted average all-in rate (comprising interest and Guarantee Fees) applicable to the Euro Term Loans of approximately 4.0%, all of which is payable in cash.

On April 25, 2018, Time Warner exercised 100,926,996 warrants at US$ 1.00 per share. We will apply the US$ 100.9 million and cash balances from operations to repay EUR 110.0 million (approximately US$ 135.5 million at March 31, 2018 rates) of the outstanding principal of the 2018 Euro Term Loan. We anticipate using excess cash, including free cash flow from the business and the expected proceeds from the Divestment Transaction to repay the remaining principal balance of the 2018 Euro Term Loan in full before it matures in May 2019 and to repay the accrued Commitment Fee and Guarantee Fees previously paid in kind, as well as a portion of the principal balance of the 2019 Euro Term Loan. In the event that the Divestment Transaction does not close, we expect to be able to repay the 2018 Euro Term Loan from the cash generated from the business prior to maturity.

In addition, while we expect our unlevered free cash flow to grow due to continuous improvement in our operating results, we anticipate the amounts of cash paid for income taxes will continue to increase in 2018 and to further converge with local statutory tax rates as our operating companies in each jurisdiction have returned to generating profits and previous net operating losses are utilized.

Index

Credit ratings and future debt issuances
Our corporate credit is rated B2 by Moody's Investors Service with a positive outlook and B+ by Standard & Poor's with a positive outlook. Our ratings show each agency's opinion of our financial strength, operating performance and ability to meet our debt obligations as they become due. These ratings take into account the particular emphasis the ratings agencies place on metrics such as leverage ratio and cash flow, which they use as measurements of a company's liquidity and financial strength. They also reflect an emphasis by the ratings agencies on the track record of strong financial support from Time Warner. We may be subject to downgrades if our operating performance deteriorates or we fail to maintain adequate levels of liquidity. In addition, our ratings may be downgraded if the agencies form a view that material support from Time Warner is not as strong, or the strategic importance of CME to Time Warner is not as significant as it has been in the past.
Credit risk of financial counterparties
We have entered into a number of significant contracts with financial counterparties as follows:
Interest Rate Swaps
We are party to interest rate swap agreements to mitigate our exposure to interest rate fluctuations on our Euro Term Loans. These interest rate swaps, certain of which are designated as cash flow hedges, provide the Company with variable-rate cash receipts in exchange for fixed-rate payments over the lives of the agreements, with no exchange of the underlying notional amount.
Foreign Exchange Forwards
We are exposed to movements in the USD to EUR exchange rates related to contractual payments under dollar-denominated agreements. To reduce this exposure, from time to time we enter into pay-Euro receive-dollar forward foreign exchange contracts. We had no such agreements outstanding at March 31, 2018.
Cash Deposits
We may deposit cash in the global money markets with a range of bank counterparties and review the counterparties we choose regularly. The maximum period of deposit is three months but we have more recently held amounts on deposit for shorter periods, mainly overnight. 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 investment grade rating. 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.
IV (e) Off-Balance Sheet Arrangements
None.
V. Critical Accounting Policies and Estimates
Our accounting policies that have a material effect on our financial condition and results of operations are more fully described in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission ("SEC") on February 8, 2018. The preparation of these financial statements requires us to make judgments in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable. Using these estimates, we make judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.
We believe our critical accounting policies are as follows: program rights, goodwill and intangible assets, impairment or disposal of long-lived assets, revenue recognition, income taxes, foreign exchange, determination of the fair value of financial instruments, contingencies and discontinued operations. These critical accounting policies affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. See Item 1, Note 2, "Basis of Presentation" for a discussion of accounting standards adopted in the period, and recently issued accounting standards not yet adopted.

Index

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We engage in activities that expose us to various market risks, including the effect of changes in foreign currency exchange rates and interest rates. We do not engage in speculative transactions, nor do we hold or issue financial instruments for trading purposes. The table below sets forth our market risk sensitive instruments as at the following dates:

March 31, 2018:

Expected Maturity Dates	2018	2019	2020	2021	2022	Thereafter
Long-term Debt (000's):						
Variable rate (EUR)	—	386,135	—	468,800	—	—
Average interest rate [1]	—	1.50 %	—	1.50 %	—	—
Interest Rate Swaps (000's):						
Variable to fixed (EUR)	—	386,135	—	468,800	—	—
Average pay rate	—	0.25 %	—	0.28 %	—	—
Average receive rate	—	— %	—	— %	—	—

(1) As discussed in Item 1, Note 5, "Long-term Debt and Other Financing Arrangements", as consideration for Time Warner's guarantee of the Euro Term Loans, we pay Guarantee Fees to Time Warner based on the amounts outstanding on the Euro Term Loans, each calculated such that the all-in borrowing rate on each of the Euro Term Loans was 6.0% per annum during the three months ended March 31, 2018.

December 31, 2017:

Expected Maturity Dates	2018	2019	2020	2021	2022	Thereafter
Long-term Debt (000's):						
Variable rate (EUR)	200,800	235,335	—	468,800	—	—
Average interest rate [1]	1.50 %	1.50 %	—	1.50 %	—	—
Interest Rate Swaps (000's):						
Variable to fixed (EUR)	200,800	235,335	—	468,800	—	—
Average pay rate	0.14 %	0.31 %	—	0.28 %	—	—
Average receive rate	— %	— %	—	— %	—	—

(1) As discussed in Item 1, Note 5, "Long-term Debt and Other Financing Arrangements", as consideration for Time Warner's guarantee of the Euro Term Loans, we pay Guarantee Fees to Time Warner based on the amounts outstanding on the Euro Term Loans. As of December 31, 2017, the all-in borrowing rate on each of the Euro Term Loans was 6.0% per annum.

On April 25, 2018 we entered into amendments which extend the maturity date of the 2019 Euro Term Loan to November 1, 2021, and the maturity date of the 2021 Euro Term Loan and the 2021 Revolving Credit Facility to April 26, 2023. These amendments are effective on April 26, 2018 (see Item 1, Note 22, "Subsequent Events").

Foreign Currency Exchange Risk Management

We conduct business in a number of currencies other than our functional currencies. As a result, we are subject to foreign currency exchange rate risk due to the effects that foreign exchange rate movements of these currencies have on our costs and on the cash flows we receive from our subsidiaries. In limited instances we enter into forward foreign exchange contracts to minimize foreign currency exchange rate risk.

We periodically enter into forward foreign exchange contracts to reduce our exposure to movements in the USD to EUR exchange rates related to contractual payments under dollar-denominated agreements. At March 31, 2018, no forward foreign exchange contracts were outstanding.

Interest Rate Risk Management

The Euro Term Loans each bear interest at a variable rate based on EURIBOR plus an applicable margin. We are party to a number of interest rate swap agreements intended to reduce our exposure to interest rate movements (see Item 1, Note 12, "Financial Instruments and Fair Value Measurements").

Item 4. Controls and Procedures

We have established disclosure controls and procedures designed to ensure that information required to be disclosed in our Quarterly Report on Form 10-Q is recorded, processed, summarized and reported within the specified time periods and is designed to ensure that information required to be disclosed is accumulated and communicated to management, including the co-Principal Executive Officers and the Principal Financial Officer, to allow timely decisions regarding required disclosure.

Our co-Principal Executive Officers and our Principal Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2018 and concluded that our disclosure controls and procedures were effective as of that date. There has been no change in our internal control over financial reporting during the three months ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Index

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

General

We are from time to time party to legal proceedings, arbitrations and regulatory proceedings arising in the normal course of our business operations, including the proceeding described below. We evaluate, on a quarterly basis, developments in such matters and provide accruals for such matters, as appropriate. In making such decisions, we consider the degree of probability of an unfavorable outcome and our ability to make a reasonable estimate of the amount of a loss. An unfavorable outcome in any such proceedings, if material, could have an adverse effect on our business or consolidated financial statements.

In the fourth quarter of 2016, our Slovak subsidiary MARKIZA-SLOVAKIA, spol. s.r.o. (“Markiza”) was notified of claims that were filed in June 2016 in a court of first instance in Bratislava, the Slovak Republic to collect amounts allegedly owing under four promissory notes. These four promissory notes were purportedly issued in June 2000 by Pavol Rusko in his personal capacity and were purportedly guaranteed by Markiza under the signature of Mr. Rusko, who was an executive director of Markiza at that time as well as one of its shareholders. The notes purport to be issued in favor of Marian Kocner, a controversial Slovak businessman, and to a former associate of Mr. Kocner, and were supposedly assigned several times, ultimately to Sprava a inkaso zmeniek, s.r.o., a company owned by Mr. Kocner that is the plaintiff in these proceedings. Two of the notes allegedly matured in 2015 and the other two in 2016. The four notes purport to be in the aggregate amount of approximately EUR 69.0 million and accrue interest from their purported maturity dates.

Despite a random case assignment system in the Slovak Republic, claims in respect of three of the notes were initially assigned to the same judge. The judge who was assigned the claim in respect of the fourth promissory note (in the amount of approximately EUR 26.2 million) terminated proceedings in January 2017 because the plaintiff failed to pay court fees. The plaintiff refiled this claim in June 2017; the judge who was assigned the refiled claim terminated proceedings in September after the plaintiff again failed to pay court fees. In responses to the claims in respect of the other three promissory notes that were filed in August 2017 and in his testimony, Mr. Rusko asserted that he signed the three notes in June 2000. We do not believe that the notes were signed in June 2000 or that any of the notes are authentic. Although proceedings have commenced in respect of all three notes, the number of hearings that may be held in respect of any of the notes and over what time period is unknown. We are vigorously defending the claims.

Item 1A. Risk Factors

This report and the following discussion of risk factors contain forward-looking statements as discussed in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations". 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

Changes in global or regional economic conditions may adversely affect our financial position and results of operations.

The results of our operations depend heavily on advertising revenue, and demand for advertising is affected by general economic conditions in the region and globally. Our markets have experienced overall growth in real GDP (as adjusted for inflation) and advertising spending since 2014; however, we cannot predict if the current growth trends will continue in the future. Recessions or periods of low or negative growth in the region or globally in the future may cause a deterioration of general economic conditions in one or more of our markets, which would have an adverse economic impact on our advertising revenues. Other factors that may affect general economic conditions in our markets include defaults by sovereigns or systemically important companies, austerity programs, natural disasters, acts of terrorism, civil or military conflicts or general political instability and responses to it, any of which may also reduce advertising spending. In addition, although we believe the advertising spend per capita of the countries in which we operate and advertising intensity (the ratio of total advertising spend per capita to nominal GDP per capita) will converge with developed markets in Europe, such convergence may not occur in the time frame we expect, or at all. Any of these developments would have a significant negative effect on our financial position, results of operations and cash flows.

Changes to the quantitative easing program implemented by European Central Bank ("ECB") and the impact on the region of the United Kingdom’s exit from the European Union (“EU”) may adversely affect our financial position and results of operations.

The ECB embarked upon quantitative easing in 2015 to address economic softness and a slowdown in growth of consumer prices in the Eurozone. The ECB also created funding and stability mechanisms to provide liquidity and financial assistance to Eurozone member states and financial institutions. Economic growth in recent years in the Eurozone, including strong growth in 2017, has been helped by the ECB’s quantitative easing program which was recalibrated in January 2018. Citing improved economic conditions, the ECB has confirmed that its reduced quantitative easing program representing net asset purchases of EUR 30 billion a month is intended to run until September 2018, or beyond as necessary. The ECB may decide to take further steps to reduce or exit quantitative easing in the future. The tapering of quantitative easing may adversely impact future growth in Eurozone countries, including the countries we operate in which would negatively impact our business.

On March 29, 2017, the United Kingdom formally initiated the process to leave the EU, commonly referred to as "Brexit", triggering a two-year period to finalize the terms for its leaving the EU. It is expected that economic conditions in the EU will be impacted by Brexit. While the overall economic impact of Brexit on the EU and the Euro is difficult to estimate at present, decisions to conserve cash and reduce spending by consumers and businesses in the United Kingdom would have a negative impact on economic growth rates in the United Kingdom and, to a lesser extent, in the EU, in particular those countries that are significant exporters to the United Kingdom. There is also significant uncertainty regarding the terms on which the United Kingdom will leave the EU, and it is expected that a more protracted process to set those terms would have a more prolonged economic impact. In addition, if other countries seek to leave the EU, that would increase uncertainty in the region, which may have a further negative impact on investment and economic growth rates. Furthermore, the departure of the United Kingdom from the EU may affect the budgetary contributions and allocations among the EU member states in the medium term, including the countries in which we operate, which are net recipients of EU funding. Economic uncertainty caused by Brexit or other instability in the EU resulting from Brexit could cause significant volatility in EU markets and reduce economic growth rates in the countries in which we operate, which would negatively impact our business.

Index

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

We generate the majority of our revenues from the sale of advertising airtime on our television channels. While we have implemented pricing strategies to increase sales and television advertising spending, the success of these strategies has varied from market to market and continues to be challenged by pressure from advertisers and discounting by competitors. In addition to advertising pricing, other factors that may affect our advertising sales include general economic conditions (described above), competition from other broadcasters and operators of other distribution platforms, changes in programming strategy, changes in distribution strategy, our ability to secure distribution on cable, satellite or IPTV operators, our channels' technical reach, technological developments relating to media and broadcasting, seasonal trends in the advertising market, changing audience preferences and in how and when people view content and the accompanying advertising, increased competition for the leisure time of audiences and shifts in population and other demographics. Our advertising revenues also depend on our ability to maintain audience ratings and to generate GRPs. This requires us to have a distribution strategy that reaches a significant audience as well as to maintain investments in programming at a sufficient level to continue to attract audiences. Changes in the distribution of our channels, such as our decision to cease broadcasting on DTT in the Slovak Republic may reduce the number of people who can view our channels, which may negatively impact our audience share and GRPs generated. Furthermore, significant or sustained reductions in investments in programming or other operating costs in response to reduced advertising revenues had and, if repeated, may have an adverse impact on our television viewing levels. Reductions in advertising spending in our markets and resistance to price increases as well as competition for ratings from broadcasters seeking to attract similar audiences may have an adverse impact on our ability to maintain our advertising sales. A failure to maintain and increase advertising sales could have a material adverse effect on our financial position, results of operations and cash flows.

Our debt service obligations and covenants may restrict our ability to conduct our operations.

We have significant debt service obligations under the Euro Term Loans as well as the 2021 Revolving Credit Facility (when drawn), including the Guarantee Fees to Time Warner as consideration for its guarantees of the Euro Term Loans (collectively, the "TW Guarantees"). In addition, if the Divestment Transaction does not close or cash flows from operations do not meet our forecasts, we would not be able to reduce our indebtedness as planned and would continue to bear higher average borrowing costs on our senior debt and pay more interest and Guarantee Fees. As a result of our debt service obligations and covenants contained in the related loan agreements, we are restricted under the Reimbursement Agreement and the 2021 Revolving Credit Facility (when drawn) in the manner in which our business is conducted, including but not limited to our ability to obtain additional debt financing to refinance existing indebtedness or to fund future working capital, capital expenditures, business opportunities or other corporate requirements. We may have a proportionally higher level of debt and debt service obligations than our competitors, which may put us at a competitive disadvantage by limiting our flexibility in planning for, or reacting to, changes in our business, economic conditions or our industry. For additional information regarding the Reimbursement Agreement, the 2021 Revolving Credit Facility and the TW Guarantees, see Part I, Item 1, Note 5, "Long-term Debt and Other Financing Arrangements" and Note 22, "Subsequent Events".

We may be unable to refinance our existing indebtedness and may not be able to obtain favorable refinancing terms.

We have a substantial amount of indebtedness. Under the Reimbursement Agreement and the 2021 Revolving Credit Facility (when drawn), we can incur only limited amounts of additional indebtedness, other than indebtedness incurred to refinance existing indebtedness. In addition, pursuant to the Reimbursement Agreement, the all-in rates on each of the Euro Term Loans increase to a maximum of 10.0% (or 3.5% above the then-current all-in rate, if lower), on the date that is 365 days following a change of control of CME Ltd. (as defined therein); and pursuant to the 2021 Revolving Credit Facility, all commitments terminate following a change of control (as defined therein) and the interest rate on amounts outstanding increases to 10% plus LIBOR or 9% plus the alternate base rate on the date that is 365 days following such change of control. Following the repayment of a portion of the outstanding principal of the 2018 Euro Term Loan with proceeds from the warrant exercises, we intend to repay the remainder of the 2018 Euro Term Loan at or prior to its maturity on May 1, 2019 with cash flows from operations and the expected proceeds from the Divestment Transaction. Pursuant to the Reimbursement Agreement, all commitments under the 2021 Revolving Credit Facility terminate on the refinancing of any Euro Term Loan. We face the risk that we will not be able to renew, repay or refinance our indebtedness when due, or that the terms of any renewal or refinancing will not be on better terms than those of such indebtedness being refinanced. In the event we are not able to refinance our indebtedness, we might be forced to dispose of assets on disadvantageous terms or reduce or suspend operations, any of which would materially and adversely affect our financial condition, results of operations and cash flows.

If the Divestment Transaction fails to complete or is terminated, we may need to find alternative sources of funds to repay certain of our indebtedness

On July 9, 2017, we entered into a framework agreement (the “Framework Agreement”) with Slovenia Broadband S.à r.l. (the "Purchaser"), a wholly owned subsidiary of United Group B.V., relating to the sale of our Croatia and Slovenia operations for cash consideration of EUR 230.0 million (approximately US$ 283.4 million), subject to customary working capital adjustments (the "Divestment Transaction"). The closing of the Divestment Transaction is subject to obtaining regulatory approvals and other customary closing conditions. Under the terms of the Framework Agreement, the closing date of the transaction has been extended until June 30, 2018 (the "Long Stop Date"). There is no guarantee that all necessary regulatory approvals will be obtained by the Long Stop Date. In the event the required regulatory approvals are not obtained by the Long Stop Date or the parties have not otherwise agreed to extend that date, both we and the Purchaser have the right to terminate the Framework Agreement on notice to the other party. If the Divestment Transaction does not close or is terminated, we would not be able to repay indebtedness we planned to repay with expected proceeds of the Divestment Transaction (see "We may be unable to refinance our existing indebtedness and may not be able to obtain favorable refinancing terms" above).

We may be subject to changes in tax rates and exposure to additional tax liabilities.

We are subject to taxes in a number of foreign jurisdictions, including in respect of our operations as well as capital transactions undertaken by us. We are subject to regular review and audit by tax authorities, and in the ordinary course of our business there are transactions and calculations where the ultimate tax determination is unknown. Significant judgment is required in determining our provision for taxes. The final determination of our tax liabilities resulting from tax audits, related proceedings or otherwise could be materially different from our tax provisions. Economic and political pressures to increase receipts in various jurisdictions may make taxation and tax rates subject to significant change and the satisfactory resolution of any tax disputes more difficult. The occurrence of any of these events could have a material adverse effect on our financial position, results of operations and cash flows.

A default by us in connection with our obligations under our outstanding indebtedness could result in our inability to continue to conduct our business.

Pursuant to the Reimbursement Agreement and the 2021 Revolving Credit Facility, we pledged all of the shares of CME NV and of CME BV, which together own all of our interests in our operating subsidiaries, in favor of Time Warner as security for this indebtedness. If we or these subsidiaries were to default under the terms of any of the relevant agreements, Time Warner would have the ability to sell all or a portion of the assets pledged to it in order to pay amounts outstanding under such debt instruments. This could result in our inability to conduct our business.

Index

Fluctuations in exchange rates may continue to adversely affect our results of operations.
Our reporting currency is the dollar and CME Ltd.'s functional currency is the Euro. Our consolidated revenues and costs are divided across a range of European currencies. In 2017 and the first quarter of 2018, the weakening of the dollar had a positive impact on reported revenues when translated from the functional currencies of our operations. Any future strengthening of the dollar will have a negative impact on our reported revenues. Furthermore, fluctuations in exchange rates may negatively impact programming costs. While local programming is generally purchased in local currencies, a significant portion of our content costs relates to foreign programming purchased pursuant to dollar-denominated agreements. If the dollar appreciates against the functional currencies of our operating segments, the cost of acquiring such content would be adversely affected, which could have a material adverse effect on our results of operations and cash flows.
Our strategies to enhance our carriage fees and diversify our revenues may not be successful.
We are focused on creating additional revenue streams from our broadcast operations as well as increasing revenues generated from television advertising, which is how we generate most of our revenues. Our main efforts with respect to this strategy are on increasing carriage fees from cable, satellite and IPTV operators for carriage of our channels as well as continuing to seek improvements in advertising pricing. Agreements with operators generally have a term of one or more years, at which time agreements must be renewed. There can be no assurance that we will be successful in renewing carriage fee agreements on similar or better terms. During negotiations to implement our carriage fees strategy in prior years, some cable and satellite operators suspended the broadcast of our channels, which negatively affected the reach and audience shares of those operations and, as a result, advertising revenues. There is a risk that operators may refuse to carry our channels while carriage fee negotiations are ongoing, which would temporarily reduce the reach of those channels and may result in clients withdrawing advertising from our channels. The occurrence of any of these events may have an adverse impact on our financial position, results of operations and cash flows. If we are ineffective in negotiations with carriers or in achieving further carriage fee increases, our profitability will continue to be dependent primarily on television advertising revenues, which increases the importance placed on our ability to improve advertising pricing and generate advertising revenues. In addition to carriage fees, we are also working to build-out our offerings of advertising video-on-demand products and other opportunities for advertising online. There can be no assurances that our revenue diversification initiatives will ultimately be successful, and if unsuccessful, this may have an adverse impact on our financial position, results of operations and cash flows.
A downgrading of our corporate credit ratings may adversely affect our ability to raise additional financing.
Moody’s Investors Service rates our corporate credit as B2 with a positive outlook. Standard & Poor’s rates our corporate credit B+ (currently with a positive outlook). Our ratings show each agency's opinion of our financial strength, operating performance and ability to meet our debt obligations as they become due. These ratings take into account the particular emphasis the ratings agencies place on metrics such as leverage ratio and cash flow, which they use as measurements of a company's liquidity and financial strength. They also reflect an emphasis placed by the ratings agencies on a track record of strong financial support from Time Warner. We may be subject to downgrades if our operating performance deteriorates or we fail to maintain adequate levels of liquidity. In addition, our ratings may be downgraded if the agencies form a view that material support from Time Warner is not as strong, or the strategic importance of CME to Time Warner is not as significant as it has been in the past. In the event our corporate credit ratings are lowered by the rating agencies, we may not be able to refinance our existing indebtedness or raise new indebtedness that may be permitted under the Reimbursement Agreement and the 2021 Revolving Credit Facility (when drawn), and we will have to pay higher interest rates, all of which would have an adverse effect on our financial position, results of operations and cash flows.
If our goodwill, other intangible assets and long-lived assets become impaired, we may be required to record significant charges to earnings.
We review our long-lived assets for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Goodwill and indefinite-lived intangible assets are required to be assessed for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying amount of our goodwill, indefinite-lived intangible assets or long-lived assets may not be recoverable include slower growth rates in our markets, reduced expected future cash flows, increased country risk premium as a result of

political uncertainty and a decline in stock price and market capitalization. We consider available current information when calculating our impairment charge. If there are indicators of impairment, our long-term cash flow forecasts for our operations deteriorate or discount rates increase, we may be required to recognize additional impairment charges in later periods. See Part I, Item 1, Note 4, "Goodwill and Intangible Assets" for the carrying amounts of goodwill in each of our reporting units.

Risks Relating to Our Operations

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

Television programming is one of the most significant components of our operating costs. The ability of our programming to generate advertising revenues depends substantially on our ability to develop, produce or acquire programming that matches audience tastes and attracts high audience shares, which is difficult to predict. The commercial success of a program depends on several tangible and intangible factors, including the impact of competing programs, the availability of alternate forms of entertainment and leisure time activities, our ability to anticipate and adapt to changes in consumer tastes and behavior, and general economic conditions. While we have been successful in reducing content costs in prior periods, the cost of acquiring content attractive to our viewers, such as feature films and popular television series and formats, is likely to increase in the future. Our expenditures in respect of locally produced programming may also increase due to competition for talent and other resources, changes in audience tastes in our markets or from the implementation of any new laws and regulations mandating the broadcast of a greater number of locally produced programs. In addition, we typically acquire syndicated programming rights under multi-year commitments before knowing how such programming will perform 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, subject to the availability of adequate financial resources, as well as to write down the value of any underperforming programming. Any material increase in content costs could have a material adverse effect on our financial condition, results of operations or cash flows.

Index

Our operations are vulnerable to significant changes in viewing habits and technology that could adversely affect us.
The television broadcasting industry is affected by rapid innovations in technology. The implementation of these new technologies and the introduction of non-traditional content distribution systems have increased competition for audiences and advertisers. Platforms such as direct-to-home cable and satellite distribution systems, the internet, subscription and advertising video-on-demand, user-generated content sites and the availability of content on portable digital devices have changed consumer behavior by increasing the number of entertainment choices available to audiences and the methods for the distribution, storage and consumption of content. This development has fragmented television audiences in more developed markets and could adversely affect our ability to retain audience share and attract advertisers as such technologies penetrate our markets. As we adapt to changing viewing patterns, it may be necessary to expend substantial financial and managerial resources to ensure necessary access to new technologies or distribution systems. Such initiatives may not develop into profitable business models. Furthermore, technologies that enable viewers to choose when, how, where and what content to watch, as well as to fast-forward or skip advertisements, may cause changes in consumer behavior that could have a negative impact on our advertising revenues. 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 new channels could lower entry barriers and encourage the development of increasingly targeted niche programming on various distribution platforms. This could increase the competitive demand for popular programming, resulting in an increase in content costs as we compete for audiences and advertising revenues. A failure to successfully adapt to changes in our industry as a result of technological advances may have an adverse effect on our financial position, results of operations and cash flows.
Our operating results are dependent on the importance of television as an advertising medium.
We generate most of our revenues from the sale of our 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 as a component of total advertising spending in any period or in specific markets would have an adverse effect on our financial position, results of operations and cash flows.
We are subject to legal compliance risks and the risk of legal or regulatory proceedings being initiated against us.
We are required to comply with a wide variety of laws and other regulatory obligations in the jurisdictions in which we operate and compliance by our businesses is subject to scrutiny by regulators and other government authorities in these jurisdictions. Compliance with foreign as well as applicable U.S. laws and regulations related to our businesses, such as broadcasting content and advertising regulations, competition regulations, tax laws, employment laws, data protection requirements including the new EU General Data Protection Regulation, and anti-corruption laws, increases the costs and risks of doing business in these jurisdictions. We believe we have implemented appropriate risk management and compliance policies and procedures that are designed to ensure our employees, contractors and agents comply with these laws and regulations; however, a violation of such laws and regulations or the Company’s policies and procedures could occur. A failure or alleged failure to comply with applicable laws and regulations, whether inadvertent or otherwise, may result in legal or regulatory proceedings being initiated against us.
We have become aware of provisions in the tax regulations of one of our markets that shift the liability for taxes on gains resulting from certain capital transactions from the seller to the buyer. This provision may have been applicable to an acquisition made by us, although we do not believe we have any liability connected to this transaction. In addition, in 2016, the prosecuting authorities in Romania requested information in respect of an investigation into certain transactions entered into by Pro TV in 2014 primarily with certain related parties. We believe that the transactions under review are fully supported and have cooperated with the authorities in responding to the

information request. If these or other contingencies result in legal or regulatory proceedings being initiated against us, or if developments occur in respect of our compliance with existing laws or regulations, or there are changes in the interpretation or application of such laws or regulations, we may incur substantial costs, be required to change our business practices (including on what terms and conditions we offer our channels under carriage agreements), our reputation may be damaged or we may be exposed to unanticipated civil or criminal liability, including fines and other penalties that may be substantial. This could have a material adverse effect on our business, financial position, results of operations and cash flows.

Our operations are in developing markets where there are additional risks related to political and economic uncertainty, biased treatment and compliance with evolving legal and regulatory systems.

Our revenue-generating operations are located in Central and Eastern Europe and we may be significantly affected by risks that may be different to those posed by investments in more developed markets. These risks include, but are not limited to, social and political instability, changes in local regulatory requirements including restrictions on foreign ownership, inconsistent regulatory or judicial practice, and increased taxes and other costs. The economic and political systems, legal and tax regimes, regulatory practices, standards of corporate governance and business practices of countries in this region continue to develop. Policies and practices may be subject to significant adjustments, including following changes in political leadership. This may result in social or political instability or disruptions and the potential for political influence on the media as well as inconsistent application of tax and legal regulations, arbitrary treatment before regulatory or judicial authorities and other general business risks. Other potential risks inherent in markets with evolving economic and political environments include exchange controls, higher taxes, tariffs and other levies as well as longer payment cycles. The relative level of development of our markets and the influence of local politics also present a potential for biased treatment of us before regulators or courts in the event of disputes. If such a dispute occurs, those regulators or courts might favor local interests over our interests. Ultimately, this could have a material adverse impact on our business, financial position, results of operations and cash flows.

Piracy of our content may decrease revenues we can earn from our content and adversely impact our business and profitability.

Piracy of our content poses significant challenges in our markets. Technological developments, including digital copying, file compressing, the use of international proxies and the growing penetration of high bandwidth internet connections, have made it easier to create, transmit and distribute high quality unauthorized copies of content in unprotected digital formats. Furthermore, there are a growing number of video streaming sites, increasing the risk of online transmission of our content without consent. The proliferation of such sites broadcasting content pirated from us could result in a reduction of revenues that we receive from the legitimate distribution of our content, including through video-on-demand and other services. Protection of our intellectual property is in large part dependent on the manner in which applicable intellectual property laws in the countries in which we operate are construed and enforced. We seek to limit the threat of content piracy. However, detecting and policing the unauthorized use of our intellectual property is often difficult and remedies may be limited under applicable law. Steps we take may not prevent the infringement by third parties. There can be no assurance that our efforts to enforce our rights and protect our intellectual property will be successful in preventing piracy, which limits our ability to generate revenues from our content.

Index

We rely on network and information systems and other technology that may be subject to disruption, security breaches or misuse, which could harm our business or our reputation.
We make extensive use of network and information systems and other technologies, including those related to our internal network management as well as our broadcasting operations. These systems are central to many of our business activities. Network and information systems-related events, such as computer hackings, computer viruses, worms or other destructive or disruptive software, process breakdowns, malicious activities or other security breaches could result in a disruption or degradation of our services, the loss of information or the improper disclosure of personal data. The occurrence of any of these events could negatively impact our business if we are required to expend resources to remedy such a security breach or if they result in legal claims or proceedings or our reputation is harmed. In addition, improper disclosure of personal data could subject us to liability under laws, including the new EU General Data Protection Regulation, that protect personal data in the countries in which we operate. The development and maintenance of systems to prevent these events from occurring requires ongoing monitoring and updating as efforts to overcome security measures become more sophisticated. As technologies evolve, we will need to expend additional resources to protect our technology and information systems, which could have an adverse impact on our results of operations and cash flows.
Our broadcasting licenses may not be renewed and may be subject to revocation.
We require broadcasting and, in some cases, other operating licenses as well as other authorizations from national regulatory authorities in our markets in order to conduct our broadcasting business. While our broadcasting licenses for our operations in the Slovak Republic are valid for indefinite time periods, our other broadcasting licenses expire at various times through 2028. While we expect that our material licenses and authorizations will be renewed or extended as required to continue to operate our business, we cannot guarantee that this will occur or that they will not be subject to revocation, particularly in markets where there is relatively greater political risk as a result of less developed political and legal institutions. The failure to comply in all material respects with the terms of broadcasting licenses or other authorizations or with applications filed in respect thereto may result in such licenses or other authorizations not being renewed or otherwise being terminated. Furthermore, no assurances can be given that renewals or extensions of existing licenses will be issued on the same terms as existing licenses or that further restrictions or conditions will not be imposed in the future. Any non-renewal or termination of any other broadcasting or operating licenses or other authorizations or material modification of the terms of any renewed licenses may have a material adverse effect on our financial position, results of operations and cash flows.
Our success depends on attracting and retaining key personnel.
Our success depends partly upon the efforts and abilities of our key personnel and our ability to attract and retain key personnel. Our management teams have significant experience in the media industry and have made important contributions to our growth and success. Although we have been successful in attracting and retaining such people in the past, competition for highly skilled individuals is intense. There can be no assurance that we will continue to be successful in attracting and retaining such individuals in the future. The loss of the services of any of these individuals could have an adverse effect on our businesses, results of operations and cash flows.
Risks Relating to Enforcement Rights
We are a Bermuda company and enforcement of civil liabilities and judgments may be difficult.
We are 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 (a) 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 (b) 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 or concurred in by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty.

Risks Relating to our Common Stock

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

Time Warner is the largest beneficial owner of shares of our Class A common stock, holding 61,407,775 unregistered shares of Class A common stock, one share of Series A preferred stock ("Series A Preferred Share"), 200,000 shares of Series B preferred stock ("Series B Preferred Shares") and on April 25, 2018, exercised warrants to acquire 100,926,996 shares of our Class A common stock (the "TW Warrants"). The share of Series A Preferred Shares is convertible into 11,211,449 shares of Class A common stock and the Series B Preferred Shares are convertible into shares of Class A common stock at the option of Time Warner (subject to certain exceptions). As of March 31, 2018, the 200,000 Series B Preferred Shares were convertible into approximately 110.2 million shares of Class A common stock. Time Warner has registration rights with respect to all its shares of Class A common stock now held or hereafter acquired. Furthermore, there are additional unregistered shares of our Class A common stock outstanding that we may be obligated to register and shares of Class A common stock underlying other warrants that may enter into trading. For additional information on the Series A Preferred Shares, Series B Preferred Shares and TW Warrants, see Part I, Item 1, Note 13, "Convertible Redeemable Preferred Shares" and Note 14, "Equity". In October 2016, Time Warner announced it has entered into a definitive merger agreement with AT&T Inc. under which AT&T Inc. will acquire Time Warner. The merger is subject to approval by a number of regulatory authorities, including the U.S. Department of Justice. If completion of the merger is successful, AT&T Inc. will become the beneficial owner of equity securities currently beneficially owned by Time Warner and the successor to rights related to such securities granted to Time Warner.

We cannot predict what effect, if any, the entry into trading of previously issued unregistered shares of Class A common stock will have on the market price of our shares. We may also issue additional shares of Class A common stock or securities convertible into our equity in the future. If more shares of our Class A common stock (or securities convertible into or exchangeable for shares of our Class A common stock) are issued to Time Warner, the economic interests of current shareholders may be diluted and the price of our shares may be adversely affected.

Index

The interests of Time Warner may conflict with the interests of other investors.
The aggregate beneficial ownership interest of Time Warner in the Company is approximately 76.0% (without giving effect to the accretion of the Series B Preferred Shares after March 31, 2018). In connection with the exercise of the TW Warrants, Time Warner and TW Investor issued standing proxies to the independent directors of the Company, pursuant to which it granted the right to vote the 100,926,996 shares received on the exercise of the TW Warrants (the “Warrant Shares”) on all matters other than a change in control. In accordance with these proxies, the Warrant Shares will be voted in proportion to votes cast at a general meeting of the Company, excluding such Warrant Shares (see Part II, Item 5, Other Information). In addition to the Warrant Shares subject to the standing proxies, Time Warner owns 61,407,775 shares of Class A common stock and one share of the Series A Preferred Stock, which is entitled to one vote for each of the 11,211,449 shares of Class A common stock underlying it. Furthermore, Time Warner has the right to appoint one less than the number required to constitute a majority of our board of directors, provided that Time Warner continues to own not less than 40% of the voting power of the Company. As such, Time Warner is in a position to exercise significant influence over the outcome of corporate actions requiring shareholder approval, such as the election of directors or certain transactions.
We are also party to an amended investor rights agreement with Time Warner and the other parties thereto under which, among other things, Time Warner was granted a contractual preemptive right (subject to certain exclusions) with respect to issuances of the Company’s equity securities, which permits it to maintain its pro rata economic interest as well as a right to top any offer that would result in a change of control of the Company. Under Bermuda law, there is no takeover code or similar legislation requiring an acquirer of a certain percentage of our Class A common stock to tender for the remaining publically held shares. In addition to being our largest shareholder, Time Warner is our largest secured creditor, as it guarantees 100% of our outstanding senior indebtedness and is the lender under the 2021 Revolving Credit Facility. The 2021 Revolving Credit Facility (when drawn) and the Reimbursement Agreement contain maintenance covenants in respect of interest cover, cash flow cover and total leverage ratios and includes covenants in respect of the incurrence of indebtedness (including refinancing indebtedness), the provision of guarantees, acquisitions and disposal and granting security. As such, Time Warner may be in a position to determine whether to permit transactions, waive defaults or accelerate such indebtedness or take other steps in its capacity as a secured creditor in a manner that might not be consistent with the interests of the holders of our Class A common stock. Furthermore, in certain circumstances, the interests of Time Warner as our largest shareholder could be in conflict with the interests of minority shareholders.
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 but not limited to those described above under “Risks Relating to Our Operations” as well as the following: general economic and business trends, variations in quarterly operating results, license renewals, regulatory developments in our operating countries and the European Union, the condition of the media industry in our operating countries, the volume of trading in shares of our Class A common stock, future issuances of shares of our Class A common stock and investors’ and securities analysts’ perception of us and other companies that investors or securities analysts deem comparable in the television broadcasting industry. In addition, stock markets in general have experienced extreme price and volume fluctuations that have often been unrelated to and disproportionate to the operating performance of broadcasting companies. These broad market and industry factors may materially reduce the market price of shares of our Class A common stock, regardless of our operating performance.
Our business could be negatively impacted as a result of shareholder activism.
In January 2017, TCS Capital Management, LLC ("TCS Capital"), filed an amendment to its Schedule 13D in which it disclosed its opinion that the Company should hire an investment bank to run a process to sell the Company as well as replace the Company's Board of Directors with new directors recommended by TCS Capital. In recent years, shareholder activists have become involved in numerous public companies. Shareholder activists frequently propose to involve themselves in the governance, strategic direction and operations of the Company. Such proposals may disrupt our business and divert the attention of our management and employees, and any perceived uncertainties as to our future direction resulting from such a situation could result in the loss of potential business opportunities, be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract

and retain qualified personnel and business partners, all of which could adversely affect our business. In addition, actions of activist shareholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Item 5. Other Information

On April 25, 2018 Time Warner and TW Investor exercised outstanding warrants to purchase the Warrant Shares. Simultaneously, Time Warner and TW Investor each issued standing proxies (included as Exhibit 99.1 and Exhibit 99.2 to this Form 10-Q), pursuant to which the Warrant Shares will be voted for all matters at general meetings of the Company other than a change in control by the independent directors of the Company. In accordance with these standing proxies, the Warrant Shares will be voted in proportion to the votes cast at any general meeting, excluding such Warrant Shares. The standing proxies have a twelve-month term. Pursuant to a letter agreement with the Company (included as Exhibit 99.3 to this Form 10-Q), each of Time Warner and TW Investor has undertaken to issue a replacement proxy identical to the initial standing proxy on or prior to the expiration of the initial twelve-month term and has the option of issuing a third proxy identical to the initial proxy following the expiration of the twelve-month term of the replacement proxy. In addition, Time Warner and TW Investor have agreed not to revoke the standing proxies prior to their expiration dates.

Index

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
10.01*	Amendment No. 1 to Framework Agreement, dated April 10, 2018, between CME Media Enterprises B.V. and Slovenia Broadband S.à r.l. (incorporated by reference to Exhibit 10.1 to the Company's Current Report in Form 8-K filed on April 12, 2018).
10.02*	Third Amendment, dated as of April 25, 2018, to the Credit Agreement dated as of September 30, 2015, among Central European Media Enterprises Ltd., as borrower, Time Warner Inc., as guarantor, BNP Paribas, as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report in Form 8-K filed on April 26, 2018).
10.03*	Second Amendment, dated as of April 25, 2018, to the Credit Agreement dated as of February 19, 2016, among CME Media Enterprises B.V., as borrower, Central European Media Enterprises Ltd., as guarantor, Time Warner Inc., as guarantor, BNP Paribas, as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report in Form 8-K filed on April 26, 2018).
10.04*	Amendment and Restatement Agreement, dated April 25, 2018, in respect of the Amended and Restated Reimbursement Agreement, dated as of November 14, 2014, as amended and restated as of February 19, 2016, as amended, among Central European Media Enterprises Ltd., CME Media Enterprises B.V., and Time Warner Inc., as credit guarantor (incorporated by reference to Exhibit 10.3 to the Company's Current Report in Form 8-K filed on April 26, 2018).
10.05*	Second Amended and Restated Reimbursement Agreement, dated as of November 14, 2014, as amended and restated as of February 19, 2016, and as further amended and restated as of April 26, 2018, among Central European Media Enterprises Ltd., CME Media Enterprises B.V., and Time Warner Inc., as credit guarantor (incorporated by reference to Exhibit 10.4 to the Company's Current Report in Form 8-K filed on April 26, 2018).
10.06*	Amendment and Restatement Agreement, dated April 25, 2018, in respect of the Amended and Restated Revolving Loan Facility Credit Agreement, dated as of May 2, 2014, as amended and restated as of February 19, 2016, as amended, among Central European Media Enterprises Ltd., as borrower, Time Warner Inc., as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.5 to the Company's Current Report in Form 8-K filed on April 26, 2018).
10.07*	Second Amended and Restated Revolving Loan Facility Credit Agreement, dated as of May 2, 2014, as amended and restated as of February 19, 2016, and as further amended and restated as of April 26, 2018, among Central European Media Enterprises Ltd., as borrower, Time Warner Inc., as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.6 to the Company's Current Report in Form 8-K filed on April 26, 2018).
31.01	Certification of Co-Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Co-Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.03	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certifications of co-Principal Executive Officers and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only).
99.1	Standing Proxy/Authorization issued by Time Warner Inc. on April 25, 2018.
99.2	Standing Proxy/Authorization issued by Time Warner Media Holdings B.V. on April 25, 2018.
99.3	Letter Agreement among Time Warner Inc., Time Warner Media Holdings B.V. and Central European Media Enterprises Ltd. dated April 25, 2018.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

*Previously filed exhibits.

Index

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.

		Central European Media Enterprises Ltd.
		/s/ David Sturgeon
		David Sturgeon
Date:	April 26, 2018	Executive Vice President and Chief Financial Officer
		Principal Financial Officer and Principal Accounting Officer