

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD

Form 10-Q

July 25, 2017

Index

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2017

☐ 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 ☒ No ☐

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

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

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 ☒

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 July 21, 2017

Class A Common Stock, par value \$0.08 144,845,675

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

FORM 10-Q

For the quarterly period ended June 30, 2017

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(US\$ 000's, except share data)

(Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 95,359	\$ 43,459
Accounts receivable, net (Note 6)	186,458	178,339
Program rights, net (Note 5)	91,002	86,151
Other current assets (Note 7)	30,191	32,471
Total current assets	403,010	340,420
Non-current assets		
Property, plant and equipment, net (Note 8)	115,982	109,089
Program rights, net (Note 5)	202,933	179,356
Goodwill (Note 3)	667,159	602,069
Other intangible assets, net (Note 3)	147,786	138,340
Other non-current assets (Note 7)	21,516	21,443
Total non-current assets	1,155,376	1,050,297
Total assets	\$ 1,558,386	\$ 1,390,717
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 150,669	\$ 160,981
Current portion of long-term debt and other financing arrangements (Note 4)	2,386	1,494
Other current liabilities (Note 10)	29,117	9,089
Total current liabilities	182,172	171,564
Non-current liabilities		
Long-term debt and other financing arrangements (Note 4)	1,087,992	1,002,028
Other non-current liabilities (Note 10)	87,103	68,758
Total non-current liabilities	1,175,095	1,070,786
Commitments and contingencies (Note 19)		
TEMPORARY EQUITY		
200,000 shares of Series B Convertible Redeemable Preferred Stock of \$0.08 each (December 31, 2016 - 200,000) (Note 12)	259,661	254,899
EQUITY		
CME Ltd. shareholders' equity (Note 13):		
One share of Series A Convertible Preferred Stock of \$0.08 each (December 31, 2016 – one)—	—	—
144,789,334 shares of Class A Common Stock of \$0.08 each (December 31, 2016 – 143,449,913)	11,583	11,476
Nil shares of Class B Common Stock of \$0.08 each (December 31, 2016 – nil)	—	—
Additional paid-in capital	1,907,409	1,910,244
Accumulated deficit	(1,768,666)	(1,785,536)
Accumulated other comprehensive loss	(209,249)	(243,988)
Total CME Ltd. shareholders' deficit	(58,923)	(107,804)
Noncontrolling interests	381	1,272
Total deficit	(58,542)	(106,532)
Total liabilities and equity	\$ 1,558,386	\$ 1,390,717

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

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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 June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Net revenues	\$ 181,856	\$ 175,206	\$ 316,858	\$ 304,206
Operating expenses:				
Content costs	76,709	77,282	150,111	149,260
Other operating costs	15,395	17,939	29,951	34,393
Depreciation of property, plant and equipment	8,293	7,627	16,052	14,912
Amortization of broadcast licenses and other intangibles	2,053	2,114	4,162	4,174
Cost of revenues	102,450	104,962	200,276	202,739
Selling, general and administrative expenses	28,583	26,353	53,491	49,813
Operating income	50,823	43,891	63,091	51,654
Interest expense (Note 14)	(21,973)	(29,545)	(45,728)	(78,699)
Loss on extinguishment of debt	—	(150,158)	—	(150,158)
Non-operating income / (expense), net (Note 15)	7,141	(167)	9,466	1,249
Income / (loss) before tax	35,991	(135,979)	26,829	(175,954)
Provision for income taxes	(8,193)	(5,270)	(10,305)	(5,989)
Net income / (loss)	27,798	(141,249)	16,524	(181,943)
Net loss / (income) attributable to noncontrolling interests	137	(68)	346	191
Net income / (loss) attributable to CME Ltd.	\$ 27,935	\$ (141,317)	\$ 16,870	\$ (181,752)
Net income / (loss)	\$ 27,798	\$ (141,249)	\$ 16,524	\$ (181,943)
Other comprehensive income / (loss)				
Currency translation adjustment	30,904	(11,056)	32,976	8,002
(Loss) / gain on derivative instruments (Note 11)	(40)	(2,973)	1,218	(4,221)
Total other comprehensive income / (loss)	30,864	(14,029)	34,194	3,781
Comprehensive income / (loss)	58,662	(155,278)	50,718	(178,162)
Comprehensive loss / (income) attributable to noncontrolling interests	590	(237)	891	336
Comprehensive income / (loss) attributable to CME Ltd.	\$ 59,252	\$ (155,515)	\$ 51,609	\$ (177,826)
PER SHARE DATA (Note 17):				
Net income / (loss) per share:				
Net income / (loss) attributable to CME Ltd. — basic		\$ 0.10	\$ (0.98)	\$ 0.05
Net income / (loss) attributable to CME Ltd. — diluted		0.07	(0.98)	0.04
Weighted average common shares used in computing per share amounts (000's):				
Basic		155,738	149,083	155,269
Diluted		235,952	149,083	230,872
The accompanying notes are an integral part of these condensed consolidated financial statements.				

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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	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Deficit
BALANCE December 31, 2016	1\$	—443,449,913	\$11,476	—	\$—	—\$1,910,244	—	\$(1,785,536)	\$(243,988)	\$ 1,272	\$(106,532)
Stock-based compensation	—	—	—	—	—	1,675	—	—	—	—	1,675
Exercise of warrants (Note 13)	—	527,268	42	—	—	485	—	—	—	—	527
Share issuance, stock-based compensation	—	812,153	65	—	—	(65)	—	—	—	—	—
Withholding tax on net share settlement of stock-based compensation	—	—	—	—	—	(168)	—	—	—	—	(168)
Preferred dividend paid in kind	—	—	—	—	—	(4,762)	—	—	—	—	(4,762)
Net income	—	—	—	—	—	—	16,870	—	—	(346)	16,524
Gain on derivative instruments	—	—	—	—	—	—	—	—	1,218	—	1,218
Currency translation adjustment	—	—	—	—	—	—	—	—	33,521	(545)	32,976
BALANCE June 30, 2017	1\$	—444,789,334	\$11,583	—	\$—	—\$1,907,409	—	\$(1,768,666)	\$(209,249)	\$ 381	\$(58,542)

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

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

	For the Six Months Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income / (loss)	\$ 16,524	\$(181,943)
Adjustments to reconcile net income / (loss) to net cash generated from continuing operating activities:		
Amortization of program rights	150,111	149,260
Depreciation and other amortization	23,137	38,232
Interest and related Guarantee Fees paid in kind	15,606	22,257
Loss on extinguishment of debt	—	150,158
(Gain) / loss on disposal of fixed assets	(46)	) 17
Deferred income taxes	(1,005)	) 5,972
Stock-based compensation (Note 16)	1,675	1,717
Change in fair value of derivatives	621	11,219
Foreign currency exchange gain, net	(9,541)	) (13,177)
Changes in assets and liabilities:		
Accounts receivable, net	7,337	1,499
Accounts payable and accrued liabilities	(9,894)	) (5,914)
Program rights	(148,732)	) (153,497)
Other assets and liabilities	(1,873)	) (326)
Accrued interest	(2,041)	) (18,713)
Income taxes payable	3,076	(225)
Deferred revenue	16,855	14,407
VAT and other taxes payable	(5,040)	) (3,394)
Net cash generated from continuing operating activities	\$ 56,770	\$ 17,549
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	\$(14,698)	\$(11,287)
Disposal of property, plant and equipment	117	32
Net cash used in continuing investing activities	\$(14,581)	\$(11,255)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	\$—	\$ 533,963
Repayment of debt	—	(540,699)
Debt transaction costs	—	(9,541)
Payment of credit facilities and capital leases	(1,208)	) (647)
Settlement of forward currency swaps	—	(12,106)
Proceeds from exercise of warrants	527	5,060
Proceeds from sale-leaseback transactions	2,746	—
Payments of withholding tax on net share settlement of share-based compensation	(168)) —
Net cash provided by / (used in) continuing financing activities	\$ 1,897	\$(23,970)
Net cash provided by discontinued operations - investing activities	1,045	705

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Impact of exchange rate fluctuations on cash and cash equivalents	6,769	1,734
Net increase / (decrease) in cash and cash equivalents	\$51,900	\$(15,237)
CASH AND CASH EQUIVALENTS, beginning of period	43,459	61,679
CASH AND CASH EQUIVALENTS, end of period	\$95,359	\$46,442

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for interest (including mandatory cash-pay Guarantee Fees)	\$21,173	\$35,712
Cash paid for Guarantee Fees that may be paid in kind	7,078	20,000
Cash paid for income taxes, net of refunds	7,512	172

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:

Accretion on Series B Convertible Redeemable Preferred Stock	\$4,762	\$8,950
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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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 six operating segments; Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia, which are also our reportable segments and our main operating countries. See Note 18, "Segment Data" for financial information by segment. 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. See Note 21, "Subsequent Events" for further information. We are the market-leading broadcasters in each of our operating countries with a combined portfolio of 36 television channels. Each of our broadcast operations 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. With the exception of our Bulgarian operations, we own 100% of our broadcast operating and license companies in each country.

Bulgaria

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

Croatia

We operate one general entertainment channel, NOVA TV (Croatia), and three other channels, DOMA (Croatia), NOVA WORLD and MINI TV.

Czech Republic

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

Romania

We operate one general entertainment channel, PRO TV, and eight other channels, ACASA, ACASA GOLD, PRO CINEMA, SPORT.RO, MTV ROMANIA, PRO TV INTERNATIONAL, PRO TV CHISINAU, a general entertainment channel broadcasting in Moldova, and ACASA IN MOLDOVA.

Slovak Republic

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

Slovenia

We operate two general entertainment channels, POP TV and KANAL A, and three other channels, KINO, BRIO, and OTO.

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 we operate. 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 Bulgarian leva; all references to "HRK" are to Croatian kuna; all references to "CZK" are to 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, 2016 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, 2016 filed with the Securities and Exchange Commission on February 9, 2017. Our significant accounting policies have not changed since December 31, 2016, 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, 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.

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.

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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. Changes to the operation could cause it to no longer qualify for held-for-sale accounting and changes to fair value could result in an increase or decrease to previously recognized losses.

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, 2017 we adopted guidance issued by the Financial Accounting Standards Board (the "FASB") which is intended to improve the accounting for the income tax consequences of intercompany transfers of assets other than inventory. The guidance requires an entity to recognize the income tax consequences of such transfers in the period in which the transfer occurs, rather than defer recognition of current and deferred income taxes for the transfer until the asset is sold to a third party. The early adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

Recent Accounting Pronouncements Issued

In May 2014, the FASB issued guidance which is intended to improve the comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The guidance supersedes existing revenue recognition guidance and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for our fiscal year beginning January 1, 2018. We have substantially completed our evaluation of the contractual terms of our significant revenue streams in each of our operating segments. While we are still in the process of evaluating the impact of the adoption of this guidance on our condensed consolidated financial statements, we currently do not expect the impact of this new guidance to be material.

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 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. The guidance requires a retrospective transition method and is effective for our fiscal year beginning January 1, 2018, with early adoption permitted. We expect to adopt this guidance as of January 1, 2018. Upon adoption, our net cash flows generated from / used in continuing operating activities for the year ended December 31, 2016 will decrease by US\$ 110.7 million with a corresponding increase in net cash used in / provided by continuing financing activities. In January 2017, the FASB issued guidance which is intended to simplify goodwill impairment testing by eliminating Step 2, and instead recognize an impairment charge for the amount by which the carrying amount of the reporting unit exceeds the fair value of the reporting unit. The guidance also eliminates the requirement to perform a qualitative analysis for reporting units with a negative carrying value. The guidance is effective for annual and interim impairment tests after January 1, 2020, with early adoption permitted for interim and annual impairment tests performed from January 1, 2017. We expect to early adopt the guidance in the fourth quarter of 2017.

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

3. GOODWILL AND INTANGIBLE ASSETS

Goodwill:

Goodwill by reporting unit as at June 30, 2017 and December 31, 2016 was as follows:

	Bulgaria	Croatia	Czech Republic	Romania	Slovak Republic	Slovenia	Total
Gross Balance, December 31, 2016	\$171,389	\$10,988	\$744,483	\$82,786	\$46,089	\$19,400	\$1,075,135
Accumulated impairment losses	(144,639)	(10,454)	(287,545)	(11,028)	—	(19,400)	(473,066)
Balance, December 31, 2016	26,750	534	456,938	71,758	46,089	—	602,069
Foreign currency	2,209	60	53,458	5,540	3,823	—	65,090
Balance, June 30, 2017	28,959	594	510,396	77,298	49,912	—	667,159
Accumulated impairment losses	(144,639)	(10,454)	(287,545)	(11,028)	—	(19,400)	(473,066)
Gross Balance, June 30, 2017	\$173,598	\$11,048	\$797,941	\$88,326	\$49,912	\$19,400	\$1,140,225

Other intangible assets:

Changes in the net book value of our other intangible assets as at June 30, 2017 and December 31, 2016 is summarized as follows:

	June 30, 2017			December 31, 2016		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Indefinite-lived:						
Trademarks	\$87,490	\$ —	\$87,490	\$80,324	\$ —	\$80,324
Amortized:						
Broadcast licenses	206,536	(148,517)	58,019	185,686	(130,325)	55,361
Trademarks	638	(638)	—	591	(591)	—
Customer relationships	55,909	(53,825)	2,084	51,338	(48,997)	2,341
Other	1,659	(1,466)	193	1,522	(1,208)	314
Total	\$352,232	\$ (204,446)	\$147,786	\$319,461	\$ (181,121)	\$138,340

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.

4. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Summary

	June 30, 2017	December 31, 2016
Long-term debt	\$ 1,082,873	\$ 999,209
Other credit facilities and capital leases	7,505	4,313
Total long-term debt and other financing arrangements	1,090,378	1,003,522
Less: current maturities	(2,386)	(1,494)
Total non-current long-term debt and other financing arrangements	\$ 1,087,992	\$ 1,002,028

Financing Transactions

Pursuant to an amendment in March 2017 to the Reimbursement Agreement (as defined below) with Time Warner Inc. ("Time Warner"), as guarantor of our obligations under the Euro Term Loans (as defined below), the grid pricing structure on the all-in rate that applied only to the 2021 Euro Term Loan (as defined below) was extended to the 2018 Euro Term Loan (as defined below) and the 2019 Euro Term Loan (as defined below), with a reduction in the pricing under the grid for each of the Euro Term Loans resulting in an all-in rate ranging from 8.5% if our net leverage is greater than or equal to seven times to 5.0% if our net leverage is less than five times. In addition, we can achieve a

further 50 basis point reduction in the all-in rate if we reduce our long-term debt to less than EUR 815.0 million, subject to certain adjustments in respect of specified debt repayments, on or prior to September 30, 2018. We are now required to pay the first 5.0% of the all-in rate (including the base rate and the rate paid pursuant to customary hedging arrangements) on the Euro Term Loans in cash and the remainder may be paid in cash or in kind, at our option. As a result of this amendment to the Reimbursement Agreement, we reduced our average borrowing costs across all of our long-term debt by 150 basis points in March 2017. Our cost of borrowing across all of our long-term debt will automatically decrease further upon the achievement of certain net leverage ratios. For details, see the table below under the heading "Reimbursement Agreement and Guarantee Fees".

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

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(Unaudited)

Overview

Total long-term debt and credit facilities comprised the following at June 30, 2017:

	Principal Amount of Liability Component	Debt Issuance Costs ⁽¹⁾	Net Carrying Amount
2018 Euro Term Loan	\$ 286,213	\$ (500)	\$ 285,713
2019 Euro Term Loan	268,565	(422)	268,143
2021 Euro Term Loan	534,995	(5,978)	529,017
2021 Revolving Credit Facility	—	—	—
Total long-term debt and credit facilities	\$ 1,089,773	\$ (6,900)	\$ 1,082,873

Debt issuance costs related to the 2018 Euro Term Loan, 2019 Euro Term Loan and 2021 Euro Term Loan (each as defined below and collectively, the "Euro Term Loans") are being amortized on a straight-line basis, which ⁽¹⁾ 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 June 30, 2017 and December 31, 2016:

	Carrying Amount		Fair Value	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
2018 Euro Term Loan	\$ 285,713	\$ 263,734	\$ 268,893	\$ 233,297
2019 Euro Term Loan	268,143	247,594	238,844	203,314
2021 Euro Term Loan	529,017	487,881	440,187	369,738
	\$ 1,082,873	\$ 999,209	\$ 947,924	\$ 806,349

2018 Euro Term Loan

As at June 30, 2017, the principal amount of our floating rate senior unsecured term credit facility (as amended, the "2018 Euro Term Loan") outstanding was EUR 250.8 million (approximately US\$ 286.2 million). The 2018 Euro Term Loan bears interest at three-month EURIBOR (fixed pursuant to customary hedging arrangements (see Note 11, "Financial Instruments and Fair Value Measurements")) plus a margin of between 1.1% and 1.9% depending on the credit rating of Time Warner. The all-in borrowing rate including the Guarantee Fee ranges from 8.5% to 5.0% per annum based on our net leverage (see the table below under the heading "Reimbursement Agreement and Guarantee Fees"). As at June 30, 2017, the all-in borrowing rate on amounts outstanding under the 2018 Euro Term Loan was 7.25%, 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. The 2018 Euro Term Loan matures on November 1, 2018 and may be prepaid at our option, in whole or in part, without premium or penalty at any time from August 1, 2017. 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.

The fair values of the 2018 Euro Term Loan as at June 30, 2017 and December 31, 2016 were determined based on comparable instruments that trade in active markets, plus an applicable spread. This measurement of estimated fair value uses Level 2 inputs as described in Note 11, "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 the 2018 Euro Term Loan. The embedded derivatives are considered clearly and closely related to the 2018 Euro Term Loan, and as such are not required to be accounted for separately.

2019 Euro Term Loan

As at June 30, 2017, 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\$ 268.6 million). The 2019 Euro Term Loan bears interest at three-month EURIBOR (fixed pursuant to customary hedging arrangements (see Note 11, "Financial Instruments and Fair Value Measurements")) plus a margin of between 1.1% and 1.9% depending on the credit rating of Time Warner. The all-in borrowing rate including the Guarantee Fee ranges from 8.5% to 5.0% per annum based on our net leverage (see the table below under the heading "Reimbursement Agreement and Guarantee Fees"). As at June 30, 2017, the all-in borrowing rate on amounts outstanding under the 2019 Euro Term Loan was 7.25%, 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.

The fair values of the 2019 Euro Term Loan as at June 30, 2017 and December 31, 2016 were determined based on comparable instruments that trade in active markets, plus an applicable spread. This measurement of estimated fair value uses Level 2 inputs as described in Note 11, "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 the 2019 Euro Term Loan. The embedded derivatives are considered clearly and closely related to the 2019 Euro Term Loan, and as such are not required to be accounted for separately.

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2021 Euro Term Loan

As at June 30, 2017, 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\$ 535.0 million). The 2021 Euro Term Loan bears interest at three-month EURIBOR (fixed pursuant to customary hedging arrangements (see Note 11, "Financial Instruments and Fair Value Measurements")) plus a margin of between 1.1% and 1.9% depending on the credit rating of Time Warner. The all-in borrowing rate including the Guarantee Fee ranges from 8.5% to 5.0% per annum based on our net leverage (see the table below under the heading "Reimbursement Agreement and Guarantee Fees"). As at June 30, 2017, the all-in borrowing rate on amounts outstanding under the 2021 Euro Term Loan was 7.25%, 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 April 7, July 7, October 7 and January 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.

The fair values of the 2021 Euro Term Loan as at June 30, 2017 and December 31, 2016 were determined based on comparable instruments that trade in active markets, plus an applicable spread. This measurement of estimated fair value uses Level 2 inputs as described in Note 11, "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 the 2021 Euro Term Loan. The embedded derivatives are considered clearly and closely related to the 2021 Euro Term Loan, and as such are not required to be accounted for separately.

Reimbursement Agreement and Guarantee Fees

In connection with Time Warner's guarantees of 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	
≥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.

Our consolidated net leverage as at June 30, 2017 and December 31, 2016 was 6.1x and 6.9x, respectively. For the three and six months ended June 30, 2017 and 2016, we recognized US\$ 14.6 million and US\$ 31.0 million and US\$ 19.8 million and US\$ 28.9 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, in cash or in kind, by adding such semi-annual Guarantee Fees to any such amount then outstanding. 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 10, "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.

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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	%	0.21	% ⁽¹⁾	5.54	%	7.25	%
2019 Euro Term Loan	1.50	%	0.31	%	5.44	%	7.25	%
2021 Euro Term Loan	1.50	%	0.28	%	5.47	%	7.25	%
2021 Revolving Credit Facility ⁽²⁾	9.30	% ⁽³⁾	—	%	—	%	9.30	%

Effective until November 1, 2017. From November 1, 2017 through maturity on November 1, 2018, the rate fixed pursuant to interest rate hedges will decrease to 0.14%, with a corresponding increase in the Guarantee Fee rate, such that the all-in borrowing rate remains 7.25% if our net leverage ratio remains unchanged.

⁽²⁾ As at June 30, 2017, the 2021 Revolving Credit Facility was undrawn.

⁽³⁾ Based on the three month LIBOR of 1.30% as at June 30, 2017.

2021 Revolving Credit Facility

As at June 30, 2017, we had no balance outstanding under the US\$ 115.0 million revolving credit facility (the "2021 Revolving Credit Facility"), all of which was available to be drawn. The aggregate principal amount available decreases to US\$ 50.0 million with effect from January 1, 2018 or, if earlier, upon the repayment of the 2018 Euro Term Loan with the expected proceeds from the sale of our Croatia and Slovenia operations (see Note 21, "Subsequent Events").

The 2021 Revolving Credit Facility bears interest at a rate per annum based on, at our option, an alternative base rate plus 7.0% or an amount equal to the greater of (i) an adjusted LIBOR and (ii) 1.0%, plus, in each case, 8.0%, with the first 5.0% payable 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 7.0% 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 our 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 June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Credit facilities ^{(1) - (3)}	\$ —	\$ —
Capital leases	7,505	4,313
Total credit facilities and capital leases	7,505	4,313
Less: current maturities	(2,386)	(1,494)

Total non-current credit facilities and capital leases \$ 5,119 \$ 2,819

We have a cash pooling arrangement with Bank Mendes Gans (“BMG”), a subsidiary of ING Bank N.V. (“ING”),
(1) which enables us to receive credit across the group in respect of cash balances deposited 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 June 30, 2017, we had deposits of US\$ 19.1 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, 2016, we had deposits of US\$ 16.4 million in and no drawings on the BMG cash pool.

As at June 30, 2017 and December 31, 2016, there were no drawings outstanding under a CZK 675.0 million (approximately US\$ 29.4 million) factoring framework agreement with Factoring České spořitelny, a.s. Under this
(2) facility, up to CZK 675.0 million (approximately US\$ 29.4 million) of 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 0.3% of any factored receivable and bears interest at one-month PRIBOR plus 2.5% per annum for the period that receivables are factored and outstanding.

As at June 30, 2017 and December 31, 2016, there were RON 31.8 million (approximately US\$ 8.0 million) and RON 105.7 million (approximately US\$ 24.6 million), respectively, of receivables factored under a factoring
(3) framework agreement with Global Funds IFN S.A. 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.

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Total Group

At June 30, 2017, the maturity of our long-term debt and credit facilities, excluding any future elections to pay interest in kind, was as follows:

2017	\$—
2018	286,213
2019	268,565
2020	—
2021	534,995
2022 and thereafter	—
Total long-term debt and credit facilities	1,089,773
Debt issuance costs	(6,900)
Carrying amount of long-term debt and credit facilities	\$ 1,082,873

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 June 30, 2017:

2017	\$ 1,296
2018	2,314
2019	1,980
2020	1,480
2021	590
2022 and thereafter	—
Total undiscounted payments	7,660
Less: amount representing interest	(155)
Present value of net minimum lease payments	\$ 7,505

5. PROGRAM RIGHTS

Program rights comprised the following at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Program rights:		
Acquired program rights, net of amortization	\$ 197,010	\$ 183,303
Less: current portion of acquired program rights	(91,002)	(86,151)
Total non-current acquired program rights	106,008	97,152
Produced program rights – feature films:		
Released, net of amortization	997	1,039
Produced program rights – television programs:		
Released, net of amortization	59,603	54,149
Completed and not released	4,636	2,593
In production	30,365	23,712
Development and pre-production	1,324	711
Total produced program rights	96,925	82,204
Total non-current acquired program rights and produced program rights	\$ 202,933	\$ 179,356

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6. ACCOUNTS RECEIVABLE

Accounts receivable comprised the following at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Unrelated customers	\$ 197,631	\$ 187,937
Less: allowance for bad debts and credit notes	(11,173)	(9,598)
Total accounts receivable	\$ 186,458	\$ 178,339

7. OTHER ASSETS

Other current and non-current assets comprised the following at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Current:		
Prepaid acquired programming	\$ 17,574	\$ 22,511
Other prepaid expenses	8,759	5,270
VAT recoverable	679	713
Income taxes recoverable	320	206
Other	2,859	3,771
Total other current assets	\$ 30,191	\$ 32,471

	June 30, 2017	December 31, 2016
Non-current:		
Capitalized debt costs	\$ 14,290	\$ 15,018
Deferred tax	5,105	4,570
Other	2,121	1,855
Total other non-current assets	\$ 21,516	\$ 21,443

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

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Land and buildings	\$ 100,695	\$ 90,988
Machinery, fixtures and equipment	226,736	202,110
Other equipment	36,407	33,752
Software licenses	64,181	55,542
Construction in progress	2,180	5,316
Total cost	430,199	387,708
Less: accumulated depreciation	(314,217)	(278,619)
Total net book value	\$ 115,982	\$ 109,089

Assets held under capital leases (included in the above)

Land and buildings	\$ 3,989	\$ 3,684
Machinery, fixtures and equipment	11,034	6,338
Total cost	15,023	10,022
Less: accumulated depreciation	(5,628)	(4,316)
Total net book value	\$ 9,395	\$ 5,706

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The movement in the net book value of property, plant and equipment during the six months ended June 30, 2017 and 2016 was comprised of:

	For the Six Months	
	Ended June 30,	
	2017	2016
Opening balance	\$109,089	\$108,522
Additions	12,604	10,043
Disposals	(71)	(49)
Depreciation	(16,052)	(14,912)
Foreign currency movements	10,412	2,040
Ending balance	\$115,982	\$105,644

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised the following at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Accounts payable and accrued expenses	\$ 61,076	\$ 59,522
Related party accounts payable	112	192
Programming liabilities	22,551	29,249
Related party programming liabilities	19,839	18,959
Duties and other taxes payable	9,244	13,446
Accrued staff costs	16,474	20,565
Accrued interest payable	3,131	2,941
Related party accrued interest payable (including Guarantee Fees)	7,935	9,588
Income taxes payable	9,394	5,514
Other accrued liabilities	913	1,005
Total accounts payable and accrued liabilities	\$ 150,669	\$ 160,981

10. OTHER LIABILITIES

Other current and non-current liabilities comprised the following at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Current:		
Deferred revenue	\$ 24,413	\$ 5,333
Legal provision	3,050	2,680
Other	1,654	1,076
Total other current liabilities	\$ 29,117	\$ 9,089
Non-current:		
Deferred tax	\$ 21,616	\$ 20,335
Related party Commitment Fee payable ⁽¹⁾	10,322	9,905
Related party Guarantee Fee payable (Note 4)	49,682	34,492
Other	5,483	4,026
Total other non-current liabilities	\$ 87,103	\$ 68,758

⁽¹⁾ Represents the commitment fee (the "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.

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11. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

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

Basis of Fair Value Measurement

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

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

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

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

We evaluate the position of each financial instrument measured at fair value in the hierarchy individually based on the valuation methodology we apply. The carrying 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 4, "Long-term Debt and Other Financing Arrangements".

Hedge Accounting 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, designated as cash flow hedges, 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, and the effective portion of the changes in the fair value 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 the change in fair value of derivatives in our condensed consolidated statements of operations and comprehensive income / loss. For the three and six months ended June 30, 2017 and 2016, we did not recognize any charges related to hedge ineffectiveness.

Information relating to financial instruments is as follows:

Trade Date	Number of Contracts	Description	Aggregate Notional Amount	Maturity Date	Objective	Fair Value as at June 30, 2017
April 5, 2016	5	Interest rate swap	EUR 468,800	February 21, 2021	Interest rate hedge underlying 2021 Euro Term Loan	\$(1,098)
April 5, 2016	4	Interest rate swap	EUR 250,800	November 1, 2018	Interest rate hedge underlying 2018 Euro Term Loan, forward starting on November 1, 2017	\$(363)
	3		EUR 235,335			\$(1,504)

November 10, 2015	Interest rate swap		November 1, 2019	Interest rate hedge underlying 2019 Euro Term Loan	
November 14, 2014	Interest rate swap	EUR 250,800	November 1, 2017	Interest rate hedge underlying 2018 Euro Term Loan	\$(216)

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.

Non-Hedge Accounting Activities

The change in fair value of derivatives not designated as hedging instruments comprised the following for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
(Loss) / gain on currency swaps	\$(1,100)	\$2,544	\$(732)	\$(11,506)

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Foreign Currency Risk

We have entered into the below forward foreign exchange contract to reduce our exposure to movements in foreign exchange rates related to contractual payments under certain dollar-denominated agreements. Information relating to financial instruments as at June 30, 2017 is as follows:

Trade Date	Number of Contracts	Description	Aggregate Notional Amount	Maturity Date	Objective	Fair Value as at June 30, 2017
January 31, 2017	1	EUR / USD forward	\$ 11,260	December 21, 2017	USD-denominated operating payments	\$(638)

These forward foreign exchange contracts are considered economic hedges but were not designated as hedging instruments, so changes in the fair value of the derivatives were recorded as changes in fair value of derivatives in the condensed consolidated statements of operations and comprehensive income / loss and in the condensed consolidated balance sheet in other current assets. We valued these contracts using an industry-standard pricing model which calculated the fair value on the basis of the net present value of the estimated future cash flows receivable or payable. These instruments were allocated to Level 2 of the fair value hierarchy because the critical inputs to this model, including foreign exchange forward rates and the known contractual terms of the instruments, were readily observable.

12. 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 June 30, 2017 and December 31, 2016. As at June 30, 2017 and December 31, 2016, the carrying value of the Series B Preferred Shares was US\$ 259.7 million and US\$ 254.9 million, respectively. The Series B Preferred Shares are held by Time Warner Media Holdings B.V. ("TW Investor"). As of June 30, 2017, the 200,000 Series B Preferred Shares were convertible into approximately 107.1 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 June 30, 2017, 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 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 and six months ended June 30, 2017 and 2016, we recognized accretion on the Series B Preferred Shares of US\$ 2.4 million and US\$ 4.8 million; and US\$ 4.4 million and US\$ 9.0 million, respectively, with corresponding decreases in additional paid-in capital.

13. EQUITY

Preferred Stock

5,000,000 shares of Preferred Stock were authorized as at June 30, 2017 and December 31, 2016.

One share of Series A Convertible Preferred Stock (the "Series A Preferred Share") was issued and outstanding as at June 30, 2017 and December 31, 2016. 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 June 30, 2017 and December 31, 2016 (see Note 12, "Convertible Redeemable Preferred Shares"). As of June 30, 2017, the 200,000 Series B Preferred Shares were convertible into approximately 107.1 million shares of Class A common stock.

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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 June 30, 2017 and December 31, 2016. 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 144.8 million and 143.4 million shares of Class A common stock outstanding at June 30, 2017 and December 31, 2016, respectively, and no shares of Class B common stock outstanding at June 30, 2017 or December 31, 2016.

As at June 30, 2017, TW Investor owns 42.4% of the outstanding shares of Class A common stock and has a 46.6% voting interest in the Company due to its ownership of the Series A Preferred Share.

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 six months ended June 30, 2017, 527,268 warrants were exercised resulting in net proceeds to us of approximately US\$ 0.5 million. As at June 30, 2017, 106,475,777 warrants remained outstanding. Time Warner and TW Investor collectively hold 100,926,996 of these warrants. The warrants are classified in additional paid-in capital, a component of equity, and are not subject to subsequent revaluation.

Accumulated Other Comprehensive Loss

The movement in accumulated other comprehensive loss during the six months ended June 30, 2017 comprised the following:

	Currency translation adjustment, net	(Loss) / Gain on derivative instruments designated as hedging instruments	TOTAL Accumulated Other Comprehensive Loss
BALANCE December 31, 2016	\$(239,537)	\$ (4,451)	\$ (243,988)
Other comprehensive income / (loss) before reclassifications:			
Foreign exchange gain on intercompany transactions ⁽¹⁾	6,682	—	6,682
Foreign exchange gain on the Series B Preferred Shares	20,451	—	20,451
Currency translation adjustment	6,388	—	6,388
Change in the fair value of hedging instruments	—	(178)	(178)
Amounts reclassified from accumulated other comprehensive loss ⁽²⁾	—	1,396	1,396
Net other comprehensive income	33,521	1,218	34,739
BALANCE June 30, 2017	\$(206,016)	\$ (3,233)	\$ (209,249)

(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) Amounts reclassified from accumulated other comprehensive loss during the six months ended June 30, 2017 were reclassified to interest expense.

14. INTEREST EXPENSE

Interest expense comprised the following for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Interest on long-term debt and other financing arrangements	\$20,484	\$26,901	\$42,805	\$59,553
Amortization of capitalized debt issuance costs	1,489	2,302	2,923	6,201
Amortization of debt issuance discount	—	342	—	12,945
Total interest expense	\$21,973	\$29,545	\$45,728	\$78,699

We paid cash interest (including mandatory cash-pay Guarantee Fees) of US\$ 21.2 million and US\$ 35.7 million during the six months ended June 30, 2017 and 2016, respectively. In addition, we paid US\$ 7.1 million and US\$ 20.0 million of Guarantee Fees in cash during the six months ended June 30, 2017 and 2016, respectively, for which we had the option to pay in kind.

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15. OTHER NON-OPERATING INCOME / EXPENSE

Other non-operating income / expense comprised the following for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Interest income	\$ 110	\$ 285	\$ 189	\$ 393
Foreign currency exchange gain / (loss), net	8,086	(3,002)	9,767	12,420
Change in fair value of derivatives (Note 11)	(1,100)	2,544	(732)	(11,506)
Other income / (expense), net	45	6	242	(58)
Total other non-operating income / (expense)	\$ 7,141	\$ (167)	\$ 9,466	\$ 1,249

16. 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.

For the three and six months ended June 30, 2017 and 2016, we recognized charges for stock-based compensation of US\$ 0.9 million and US\$ 1.7 million; and US\$ 0.9 million and US\$ 1.7 million, respectively, presented as a component of selling, general and administrative expenses in our condensed consolidated statements of operations and comprehensive income / loss.

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Stock Options

There was no option activity during the six months ended June 30, 2017. The summary of stock options outstanding as at June 30, 2017 and December 31, 2016 is presented below:

	Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2016	2,011,392	\$ 2.32	8.58	\$ 453
Outstanding at June 30, 2017	2,011,392	\$ 2.32	8.08	\$ 3,370
Vested and expected to vest	2,011,392	2.32	8.08	3,370
Exercisable at June 30, 2017	902,848	\$ 2.31	8.01	\$ 1,526

The fair value of stock options is estimated on the grant date using the Black-Scholes option-pricing model and recognized ratably over the requisite service period. The aggregate intrinsic value (the difference between the stock price on the last day of trading of the second quarter of June 30, 2017 and the exercise prices multiplied by the number of in-the-money options) represents the value that would have been received by the option holders had they exercised all in-the-money options as at June 30, 2017. This amount changes based on the fair value of our Class A common stock. As at June 30, 2017, there was US\$ 1.6 million of unrecognized compensation expense related to stock options which is expected to be recognized over a weighted-average period of 2.1 years.

Restricted Stock Units

Each RSU represents a right to receive one share of Class A common stock according to its vesting conditions. The majority of RSU issued have time-based vesting conditions and vest ratably over one to four years from the date of grant. Vesting of RSU with performance-based vesting conditions ("PRSU") is contingent on the achievement of cumulative OIBDA and unlevered free cash flow targets over a multi-year period. Upon vesting, shares of Class A common stock are issued from authorized but unissued shares. Holders of RSU and PRSU awards are not entitled to receive cash dividend equivalents and are not entitled to vote. The grant date fair values of RSU and PRSU are calculated as the closing price of our Class A common stock on the date of grant.

The following table summarizes information about unvested RSU and PRSU as at June 30, 2017:

	Number of Shares / Units	Weighted Average Grant Date Fair Value
Unvested at December 31, 2016	2,542,625	\$ 2.61
Granted	1,158,887	3.62
Vested	(912,246)	) 2.65
Forfeited	(75,582)	) 1.53
Unvested at June 30, 2017	2,713,684	\$ 3.06

As at June 30, 2017, the intrinsic value of unvested RSUs was US\$ 10.9 million. Total unrecognized compensation cost related to unvested RSUs as at June 30, 2017 was US\$ 6.0 million and is expected to be recognized over a weighted-average period of 2.3 years.

17. 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 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.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Income / (loss) from continuing operations	\$27,798	\$(141,249)	\$16,524	\$(181,943)
Net loss / (income) attributable to noncontrolling interests	137	(68)	346	191
Less: preferred share accretion paid in kind (Note 12)	(2,405)	(4,440)	(4,762)	(8,950)
Less: income allocated to Series B Preferred Shares	(10,376)	—	(4,917)	—
Net income / (loss) attributable to CME Ltd. available to common shareholders — basic	15,154	(145,757)	7,191	(190,702)
Effect of dilutive securities				
Dilutive effect of Series B Preferred Shares	2,429	—	1,103	—
Net income / (loss) attributable to CME Ltd. available to common shareholders — diluted	\$17,583	\$(145,757)	\$8,294	\$(190,702)
Weighted average outstanding shares of common stock — basic ⁽¹⁾	155,738	149,083	155,269	148,080
Dilutive effect of common stock warrants, employee stock options and RSUs	80,214	—	75,603	—
Weighted average outstanding shares of common stock — diluted	235,952	149,083	230,872	148,080
Net income / (loss) per share:				
Net income / (loss) attributable to CME Ltd. — basic	\$0.10	\$(0.98)	\$0.05	\$(1.29)
Net income / (loss) attributable to CME Ltd. — diluted	0.07	(0.98)	0.04	(1.29)

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 common stock.

At June 30, 2017, 1,109,222 (June 30, 2016: 106,510,057) warrants, stock options, RSUs and shares underlying the Series B Preferred Shares were antidilutive to income from continuing operations and excluded from the calculation of earnings per share. 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.

18. SEGMENT DATA

We manage our business on a geographical basis, with six operating segments: Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia, 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. 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. Stock-based compensation and certain other items are not allocated to our segments for purposes of evaluating their performance and therefore are not included in their respective OIBDA.

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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 and six months ended June 30, 2017 and 2016 for condensed consolidated statements of operations and comprehensive income / loss data and condensed consolidated statements of cash flow data; and as at June 30, 2017 and December 31, 2016 for condensed consolidated balance sheet data.

Net revenues:	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
Bulgaria	\$20,774	\$20,455	\$36,079	\$36,314
Croatia	16,521	16,559	27,589	28,204
Czech Republic	53,371	50,919	92,845	89,527
Romania	48,570	48,929	87,514	81,299
Slovak Republic	24,624	22,540	42,964	41,602
Slovenia	18,453	16,116	30,670	27,769
Intersegment revenues ⁽¹⁾	(457)	(312)	(803)	(509)
Total net revenues	\$181,856	\$175,206	\$316,858	\$304,206

(1) Reflects revenues earned from the sale of content to our other segments. All other revenues are third party revenues.

OIBDA and reconciliation of OIBDA to condensed consolidated statements of operations and comprehensive income / loss:	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
Bulgaria	\$3,079	\$5,954	\$4,436	\$7,023
Croatia	5,171	4,501	6,257	5,902
Czech Republic	25,553	23,099	36,512	33,173
Romania	22,268	22,962	36,954	32,424
Slovak Republic	7,522	3,158	8,395	5,551
Slovenia	4,386	1,624	4,389	916
Elimination	39	(62)	41	(68)
Total operating segments	68,018	61,236	96,984	84,921
Corporate	(6,849)	(7,604)	(13,679)	(14,181)
Total OIBDA	61,169	53,632	83,305	70,740
Depreciation of property, plant and equipment	(8,293)	(7,627)	(16,052)	(14,912)
Amortization of broadcast licenses and other intangibles	(2,053)	(2,114)	(4,162)	(4,174)
Operating income	50,823	43,891	63,091	51,654
Interest expense (Note 14)	(21,973)	(29,545)	(45,728)	(78,699)
Loss on extinguishment of debt	—	(150,158)	—	(150,158)
Non-operating income / (expense), net (Note 15)	7,141	(167)	9,466	1,249
Income / (loss) before tax	\$35,991	\$(135,979)	\$26,829	\$(175,954)
Total assets ⁽¹⁾ :	June 30, 2017		December 31, 2016	
Bulgaria	\$ 139,982		\$ 130,873	
Croatia	60,255		49,135	
Czech Republic	801,045		700,190	
Romania	294,236		266,132	
Slovak Republic	146,492		131,220	

Slovenia	79,136	72,381
Total operating segments	1,521,146	1,349,931
Corporate	37,240	40,786
Total assets	\$ 1,558,386	\$ 1,390,717

⁽¹⁾ Segment assets exclude any intercompany balances.

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Capital expenditures:	For the Six Months Ended June 30,	
	2017	2016
Bulgaria	\$2,019	\$988
Croatia	862	1,080
Czech Republic	5,088	2,863
Romania	2,966	2,334
Slovak Republic	900	824
Slovenia	1,759	1,715
Total operating segments	13,594	9,804
Corporate	1,104	1,483
Total capital expenditures	\$14,698	\$11,287
Long-lived assets ⁽¹⁾ :	June 30, 2017	December 31, 2016
Bulgaria	\$ 6,691	\$ 6,280
Croatia	5,926	5,832
Czech Republic	42,199	39,529
Romania	25,114	22,796
Slovak Republic	16,967	15,326
Slovenia	14,397	14,177
Total operating segments	111,294	103,940
Corporate	4,688	5,149
Total long-lived assets	\$ 115,982	\$ 109,089

⁽¹⁾ Reflects property, plant and equipment.

Consolidated revenue by type:	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Television advertising	\$149,521	\$149,012	\$258,035	\$253,183
Carriage fees and subscriptions	25,356	19,862	46,739	39,071
Other	6,979	6,332	12,084	11,952
Total net revenues	\$181,856	\$175,206	\$316,858	\$304,206

19. COMMITMENTS AND CONTINGENCIES

Commitments

a) Programming Rights Agreements and Other Commitments

At June 30, 2017, we had total commitments of US\$ 129.2 million (December 31, 2016: US\$ 128.2 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 and other commitments as follows:

	Programming purchase obligations	Other commitments	Operating leases	Capital expenditures
2017	\$ 34,824	\$ 12,336	\$ 1,892	\$ 1,735

2018	35,647	6,414	2,578	31
2019	25,133	11,509	1,173	13
2020	21,852	3,241	667	—
2021	7,110	353	497	—
2022 and thereafter	4,598	392	1,811	—
Total	\$ 129,164	\$ 34,245	\$ 8,618	\$ 1,779

Contingencies

a) 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. The four notes purport to be in the aggregate amount of approximately EUR 69.0 million. A court of first instance in Bratislava has suspended proceedings in respect of one of the promissory notes (in the amount of approximately EUR 26.0 million) because the plaintiff failed to pay court fees. Two of the remaining notes allegedly matured in 2015 and the third in 2016. Despite a random case assignment system in Slovakia, the three cases dealing with the other notes were initially assigned to the same judge. We do not believe that any of the promissory notes are authentic and are vigorously defending the claims. We are currently unable to estimate for what amount, if any, we may be liable if the plaintiff is ultimately successful in pursuing their claims.

b) Other

In the second quarter of 2017, the largest private company and advertiser in Croatia, Agrokor d.d. ("Agrokor"), entered government administration facing significant liquidity issues. Agrokor has since obtained short-term financing and is in the process of obtaining additional long-term liquidity while the Croatian government-appointed administrator determines Agrokor's restructuring plans, which may include asset disposals, pending an agreement being reached with its creditors. As at June 30, 2017, we had receivables, net of an allowance for doubtful accounts, related to Agrokor and its group companies totaling US\$ 2.6 million.

20. 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 46.6% voting interest in CME Ltd. as at June 30, 2017, as material related party transactions.

Time Warner

	For the Three Months Ended June 30, 2017		For the Six Months Ended June 30, 2016	
	2017	2016	2017	2016
Cost of revenues	\$5,354	\$4,750	\$11,091	\$11,446
Interest expense	16,497	23,994	34,751	65,499

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	June 30, 2017	December 31, 2016
Programming liabilities	\$ 19,839	\$ 18,959
Other accounts payable and accrued liabilities	112	192
Accrued interest payable ⁽¹⁾	7,935	9,588
Other non-current liabilities ⁽²⁾	60,004	44,397

(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 4, "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 4, "Long-term Debt and Other Financing Arrangements".

21. SUBSEQUENT EVENTS

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\$ 262.5 million), subject to customary working capital adjustments. We expect the transaction to close before the end of 2017, subject to obtaining regulatory approvals and other customary closing conditions being satisfied. If the transaction is terminated by either party because the transaction has not closed prior by December 31, 2017 (which date may be extended under certain circumstances to March 31, 2018), we would receive a termination fee of EUR 7.0 million (approximately US\$ 8.0 million), subject to certain exceptions, including if the requisite regulatory approvals have not been obtained as a result of the Purchaser being required to make specified material divestitures as a condition to any requisite regulatory approvals.

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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:

- "2017 PIK Notes" refers to our 15.0% senior secured notes due 2017, redeemed in April 2016;
- "2017 Term Loan" refers to our 15.0% term loan facility due 2017, dated as of February 28, 2014, as amended and restated on November 14, 2014, repaid in April 2016;
- "2018 Euro Term Loan" refers to CME Ltd.'s floating rate senior unsecured term credit facility due 2018, guaranteed by CME BV and Time Warner, dated as of November 14, 2014 and amended on March 9, 2015, February 19, 2016 and June 22, 2017;
- "2019 Euro Term Loan" refers to CME Ltd.'s floating rate senior unsecured term credit facility due 2019, guaranteed by CME BV and Time Warner, dated as of September 30, 2015 and amended on February 19, 2016 and June 22, 2017;
- "2021 Euro Term Loan" refers to CME BV's floating rate senior unsecured term credit facility due 2021, guaranteed by Time Warner and CME Ltd., dated as of February 19, 2016 and amended on June 22, 2017;
- "2021 Revolving Credit Facility" refers to our amended and restated revolving credit facility dated as of February 28, 2014, as amended and restated as of November 14, 2014, further amended and restated on February 19, 2016 and amended on June 22, 2017;
- "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;
- "Divestment Transaction" refers to the framework agreement dated July 9, 2017 with Slovenia Broadband S.à r.l. for the sale of our Croatia and Slovenia operations (see Note 21, "Subsequent Events" for further information);
- "Euro Term Loans" refers collectively to the 2018 Euro Term Loan, 2019 Euro Term Loan and 2021 Euro Term Loan;
- "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 an 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 amended on March 2, 2017 and June 22, 2017;
- "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 June 30, 2017, 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 expected timing of the closing of the sale of our operations in Croatia and Slovenia and the application of proceeds from it; the effect of global economic uncertainty and Eurozone instability in our markets and the extent, timing and duration of any recovery; 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 liquidity constraints and debt service obligations 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; 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.

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II. Overview

Central European Media Enterprises Ltd. ("CME Ltd.") is a media and entertainment company operating mainly in six countries in Central and Eastern Europe. We manage our business on a geographical basis, with six operating segments: Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia, 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.

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. Stock-based compensation and certain other items are not allocated to our segments for purposes of evaluating their performance and therefore are not included in their respective OIBDA. 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 refinancing transaction in March 2017, the amount 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 interest and related Guarantee Fees in cash, we expect to use cash generated by the business to pay certain Guarantee Fees that are payable 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 18, "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 and six months ended June 30, 2017 and 2016.

Executive Summary

The following table provides a summary of our consolidated results for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30, (US\$ 000's)				For the Six Months Ended June 30, (US\$ 000's)			
	2017	2016	Movement		2017	2016	Movement	
			% Act	% Lfl			% Act	% Lfl
Net revenues	\$181,856	\$175,206	3.8	% 5.5	% \$316,858	\$304,206	4.2	% 6.6
Operating income	50,823	43,891	15.8	% 17.2	% 63,091	51,654	22.1	% 24.5
Operating margin	27.9	% 25.1	% 2.8 p.p.	2.7 p.p.	19.9	% 17.0	% 2.9 p.p.	2.9 p.p.
OIBDA	\$61,169	\$53,632	14.1	% 15.4	% \$83,305	\$70,740	17.8	% 20.1
OIBDA margin	33.6	% 30.6	% 3.0 p.p.	2.8 p.p.	26.3	% 23.3	% 3.0 p.p.	3.0 p.p.

Our consolidated net revenues increased in the three and six months ended June 30, 2017 compared to the corresponding period in 2016 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 6% overall at constant rates in the first half of 2017 compared to 2016. Our television advertising revenues grew 2% at actual rates and 4% at constant rates during the same period due primarily to significant year-on-year growth in Romania in the first three months of the year, as well as higher levels of spending in the Czech Republic, Slovenia and Bulgaria in the first half of 2017. Carriage fees and subscription revenues increased significantly in the six months ended June 30, 2017 compared to the corresponding period in 2016 due to additional carriage fees from contracts with cable, satellite and Internet protocol television ("IPTV") operators in the Slovak Republic and Slovenia since January of this year, and we continue to see overall growth in the number of subscribers to those platforms.

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Costs charged in arriving at OIBDA were broadly flat at actual rates in the three and six months ended June 30, 2017 compared to the corresponding periods in 2016. At constant rates, costs increased 1% and 3% in the respective periods. Content cost inflation was minimal overall as we made targeted investments in our programming line-up when additional ratings could be monetized in Romania and to support the transition to pay-TV in the Slovak Republic, but offset some of this additional spending with fewer hours of local content in other countries. Other operating costs decreased in the second quarter and first half of 2017 due to savings from transmission costs, which offset higher bad debt charges.

Since the growth in revenue outpaced the increase in costs, our OIBDA margin increased in the three and six months ended June 30, 2017. This dynamic also drove an increase in operating income, with a similar improvement in the operating margin. We expect revenues to grow at a faster pace than costs in 2017 and for the next few years, leading to continued OIBDA margin expansion year on year although trends quarter to quarter may vary.

The spring season concluded successfully in June and our prime time and all day audience shares increased in five out of six countries during the first half of 2017 compared to the same period in 2016. 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.

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. ("United Group"), subject to certain closing conditions, including regulatory approvals. The transaction is expected to close by the end of 2017.

Total cash consideration for the transaction is EUR 230.0 million (approximately US\$ 262.5 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, with any excess proceeds applied to repay a portion of the 2019 Euro Term Loan, which will result in a significant decrease in our net leverage ratio. Based on our results from the period ended June 30, 2017, this would reduce CME's net leverage ratio from 6.1x to 5.1x.

Once debt is repaid following closing of the transaction, our current average borrowing cost is expected to decrease 275 basis points to 4.5%. We estimate this will result in savings of at least US\$ 30.0 million of interest costs annually, which exceeds both income and cash generated in 2016 by the combined operations of Croatia and Slovenia. We expect to present these businesses as discontinued operations starting in the third quarter of 2017. Total net assets of these businesses as at June 30, 2017 were approximately US\$ 115.3 million.

Free Cash Flow and Unlevered Free Cash Flow

	For the Six Months Ended June 30, (US\$ 000's)			
	2017	2016	Movement	
Net cash generated from continuing operating activities	\$56,770	\$17,549	NM ⁽¹⁾	
Capital expenditures, net	(14,581)	(11,255)	(29.6))%
Free cash flow	42,189	6,294	NM ⁽¹⁾	
Cash paid for interest (including mandatory cash-pay Guarantee Fees)	21,173	35,712	(40.7))%
Cash paid for Guarantee Fees that may be paid in kind	7,078	20,000	(64.6))%
Unlevered free cash flow	\$70,440	\$62,006	13.6	%

⁽¹⁾ Number is not meaningful.

(US\$ 000's)	June 30, 2017	December 31, 2016	Movement
Cash and cash equivalents	\$ 95,359	\$ 43,459	119.4 %

Our unlevered free cash flow increased during the first six months of 2017 compared to the same period in 2016 reflecting higher cash collections from revenue growth and lower cash spending on programming. This was partially offset by higher cash paid for income taxes and capital expenditures. Free cash flow increased significantly more than unlevered free cash flow due to a significant decrease in cash paid for interest and Guarantee Fees because last year we paid accrued interest related to the 2017 PIK Notes and 2017 Term Loan when they were refinanced in April 2016, and we also repaid US\$ 20.0 million of accrued Guarantee Fees previously paid in kind in the first half of 2016.

Following the repricing of our Guarantee Fees completed in March 2017, we are now required to pay a portion of the Guarantee Fees related to all of the Euro Term Loans in cash. However, the total amount of cash paid for interest and Guarantee Fees is expected to decrease significantly in 2017 due to the lower all-in rate payable following that transaction, and additional non-repeating payments that were made in 2016 when we elected to repay in cash a total of US\$ 27.5 million of accrued Guarantee Fees related to the 2018 Euro Term Loan that were previously paid in kind. As a result, we expect free cash flow to increase significantly in 2017 compared to 2016.

In August 2017 we anticipate repaying approximately EUR 50.0 million (approximately US\$ 57.1 million) of the principal outstanding on the 2018 Euro Term Loan.

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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 six months ended June 30, 2017:

For the Six Months Ended June 30, 2017				
Country	Real GDP Growth	Real Private Consumption Growth	Net TV Ad Market Growth	
Bulgaria	3.5	% 4.5	% 7	%
Croatia	2.7	% 3.3	% (4)%
Czech Republic	3.1	% 3.1	% 5	%
Romania*	4.6	% 5.8	% 14	%
Slovak Republic	3.1	% 3.2	% 0	%
Slovenia	4.2	% 3.3	% 4	%
Total CME Ltd. Markets	3.6	% 4.0	% 6	%

* 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 six months of 2017, GDP grew in each of the countries in which we operate at a rate that exceeded the average growth rate for Western Europe. Romania continued to be one of the fastest growing economies in the European Union, and is forecast to be the leader for the remainder of 2017. Similar to the last few years, it has been reported that GDP growth in our markets has been less reliant on growth in exports, and domestic demand has played a larger role in economic expansion. In Romania, lower income tax rates and increases to the minimum wage have provided continued support for higher disposable income. Consumer confidence remains strong in the Czech and Slovak Republics, reflecting historically low rates of unemployment in those countries. We believe the growth in real private consumption forecast for 2017 will support overall growth in the television advertising markets across the six countries where we operate, although growth may not be realized in every market as financial difficulties with Agrokor, the largest advertiser in Croatia, may result in lower spending there.

On March 29, 2017, the United Kingdom formally initiated the process to leave the European Union, commonly referred to as “Brexit”, which is expected to be completed within the next two years. While the negotiations over the exact terms of Brexit may negatively impact economic growth in the UK and Europe, the contribution of domestic demand as a component of GDP growth has reduced the sensitivity of our markets to external shocks affecting exports. Additionally, we have not seen an appreciable impact on the behavior of advertisers in the countries in which we operate since the UK electorate voted in favor of Brexit in June 2016.

On April 6, 2017, the Czech National Bank determined that the recent increase in inflation in the country was sustainable and its mandate for price stability had been met. As a result, it ended its commitment to intervene in currency markets and withdrew the floor related to the EUR/CZK exchange rate. The Czech Koruna strengthened modestly following the announcement; however, the exchange rate may be volatile in the near term. If the currency continues to appreciate, this will improve the results of our largest operation in dollar terms.

We estimate that the TV advertising markets in the countries in which we operate increased by 6% on average at constant rates in the six months ended June 30, 2017 compared to the same period in 2016. In Bulgaria, we estimate that all commercial broadcasters increased their average prices, which more than offset selling fewer gross ratings points (“GRPs”). The market in Croatia decreased due to lower spending by Agrokor, which has entered government administration and is facing a potential restructuring. Spending from Agrokor in Croatia is expected to be lower in 2017 than in 2016, which could cause total spending for advertising on television to decline overall. In the Czech Republic, more advertising was sold and average prices increased. In Romania, the market grew because the increase in demand for advertising that started in the second quarter of 2016 led to significant increases in both GRPs sold and average prices in the first half of 2017 compared to the same period in 2016. In the second quarter of 2016 our main channel aired the European football championship, which increased inventory available and sold last year. Excluding the benefit of the tournament last year, we estimate the market grew 6% year-on-year in the second quarter of 2017 and 16% in the first half of 2017. We expect market growth for 2017 will be lower than the growth rate in the first half

of the year due to difficult comparatives for the remainder of the year, including the third quarter of 2016 when our main channel aired the remaining games of the European football championship. In the Slovak Republic, the market was flat following the end of spending on informational and political campaigns that took place from the second half of 2015 through the first half of 2016. If this spending in the first half of 2016 is excluded, we estimate the market grew 10%, reflecting continued strong demand by the private sector. In Slovenia, higher spending reflected the anticipation of faster growth in private consumption during the year resulting in higher average prices.

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Segment Performance

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

	NET REVENUES							
	For the Three Months Ended June 30, (US\$ 000's)				For the Six Months Ended June 30, (US\$ 000's)			
			Movement				Movement	
	2017	2016	% Act	% Lfl	2017	2016	% Act	% Lfl
Bulgaria	\$20,774	\$20,455	1.6	% 3.5	% \$36,079	\$36,314	(0.6)%	1.8 %
Croatia	16,521	16,559	(0.2)%	0.7 %	% 27,589	28,204	(2.2)%	(1.0)%
Czech Republic	53,371	50,919	4.8	% 5.0	% 92,845	89,527	3.7	% 5.2 %
Romania	48,570	48,929	(0.7)%	2.3 %	% 87,514	81,299	7.6	% 11.3 %
Slovak Republic	24,624	22,540	9.2	% 11.3	% 42,964	41,602	3.3	% 5.9 %
Slovenia	18,453	16,116	14.5	% 16.7	% 30,670	27,769	10.4	% 13.2 %
Intersegment revenues (457)	(312)		NM ⁽¹⁾	NM ⁽¹⁾	(803)	(509)	NM ⁽¹⁾	NM ⁽¹⁾
Total net revenues	\$181,856	\$175,206	3.8	% 5.5	% \$316,858	\$304,206	4.2	% 6.6 %

⁽¹⁾ Number is not meaningful.

	OIBDA							
	For the Three Months Ended June 30, (US\$ 000's)				For the Six Months Ended June 30, (US\$ 000's)			
			Movement				Movement	
	2017	2016	% Act	% Lfl	2017	2016	% Act	% Lfl
Bulgaria	\$3,079	\$5,954	(48.3)%	(47.5)%	% \$4,436	\$7,023	(36.8)%	(35.7)%
Croatia	5,171	4,501	14.9	% 15.5	% 6,257	5,902	6.0	% 6.9 %
Czech Republic	25,553	23,099	10.6	% 10.1	% 36,512	33,173	10.1	% 10.9 %
Romania	22,268	22,962	(3.0)%	(0.3)%	% 36,954	32,424	14.0	% 17.7 %
Slovak Republic	7,522	3,158	138.2	% 140.9	% 8,395	5,551	51.2	% 54.7 %
Slovenia	4,386	1,624	170.1	% 164.2	% 4,389	916	NM ⁽¹⁾	NM ⁽¹⁾
Eliminations	39	(62)	NM ⁽¹⁾	NM ⁽¹⁾	41	(68)	NM ⁽¹⁾	NM ⁽¹⁾
Total operating segments	68,018	61,236	11.1	% 12.3	% 96,984	84,921	14.2	% 16.4 %
Corporate	(6,849)	(7,604)	9.9	% 9.0	% (13,679)	(14,181)	3.5	% 2.0 %
Consolidated OIBDA	\$61,169	\$53,632	14.1	% 15.4	% \$83,305	\$70,740	17.8	% 20.1 %

⁽¹⁾ Number is not meaningful.

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Bulgaria

For the Three Months Ended June 30, (US\$ 000's)

			Movement			
	2017	2016	% Act	% Lfl		
Television advertising	\$14,542	\$14,682	(1.0	)%	1.0	%
Carriage fees and subscriptions	4,782	4,641	3.0	%	4.8	%
Other	1,450	1,132	28.1	%	30.3	%
Net revenues	20,774	20,455	1.6	%	3.5	%
Costs charged in arriving at OIBDA	17,695	14,501	22.0	%	24.5	%
OIBDA	\$3,079	\$5,954	(48.3	)%	(47.5)%

OIBDA margin 14.8 % 29.1 % (14.3) p.p. (14.4) p.p.

For the Six Months Ended June 30, (US\$ 000's)

			Movement			
	2017	2016	% Act	% Lfl		
Television advertising	\$24,311	\$24,646	(1.4	)%	1.1	%
Carriage fees and subscriptions	9,455	9,212	2.6	%	5.1	%
Other	2,313	2,456	(5.8	)%	(3.5)%
Net revenues	36,079	36,314	(0.6	)%	1.8	%
Costs charged in arriving at OIBDA	31,643	29,291	8.0	%	10.9	%
OIBDA	\$4,436	\$7,023	(36.8	)%	(35.7)%

OIBDA margin 12.3 % 19.3 % (7.0) p.p. (7.2) p.p.

The television advertising market in Bulgaria increased an estimated 7% at constant rates in the six months ended June 30, 2017 compared to the same period in 2016.

Our television advertising revenues increased at constant rates in the second quarter and first half of 2017 compared to the same periods in 2016 due to higher prices in our sales policy for the year, which more than offset a reduction in the volume of GRPs sold. Carriage fees and subscription revenues increased due to continued efforts to secure new contracts with cable, satellite and IPTV operators with improved pricing.

On a constant currency basis, costs charged in arriving at OIBDA increased in the second quarter of 2017 compared to the same period of 2016 due primarily to higher bad debt charges, as well as an increase of 10% in content costs, resulting from additional hours of local content in the schedule and a format that was more expensive than the same time slot in the prior year. These increases more than offset a decline in content costs in the first quarter, so costs charged in arriving at OIBDA increased in the first six months of 2017 compared to 2016.

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Croatia

For the Three Months Ended June 30, (US\$ 000's)

			Movement			
	2017	2016	% Act	% Lfl		
Television advertising	\$ 14,574	\$ 14,707	(0.9)%	0.0 %		
Carriage fees and subscriptions	1,120	643	74.2 %	75.5 %		
Other	827	1,209	(31.6)%	(31.1)%		
Net revenues	16,521	16,559	(0.2)%	0.7 %		
Costs charged in arriving at OIBDA	11,350	12,058	(5.9)%	(4.9)%		
OIBDA	\$ 5,171	\$ 4,501	14.9 %	15.5 %		

OIBDA margin	31.3	% 27.2	% 4.1 p.p.	4.0 p.p.
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For the Six Months Ended June 30, (US\$ 000's)

			Movement			
	2017	2016	% Act	% Lfl		
Television advertising	\$ 24,128	\$ 24,779	(2.6)%	(1.4)%		
Carriage fees and subscriptions	1,944	1,267	53.4 %	55.3 %		
Other	1,517	2,158	(29.7)%	(28.8)%		
Net revenues	27,589	28,204	(2.2)%	(1.0)%		
Costs charged in arriving at OIBDA	21,332	22,302	(4.3)%	(3.0)%		
OIBDA	\$ 6,257	\$ 5,902	6.0 %	6.9 %		

OIBDA margin	22.7	% 20.9	% 1.8 p.p.	1.7 p.p.
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The television advertising market in Croatia declined an estimated 4% at constant rates in the six months ended June 30, 2017 compared to the same period in 2016.

Our television advertising revenues were flat at constant rates in the three months ended June 30, 2017 compared to 2016 as an increase in average prices offset selling fewer GRPs, related primarily to lower spending by Agrokor, which entered government administration and is facing a potential restructuring. The reduced advertising budget from Agrokor also negatively impacted the first quarter of 2017. As a result, our television advertising revenues declined in the first half of 2017 compared to the same period in 2016. Carriage fees and subscription revenues increased in the second quarter and first half of 2017 compared to 2016 due to new contracts with operators and an increase in average prices.

Costs charged in arriving at OIBDA decreased on a constant currency basis in the second quarter and first half of 2017 compared to 2016 due to lower content costs, reflecting fewer hours of own-produced programming. The first half of 2017 also benefited from savings in foreign programming. We recorded a bad debt charge related to receivables from Agrokor in the second quarter of 2017. As at June 30, 2017, we had receivables, net of an allowance for doubtful accounts, related to Agrokor and its group companies totaling US\$ 2.6 million. Agrokor has notified us it intends to renegotiate its commitments for television advertising spending for the remainder of 2017.

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Czech Republic

For the Three Months Ended June 30, (US\$ 000's)

	2017	2016	Movement		
			% Act	% Lfl	%
Television advertising	\$48,554	\$46,673	4.0	% 4.2	%
Carriage fees and subscriptions	2,882	2,604	10.7	% 10.9	%
Other	1,935	1,642	17.8	% 17.6	%
Net revenues	53,371	50,919	4.8	% 5.0	%
Costs charged in arriving at OIBDA	27,818	27,820	0.0	% 0.7	%
OIBDA	\$25,553	\$23,099	10.6	% 10.1	%

OIBDA margin 47.9 % 45.4 % 2.5 p.p. 2.2 p.p.

For the Six Months Ended June 30, (US\$ 000's)

	2017	2016	Movement		
			% Act	% Lfl	%
Television advertising	\$83,661	\$81,463	2.7	% 4.2	%
Carriage fees and subscriptions	5,521	5,131	7.6	% 9.3	%
Other	3,663	2,933	24.9	% 26.4	%
Net revenues	92,845	89,527	3.7	% 5.2	%
Costs charged in arriving at OIBDA	56,333	56,354	0.0	% 1.8	%
OIBDA	\$36,512	\$33,173	10.1	% 10.9	%

OIBDA margin 39.3 % 37.1 % 2.2 p.p. 2.0 p.p.

The television advertising market in the Czech Republic increased an estimated 5% at constant rates in the six months ended June 30, 2017 compared to the same period in 2016.

Television advertising revenues increased at constant rates in the second quarter and first half of 2017 compared to the same period in 2016 because we sold more GRPs at higher average prices. Carriage fees and subscription revenues increased on a constant currency basis in the second quarter and first half of 2017 due to new contracts for Nova International and high definition versions of our channels that became effective subsequent to the first half of 2016. Costs charged in arriving at OIBDA increased on a constant currency basis in the second quarter of 2017 compared to the same period in 2016 as a slight increase in content costs, resulting from sports rights and news, was partially offset by lower transmission costs. The first half of 2017 was also impacted by higher content costs and marketing expenses related to the rebranding of our niche channels in the Czech Republic to align them under the umbrella of our flagship brand, NOVA.

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Romania

For the Three Months Ended June 30, (US\$ 000's)

	2017	2016	Movement			
			% Act	% Lfl		
Television advertising	\$36,213	\$37,797	(4.2	)%	(1.3)%
Carriage fees and subscriptions	11,458	10,178	12.6	%	16.1	%
Other	899	954	(5.8	)%	(3.4)%
Net revenues	48,570	48,929	(0.7	)%	2.3	%
Costs charged in arriving at OIBDA	26,302	25,967	1.3	%	4.5	%
OIBDA	\$22,268	\$22,962	(3.0	)%	(0.3)%

OIBDA margin 45.8 % 46.9 % (1.1) p.p. (1.2) p.p.

For the Six Months Ended June 30, (US\$ 000's)

	2017	2016	Movement			
			% Act	% Lfl		
Television advertising	\$64,337	\$59,493	8.1	%	11.8	%
Carriage fees and subscriptions	21,521	20,164	6.7	%	10.4	%
Other	1,656	1,642	0.9	%	4.0	%
Net revenues	87,514	81,299	7.6	%	11.3	%
Costs charged in arriving at OIBDA	50,560	48,875	3.4	%	7.1	%
OIBDA	\$36,954	\$32,424	14.0	%	17.7	%

OIBDA margin 42.2 % 39.9 % 2.3 p.p. 2.3 p.p.

The television advertising market in Romania increased an estimated 14% at constant rates in the six months ended June 30, 2017 compared to the same period in 2016.

Our television advertising revenues were broadly flat at constant rates in the second quarter of 2017 compared to the same period last year, as higher prices mostly offset selling fewer GRPs. In the second quarter of 2016 our main channel aired the European football championship, which significantly increased the volume of inventory available and sold last year. Excluding the benefit of the tournament last year, we estimate our television advertising revenues increased approximately 7% in the quarter due to higher prices, as the market continues to be largely sold-out. The increase in television advertising revenues in the first half of 2017 reflected significant growth in the first three months of the year driven by significant increases in both the volume of GRPs sold and average prices. We expect television advertising revenue growth for 2017 will be lower than the growth rate in the first half of the year due to difficult comparatives for the remainder of the year, including the third quarter of 2016 when our main channel aired the remaining games of the European football championship. Carriage fees and subscription revenues grew on a constant currency basis during the second quarter and first half of 2017 due to an increase in the number of reported subscribers.

Costs charged in arriving at OIBDA increased at constant rates during the second quarter and first half of 2017 primarily due to a increase in content costs, as we invested more in local productions of entertainment formats and aired more popular foreign programming to increase ratings.

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Slovak Republic

For the Three Months Ended June 30, (US\$ 000's)

	2017	2016	Movement			
			% Act	% Lfl		
Television advertising	\$21,294	\$21,246	0.2	% 2.2		%
Carriage fees and subscriptions	2,043	559	NM ⁽¹⁾	NM ⁽¹⁾		
Other	1,287	735	75.1	% 78.5		%
Net revenues	24,624	22,540	9.2	% 11.3		%
Costs charged in arriving at OIBDA	17,102	19,382	(11.8)	)% (10.0)%
OIBDA	\$7,522	\$3,158	138.2	% 140.9		%

OIBDA margin 30.5 % 14.0 % 16.5 p.p. 16.4 p.p.

For the Six Months Ended June 30, (US\$ 000's)

	2017	2016	Movement			
			% Act	% Lfl		
Television advertising	\$37,347	\$39,091	(4.5)	)% (2.0)%
Carriage fees and subscriptions	3,554	876	NM ⁽¹⁾	NM ⁽¹⁾		
Other	2,063	1,635	26.2	% 29.4		%
Net revenues	42,964	41,602	3.3	% 5.9		%
Costs charged in arriving at OIBDA	34,569	36,051	(4.1)	)% (1.7)%
OIBDA	\$8,395	\$5,551	51.2	% 54.7		%

OIBDA margin 19.5 % 13.3 % 6.2 p.p. 6.1 p.p.

⁽¹⁾ Number is not meaningful.

The television advertising market in the Slovak Republic was estimated to be flat at constant rates in the six months ended June 30, 2017 compared to the same period in 2016.

Our television advertising revenues increased on a constant currency basis during the second quarter of 2017 compared to the same period in 2016 due to higher prices, which more than offset selling fewer GRPs following the end of spending on informational and political campaigns that took place from the second half of 2015 through the first half of 2016. If this spending is excluded, our television advertising revenues increased 6% in the second quarter and 4% in the first half of 2017. This was slower than market growth of 10% in the first half of 2017 as a result of lower coverage for our channels, which have been distributed exclusively on cable, satellite and IPTV platforms in the country since January of this year. However, this change in the way our channels are distributed resulted in a significant increase in carriage fees and subscriptions revenue and a cost reduction from significantly lower transmission costs. During the remainder of 2017 we anticipate slightly reduced pressure on our ratings as additional households transition to cable, satellite and IPTV platforms and the measurement panel is updated to better reflect how viewers watch television.

On a constant currency basis, costs charged in arriving at OIBDA decreased during the second quarter primarily due to lower transmission costs, which were mostly offset in the first half of 2017 by an increase in content costs as we made targeted adjustments in the programming line-up during the change in the way our channels are distributed. There were also additional expenses related to increased marketing activities during this transition.

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III. Analysis of the Results of Operations and Financial Position

For the Three Months Ended June 30, (US\$ 000's)						
	2017	2016	Movement			
			% Act	% Lfl		
Revenue:						
Television advertising	\$ 149,521	\$ 149,012	0.3	% 1.9	%	
Carriage fees and subscriptions	25,356	19,862	27.7	% 30.4	%	
Other revenue	6,979	6,332	10.2	% 11.6	%	
Net Revenues	181,856	175,206	3.8	% 5.5	%	
Operating expenses:						
Content costs	76,709	77,282	(0.7)	)% 1.4	%	
Other operating costs	15,395	17,939	(14.2)	)% (13.1))%	
Depreciation of property, plant and equipment	8,293	7,627	8.7	% 10.1	%	
Amortization of broadcast licenses and other intangibles	2,053	2,114	(2.9)	)% (2.5))%	
Cost of revenues	102,450	104,962	(2.4)	)% (0.5))%	
Selling, general and administrative expenses	28,583	26,353	8.5	% 9.7	%	
Operating income	\$ 50,823	\$ 43,891	15.8	% 17.2	%	
For the Six Months Ended June 30, (US\$ 000's)						
	2017	2016	Movement			
			% Act	% Lfl		
Revenue:						
Television advertising	\$ 258,035	\$ 253,183	1.9	% 4.2	%	
Carriage fees and subscriptions	46,739	39,071	19.6	% 22.9	%	
Other revenue	12,084	11,952	1.1	% 3.2	%	
Net Revenues	316,858	304,206	4.2	% 6.6	%	
Operating expenses:						
Content costs	150,111	149,260	0.6	% 3.3	%	
Other operating costs	29,951	34,393	(12.9)	)% (11.1))%	
Depreciation of property, plant and equipment	16,052	14,912	7.6	% 9.9	%	
Amortization of broadcast licenses and other intangibles	4,162	4,174	(0.3)	)% 1.4	%	
Cost of revenues	200,276	202,739	(1.2)	)% 1.3	%	
Selling, general and administrative expenses	53,491	49,813	7.4	% 9.4	%	
Operating income	\$ 63,091	\$ 51,654	22.1	% 24.5	%	

Revenue:

Television advertising revenues: We estimate television advertising spending in our markets grew on average by 6% at constant rates in the six months ended June 30, 2017 as compared to the same period in 2016, 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 revenue increased during the three and six months ended June 30, 2017 to 14% and 15% of total net revenues, respectively, as compared to 11% and 13% for the same periods in 2016. The increases arose primarily in the Slovak Republic and Slovenia as our channels in those countries are exclusively available on cable, satellite and IPTV platforms since January 2017 and in Romania due to higher subscriber counts. See "Overview - Segment Performance" above for additional information on carriage fees and subscription revenues for each of our operating countries.

Other revenues: Other revenues include primarily internet advertising revenues and revenues generated through the licensing of our own productions. Other revenues increased during the three and six months ended June 30, 2017 as compared to the same periods in 2016 primarily due to higher internet advertising.

Operating Expenses:

Content costs: Content costs (including production costs and amortization and impairment of program rights) increased at constant rates during the three and six months ended June 30, 2017 compared to the same periods in 2016. The increase in the three months ended June 30, 2017 is primarily due to higher quality acquired programming in our schedules, while the increase in the six months ended June 30, 2017 is due to both higher quality acquired programming and 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 during the three and six months ended June 30, 2017 compared to the same periods in 2016, primarily due to cost savings in Slovakia following our decision not to renew our contract for the terrestrial distribution of our channels there.

Depreciation of property, plant and equipment: Total depreciation of property, plant and equipment increased during the three and six months ended June 30, 2017 compared to the same periods in 2016 primarily due to depreciation on production and technical equipment placed in service as we replaced fully depreciated assets.

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Amortization of broadcast licenses and other intangibles: Total amortization of broadcast licenses and other intangibles decreased during the three months ended June 30, 2017 compared to the same period in 2016 as certain of our intangible assets in Romania were fully amortized. The increase in the six months ended June 30, 2017 at constant rates was primarily due to higher amortization expense for certain of our trademarks in the Czech Republic which were partly offset by the decrease related to the fully amortized intangibles in Romania.

Selling, general and administrative expenses: Selling, general and administrative expenses increased during the three and six months ended June 30, 2017 compared to the same periods in 2016 primarily due to increased bad debt charges in Bulgaria and Croatia. See Item 1, Note 19, "Commitments and Contingencies".

Selling, general and administrative expenses for three and six months ended June 30, 2017 and 2016 also includes charges in respect of non-cash stock-based compensation (see Item 1, Note 16, "Stock-based Compensation"). The charge for stock-based compensation expense in 2017 was consistent with the charge in 2016.

Operating income: The increase in operating income during the three and six months ended June 30, 2017 compared to the same periods in 2016 resulted from increases in television advertising and carriage fee revenues, which outpaced the increases in cost of revenues and selling, general and administrative expenses. Our operating margin, which is determined as operating income / loss divided by net revenues, was 28% and 20% for the three and six months ended June 30, 2017 compared to 25% and 17% for the three and six months ended June 30, 2016.

Other income / expense:

	For the Three Months Ended June 30, (US\$ 000's)			For the Six Months Ended June 30, (US\$ 000's)			
	2017	2016	% Act	2017	2016	% Act	
Interest expense	\$(21,973)	\$(29,545)	25.6 %	\$(45,728)	\$(78,699)	41.9 %	
Loss on extinguishment of debt	—	(150,158)	100.0 %	—	(150,158)	100.0 %	
Non-operating income / (expense):							
Interest income	110	285	(61.4)%	189	393	(51.9)%	
Foreign currency exchange gain / (loss), net	8,086	(3,002)	NM ⁽¹⁾	9,767	12,420	(21.4)%	
Change in fair value of derivatives	(1,100)	2,544	NM ⁽¹⁾	(732)	(11,506)	93.6 %	
Other income / (expense), net	45	6	NM ⁽¹⁾	242	(58)	NM ⁽¹⁾	
Provision for income taxes	(8,193)	(5,270)	(55.5)%	(10,305)	(5,989)	(72.1)%	
Net loss / (income) attributable to noncontrolling interests	137	(68)	NM ⁽¹⁾	346	191	81.2 %	
Other comprehensive income / (loss)							
Currency translation adjustment, net	30,904	(11,056)	NM ⁽¹⁾	32,976	8,002	NM ⁽¹⁾	
(Loss) / gain on derivative instruments	(40)	(2,973)	98.7 %	1,218	(4,221)	NM ⁽¹⁾	

⁽¹⁾ Number is not meaningful.

Interest expense: Interest expense during the three and six months ended June 30, 2017 decreased compared to the three and six months ended June 30, 2016 primarily due to lower amortization of debt discount and issuance costs following the extinguishment of the 2017 PIK Notes and 2017 Term Loan in April 2016 and due to a lower effective interest rate on the replacement facility. We also realized interest expense savings as a result of the transaction entered into with Time Warner during the first quarter of 2017. See Item 1, Note 4, "Long-term Debt and Other Financing Arrangements".

Loss on extinguishment of debt: During the three and six months ended June 30, 2016, we recognized a loss on extinguishment of debt related to the redemption and discharge of the 2017 PIK Notes, repayment of the 2017 Term Loan and modifications of the 2018 Euro Term Loan and the 2019 Euro Term Loan, which were accounted for in a similar manner to a debt extinguishment.

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

Foreign currency exchange gain / (loss), net: We are exposed to fluctuations in foreign exchange rates on the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary. This includes third party receivables and payables, 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 dollar, and 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 six months ended June 30, 2017, we recognized a net gain of US\$ 9.8 million comprised of transaction gains of US\$ 1.9 million relating to the revaluation of intercompany loans, transaction gains of approximately US\$ 5.3 million on our long-term debt and other financing arrangements and transaction gains of US\$ 2.6 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 six months ended June 30, 2016, we recognized a net gain of US\$ 12.4 million comprised of transaction gains of US\$ 38.2 million relating to the revaluation of intercompany loans, transaction losses of approximately US\$ 25.5 million on our long-term debt and other financing arrangements and transaction losses of US\$ 0.3 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 and six months ended June 30, 2017, we recognized losses as a result of the change in the fair value of our USD/EUR foreign currency forward contracts entered into on January 31, 2017 and May 16, 2017. During the three and six months ended June 30, 2016, we recognized gains and losses, respectively, as a result of the change in the fair value of certain USD/EUR foreign currency forward contracts which matured in 2016. See Item 1, Note 11, "Financial Instruments and Fair Value Measurements".

Other income / (expense), net: Our other income / expense, net during the three and six months ended June 30, 2017 and 2016 was not material.

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Provision for income taxes: The provision for income taxes for the three and six months ended June 30, 2017 reflects losses on which no tax benefit has been received and an income tax charge on profits in the Czech Republic, Romania and Slovakia. The provision for income taxes for the three and six months ended June 30, 2016 reflects losses on which no tax benefit has been received and tax charges on profits in the Czech Republic and Romania.

Our subsidiaries are subject to income taxes at statutory rates ranging from 10.0% in Bulgaria to 21.0% in the Slovak Republic.

Net loss / (income) attributable to noncontrolling interests: The results attributable to noncontrolling interests for the three and six months ended June 30, 2017 and 2016 relates to the noncontrolling interest share of our Bulgaria operations.

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 and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30, (US\$ 000's)			For the Six Months Ended June 30, (US\$ 000's)		
	2017	2016	% Act	2017	2016	% Act
Foreign exchange gain / (loss) on intercompany transactions	\$5,896	\$(965)	) NM ⁽¹⁾	\$6,682	\$8,494	(21.3) %
Foreign exchange gain / (loss) on the Series B Preferred Shares	15,485	(6,253)	) NM ⁽¹⁾	20,451	(6,253)	) NM ⁽¹⁾
Currency translation adjustment	9,523	(3,838)	) NM ⁽¹⁾	5,843	5,761	1.4 %
Currency translation adjustment, net	\$30,904	\$(11,056)	NM ⁽¹⁾	\$32,976	\$8,002	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 / (losses) 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 six months ended June 30, 2017 and June 30, 2016.

Percent Change During the Six Months Ended June 30, 2017

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Percent Change During the Six Months Ended June 30, 2016

(Loss) / gain on derivative instruments: The gains / (losses) on derivatives classified as cash flow hedges of the Euro Term Loans, which are recognized in accumulated other comprehensive income / loss, for the three and six months ended June 30, 2017 and 2016 are due to the effective portion of the changes in the fair value of our interest rate swaps. See Item 1, Note 11, "Financial Instruments and Fair Value Measurements".

Condensed consolidated balance sheets as at June 30, 2017 and December 31, 2016:

	Condensed Consolidated Balance Sheet (US\$ 000's)					
	June 30, 2017	December 31, 2016	% Act	% Lfl		
Current assets	\$403,010	\$ 340,420	18.4	% 8.4	%	
Non-current assets	1,155,376	1,050,297	10.0	% (0.3)%	
Current liabilities	182,172	171,564	6.2	% (2.9)%	
Non-current liabilities	1,175,095	1,070,786	9.7	% 1.6	%	
Temporary equity	259,661	254,899	1.9	% 1.9	%	
CME Ltd. shareholders' deficit	(58,923)	(107,804)	45.3	% 42.5	%	
Noncontrolling interests in consolidated subsidiaries	381	1,272	(70.0	)%	(49.1)%

Note: The analysis below is intended to highlight the key factors at constant rates that led to the movements from December 31, 2016, excluding the impact of foreign currency translation.

Current assets: Current assets at June 30, 2017 increased compared to December 31, 2016 primarily due to higher cash balances from the collection of receivables, which was partly offset by lower receivables from the trailing quarter revenues due to seasonality and lower prepayments for programming.

Non-current assets: Non-current assets at June 30, 2017 decreased slightly compared to December 31, 2016 primarily due to depreciation of property, plant and equipment as well as amortization of intangible assets and debt issuance costs associated with our 2021 Revolving Credit Facility. These decreases were partly offset by higher program rights as our own-produced programs for the fall schedule are in production.

Current liabilities: Current liabilities at June 30, 2017 decreased compared to December 31, 2016. The decrease is primarily due to lower payables for programming and lower accrued expenses, which was partly offset by increased deferred revenue due to customer prepayments for the fall schedules.

Non-current liabilities: Non-current liabilities at June 30, 2017 increased compared to December 31, 2016 primarily due to our election to pay Guarantee Fees on the 2019 Euro Term Loan and 2021 Euro Term Loan in kind.

Temporary equity: Temporary equity at June 30, 2017 increased compared to December 31, 2016 due to the accretion on the Series B Preferred Shares.

CME Ltd. shareholders' deficit: CME Ltd. shareholders' deficit decreased compared to December 31, 2016. This primarily reflects a decrease in accumulated other comprehensive loss due to currency translation adjustments and the net income attributable to CME Ltd. during the six months ended June 30, 2017, which was partly offset by accretion of the preferred dividend paid in kind on our Series B Preferred Shares.

Noncontrolling interests in consolidated subsidiaries: Noncontrolling interests in consolidated subsidiaries at June 30, 2017 decreased compared to December 31, 2016 due to the net loss attributable to the noncontrolling interest in Bulgaria.

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IV. Liquidity and Capital Resources

IV (a) Summary of Cash Flows

Cash and cash equivalents increased by US\$ 51.9 million during the six months ended June 30, 2017. The change in cash and cash equivalents for the periods presented below is summarized as follows:

	For the Six Months Ended June 30, (US\$ 000's)	
	2017	2016
Net cash generated from continuing operating activities	\$56,770	\$17,549
Net cash used in continuing investing activities	(14,581)	(11,255)
Net cash provided by / (used in) continuing financing activities	1,897	(23,970)
Net cash provided by discontinued operations	1,045	705
Impact of exchange rate fluctuations on cash and cash equivalents	6,769	1,734
Net increase / (decrease) in cash and cash equivalents	\$51,900	\$(15,237)

Operating Activities

Cash generated from continuing operations during the six months ended June 30, 2017 was US\$ 56.8 million compared to US\$ 17.5 million for the six months ended June 30, 2016. The increase compared to the prior period reflects a significant decrease in cash paid for interest and Guarantee Fees because last year we paid accrued interest related to the 2017 PIK Notes and 2017 Term Loan when they were refinanced in April 2016 and we also repaid US\$ 20.0 million of accrued Guarantee Fees in the first half of 2016 which were previously paid in kind. The increase also reflects higher cash collections from revenue growth and lower spending on programming, which are partly offset by higher cash paid for taxes in 2017. We paid cash interest (including mandatory cash-pay Guarantee Fees) of US\$ 21.2 million during the six months ended June 30, 2017 compared to US\$ 35.7 million during the six months ended June 30, 2016.

Investing Activities

Our net cash used in continuing investing activities of US\$ 14.6 million and US\$ 11.3 million for the six months ended June 30, 2017 and 2016, respectively, related to capital expenditures for property, plant and equipment.

Financing Activities

Cash provided by continuing financing activities during the six months ended June 30, 2017 of US\$ 1.9 million primarily reflected proceeds from a sale-leaseback transaction entered into in Romania and proceeds from the exercise of stock warrants, partly offset by payments made under capital lease agreements. The cash used in continuing financing activities of US\$ 24.0 million during the six months ended June 30, 2016 primarily reflected the refinancing of the 2017 PIK Notes and the 2017 Term Loan, partly offset by proceeds from the exercise of stock warrants.

Discontinued Operations

The net cash provided by discontinued operations during the six months ended June 30, 2017 and 2016 of US\$ 1.0 million and US\$ 0.7 million, respectively, is due to the receipt of deferred proceeds from the divestiture of businesses in prior periods.

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. We also have available the 2021 Revolving Credit Facility (see Item 1, Note 4, "Long-term Debt and Other Financing Arrangements"). As at June 30, 2017, the aggregate principal amount available under the 2021 Revolving Credit Facility was US\$ 115.0 million and was undrawn. The available amount decreases to US\$ 50.0 million with effect from January 1, 2018 or, if earlier, upon the repayment of the 2018 Euro Term Loan with the expected proceeds from the Divestment Transaction. Surplus cash, after funding ongoing operations, may be remitted to us, where appropriate, by our subsidiaries in the form of debt interest payments and capital repayments, dividends, and other distributions and loans from our subsidiaries.

Corporate law in the Central and Eastern European countries in which we operate stipulates generally that dividends may be declared by the partners or shareholders out of yearly profits subject to the maintenance of registered capital, required reserves and after the recovery of accumulated losses. The reserve requirement restriction generally provides

that before dividends may be distributed, a portion of annual net profits (typically 5.0%) be allocated to a reserve, which is capped at a proportion of the registered capital of a company (ranging from 5.0% to 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.

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

Our future contractual obligations as at June 30, 2017 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	\$1,089,773	\$—	\$554,778	\$534,995	\$—
Long-term debt – interest	294,937	56,665	140,647	97,625	—
Unconditional purchase obligations	130,943	58,749	52,532	17,007	2,655
Operating leases	8,618	3,398	2,634	983	1,603
Capital lease obligations	7,660	2,470	3,908	1,282	—
Other long-term obligations	34,245	15,784	15,129	3,146	186
Total contractual obligations	\$1,566,176	\$137,066	\$769,628	\$655,038	\$4,444

Long-Term Debt

For more information on our long-term debt, see Item 1, Note 4, "Long-term Debt and Other Financing Arrangements". Interest payable on our long-term debt is calculated using exchange rates and interest rates in effect as at June 30, 2017. For the purposes of the above table, it is assumed that the Guarantee Fees will be paid in kind at each interest payment date through the maturity dates of the respective Euro Term Loan. However, we intend to allocate excess cash towards paying the Guarantee Fee related to the 2018 Euro Term Loan in cash rather than electing to pay any portion in kind.

Unconditional Purchase Obligations

Unconditional purchase obligations primarily comprise future programming commitments. At June 30, 2017, we had commitments in respect of future programming of US\$ \$129.2 million. This includes contracts signed with license periods starting after June 30, 2017.

Operating Leases

For more information on our operating lease commitments see Item 1, Note 19, "Commitments and Contingencies".

Other Long-Term Obligations

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

Other

Top Tone Holdings has exercised its right to acquire additional equity in CME Bulgaria. However, the closing of this transaction has not yet occurred because the 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. While cash flows from operating activities were positive in 2015 and 2016, our average cost of borrowing was high and our election to pay certain interest and Guarantee Fees in kind increased our leverage. Our financing transactions in 2016 and 2017 significantly lowered our cost of borrowing. Following the repricing transaction in March 2017, we are now required to pay a portion of the Guarantee Fees related to all of the Euro Term Loans in cash. However, the total amount of cash paid for interest and Guarantee Fees will decrease significantly in 2017 due to the lower all-in rate following this repricing transaction and non-repeating payments that were made in 2016 when we elected to repay in cash accrued Guarantee Fees related to the 2018 Euro Term Loan that were previously paid in kind as well as when we paid accrued interest on the 2017 PIK Notes and 2017 Term Loan when they were refinanced.

As at June 30, 2017, we have repaid in cash all previously accrued Guarantee Fees related to the 2018 Euro Term Loan and intend to continue to make payments of such Guarantee Fees in cash when due, rather than electing to pay in kind. However, we expect improvements in unlevered free cash flow to exceed the amount of these payments, and therefore expect free cash flow to increase in 2017 compared to 2016.

As at June 30, 2017, we have US\$ 95.4 million in cash and cash equivalents. In August 2017, we expect to repay approximately EUR 50.0 million (approximately US\$ 57.1 million at June 30, 2017 rates) of the outstanding principal balance of the 2018 Euro Term Loan with cash on hand. Following this repayment, we anticipate using excess cash, including free cash flow from the business, expected proceeds from the Divestment Transaction and warrant exercises, to repay the remainder of the 2018 Euro Term Loan in full before it matures in November 2018. Following the repayment in full of the 2018 Euro Term Loan, we expect to apply any excess cash towards repaying a portion of the principal and related Guarantee Fees and Commitments Fee outstanding on the 2019 Euro Term Loan. We believe we have adequate cash resources to continue operating as a going concern.

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 (currently on CreditWatch with developing implications due to the announced Divestment Transaction). Ratings agencies have indicated that retention of these ratings is dependent on maintaining an adequate liquidity profile, leverage ratios and cash flow profile as well as track record of strong financial support from Time Warner. Among other parameters, if we fail to meet adequate liquidity, it is likely that the rating agencies will downgrade us. The availability of additional liquidity is dependent upon our continued operating performance, improved financial performance and credit ratings. We are currently able to raise only a limited amount of additional debt (other than refinancing indebtedness) or under the agreement governing the 2021 Revolving Credit Facility and the Reimbursement Agreement.

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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, 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. As at June 30, 2017, one forward foreign exchange contract with an aggregate notional amount of approximately US\$ \$11.3 million related to contractual operating payments was outstanding.

Cash Deposits

We deposit cash in the global money markets with a range of bank counterparties and review the counterparties we choose weekly. The maximum period of deposit is three months but we have more recently held amounts on deposit for shorter periods, from overnight to one month. The credit rating of a bank is a critical factor in determining the size of cash deposits and we will only deposit cash with banks of an investment rating of A or A3 or higher. In addition we also closely monitor the credit default swap spreads and other market information for each of the banks with which we consider depositing or have deposited funds.

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, 2016 filed with the Securities and Exchange Commission ("SEC") on February 9, 2017. 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.

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:

June 30, 2017:

Expected Maturity Dates	2017	2018	2019	2020	2021	Thereafter
Long-term Debt (000's):						
Variable rate (EUR)	—	250,800	235,335	—	468,800	—
Average interest rate ⁽¹⁾	—	1.50 %	1.50 %	—	1.50 %	—

Interest Rate Swaps (000's):

Variable to fixed (EUR)	250,800	250,800	⁽²⁾ 235,335	—	468,800	—
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Average pay rate	0.21	%	0.14	%	0.31	%	—	0.28	%	—
Average receive rate	—	%	—	%	—	%	—	—	%	—

- As discussed in Item 1, Note 4, "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 is currently 7.25% per annum.
- (1) 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 is currently 7.25% per annum.
 - (2) The interest rate swaps maturing in 2018 are forward starting to coincide with the maturity date of the interest rate swaps maturing in 2017. See Item 1, Note 11, "Financial Instruments and Fair Value Measurements".

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December 31, 2016:

Expected Maturity Dates	2017	2018	2019	2020	2021	Thereafter
Long-term Debt (000's):						
Variable rate (EUR)	—	250,800	235,335	—	468,800	—
Average interest rate ⁽¹⁾	—	1.50 %	1.50 %	—	1.50 %	—

Interest Rate Swaps (000's):

Variable to fixed (EUR)	250,800	250,800 ⁽²⁾	235,335	—	468,800	—
Average pay rate	0.21 %	0.14 %	0.31 %	—	0.28 %	—
Average receive rate	— %	— %	— %	—	— %	—

We pay Guarantee Fees to Time Warner based on the amounts outstanding on the Euro Term Loans, each

⁽¹⁾ calculated such that the all-in borrowing rate on each the 2018 Euro Term Loan and the 2019 Euro Term Loan was 8.5% per annum and the all-in borrowing rate on the 2021 Euro Term Loan was 9.0% per annum.

⁽²⁾ The interest rate swaps maturing in 2018 are forward starting to coincide with the maturity date of the interest rate swaps maturing in 2017. See Item 1, Note 11, "Financial Instruments and Fair Value Measurements".

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, including the transactions noted below, 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 June 30, 2017, one forward foreign exchange contract with an aggregate notional amount of approximately US\$ \$11.3 million was outstanding. On July 21, 2017, we entered into a forward foreign exchange contract with an aggregate notional amount of approximately US\$ 26.9 million.

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 11, "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 June 30, 2017 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 June 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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. The four notes purport to be in the aggregate amount of approximately EUR 69 million. A court of first instance in Bratislava has suspended proceedings in respect of one of the promissory notes (in the amount of approximately EUR 26 million) because the plaintiff failed to pay court fees. Two of the remaining notes allegedly matured in 2015 and the third in 2016. Despite a random case assignment system in the Slovak Republic, the three cases dealing with the other notes were initially assigned to the same judge. We do not believe that any of the promissory notes are authentic and are vigorously defending the claims.

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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

Global or regional economic conditions adversely affected our financial position and results of operations. We cannot predict if the recovery in our operating countries will continue or how long it may last. A failure to achieve lasting recoveries would adversely affect our 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. The global financial crisis in 2009 and the sustained recessionary period that followed had a prolonged adverse impact on consumer and business spending, access to credit, liquidity, investment spending, asset values and employment rates. These adverse economic conditions had a material negative impact on advertising spending in our markets and on our advertising revenues. Since 2014, our markets have experienced overall growth in real GDP (as adjusted for inflation) and advertising spending; however we cannot predict if the recovery that has begun will continue or how long it will last. In addition, although we believe the advertising spend per capita of the countries in which we operate and advertising intensity (the ratio of total ad 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.

Recessions or periods of low or negative growth 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. For example, significant liquidity issues facing the largest private company and advertiser in Croatia, Agrokor d.d., contributed to the decline of the advertising market in Croatia for the quarter and could reduce Croatia's economic growth for the year as well as television advertising spending in 2017. Furthermore, we may not be able to recover all receivables owed to us from Agrokor, which has entered government administration, in the event it is restructured. Any of these developments would have a significant negative effect on our financial position, results of operations and cash flows. Concerns regarding the Eurozone 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.

Continued economic softness in the Eurozone, including a slowdown in the growth of consumer prices, prompted the European Central Bank to embark upon quantitative easing in 2015. Economic events related to the sovereign debt crisis in several EU countries have also highlighted issues relating to the strength of the banking sector in Europe and the Euro. Although the EU has created external funding and stability mechanisms to provide liquidity and financial assistance to Eurozone member states and financial institutions, there can be no assurance that the market disruptions in Europe related to sovereign debt and the banking sector or otherwise, including the increased cost of funding for certain governments and financial institutions, will not continue and there can be no assurance that funding and stability packages utilized previously will be available or, if provided, will be sufficient to stabilize affected economies or institutions.

On March 29, 2017, the United Kingdom formally initiated the process to leave the EU, commonly referred to as "Brexit", which is expected to be completed within the next two years. 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 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.

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. The reduction in advertising spending in our markets following the onset of the global financial crisis at the beginning of 2009 and the sustained recessionary period that followed had a negative effect on television advertising spending and prices. While we have attempted to combat this fall in prices by implementing new pricing strategies, 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 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 and Slovenia, 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 continued or 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 have had and may continue to 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.

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Our liquidity constraints and debt service obligations may restrict our ability to fund our operations. We have significant debt service obligations under the Euro Term Loans as well as the 2021 Revolving Credit Facility (when drawn). Furthermore, we are paying Guarantee Fees to Time Warner as consideration for its guarantees of the Euro Term Loans (collectively, the "TW Guarantees"). Although a portion of the Guarantee Fee in respect of each of the Euro Term Loans can be non-cash pay at our option, accruing such fees will further increase the amounts to be repaid at the maturity of these facilities. Accordingly, the payment of Guarantee Fees in kind will increase our already significant leverage. In addition, if the Divestment Transaction does not close, the warrants are not exercised in full 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 and the TW Guarantees, see Part I, Item 1, Note 4, "Long-term Debt and Other Financing Arrangements". 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 180 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 13% on the date that is 180 days following such change of control. We intend to repay the 2018 Euro Term Loan at or prior to maturity with cash flows from operations and the expected proceeds from the Divestment Transaction or if the Divestment Transaction does not close, the expected proceeds from warrant exercises. In the event the Divestment Transaction does not close, the warrants are not exercised in full or cash flows from operations do not meet our forecasts, we would be required to refinance the 2018 Euro Term Loan in whole or in part. 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. 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 terms of the agreements governing 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 substantially all of the 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.

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. The strengthening of the dollar had a negative impact on reported revenues in 2016 when translated from the functional currencies of our operations. Continued strengthening of the dollar would 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 broadcast 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.

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A downgrading of our 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 on CreditWatch with developing implications due to the announced Divestment Transaction). 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 Ltd. 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, it will be more difficult for us 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, 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 3, "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 compared to prior periods, the cost of acquiring content attractive to our viewers, such as feature films and popular television series and formats, may 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.

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.

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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, 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, 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 are cooperating with the authorities in responding to the information request. In Slovenia, the competition authorities have launched an investigation into whether our Slovenian subsidiary is dominant and abused its dominant position when concluding carriage fee agreements with platform operators in connection with its decision to cease broadcasting on DTT there. The investigation is in an early stage and there has been no determination that a breach of competition law has occurred. 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.

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.

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, 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.

We rely on network and information systems and other technology that may be subject to disruption 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 by requiring us to expend resources to remedy such a security breach or by harming our reputation. In addition, improper disclosure of personal data could subject us to liability under laws 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.

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 Slovenia and 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.

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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 holder 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 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 June 30, 2017, the 200,000 Series B Preferred Shares were convertible into approximately 107.1 million shares of Class A common stock. The TW Warrants are exercisable for shares of Class A common stock until May 2, 2018 at an exercise price of US\$ 1.00 per share. 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 I, Note 12, "Convertible Redeemable Preferred Shares" and Note 13, "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 regulatory approvals, including the U.S. Department of Justice. Following a successful completion of such merger, 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.

The interests of Time Warner may conflict with the interests of other investors.

Time Warner is able to exercise voting power in us with respect to 46.6% of our outstanding shares of Class A common stock. 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. Following the issuance of the TW Warrants, the aggregate economic interest of Time Warner in us is approximately 75.9% (without giving effect to the accretion of the Series B Preferred Shares after June 30, 2017). 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.

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 and the Reimbursement Agreement contain maintenance covenants in respect of interest cover, cash flow cover and total leverage ratios and include covenants in respect of the incurrence of indebtedness (including refinancing indebtedness), the provision of guarantees, the payment of dividends or making other distributions, acquisitions and disposals, 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.

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The price of our Class A common stock has been 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", "Risks Relating to Our Financial Position" as well as the following: variations in quarterly operating results, 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.

On January 17, 2017, TCS Capital Management, LLC ("TCS Capital"), a beneficial owner of 9.8% of our shares, filed an amendment to its Schedule 13D disclosing its opinion that the Company should hire an investment bank to run a process to sell the Company as well as replace current members of the Company's Board of Directors with new directors recommended by TCS Capital. In recent years, shareholder activists, such as TCS Capital, 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.

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Item 6. Exhibits

Exhibit Number	Description
10.01	Consent, Waiver and Third Amendment as of June 22, 2017 to the Credit Agreement dated as of November 14, 2014, as amended, among Central European Media Enterprises Ltd., as borrower, BNP Paribas, as administrative agent, Time Warner Inc., as guarantor, and the lenders party thereto.
10.02	Consent, Waiver and Second Amendment as of June 22, 2017 to the Credit Agreement dated as of September 30, 2015, as amended, among Central European Media Enterprises Ltd., as borrower, BNP Paribas, as administrative agent, Time Warner Inc., as guarantor, and the lenders party thereto.
10.03	Consent, Waiver and First Amendment as of June 22, 2017 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, BNP Paribas, as administrative agent, Time Warner Inc., as guarantor, and the lenders party thereto.
10.04	Second Amendment dated June 22, 2017, to 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.
10.05	First Amendment dated June 22, 2017, to the Amended and Restated Revolving Loan Facility Credit Agreement dated as of May 2, 2014 as amended and restated as of November 14, 2014, and as further amended and restated as of February 19, 2016, among Central European Media Enterprises Ltd., as borrower, Time Warner Inc. as administrative agent, and the lenders party thereto.
10.06*	Framework Agreement dated July 9, 2017 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 July 10, 2017).
31.01	<u>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.</u>
31.02	<u>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.</u>
31.03	<u>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.</u>
32.01	<u>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).</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document

101.LAB XBRL Taxonomy Label Linkbase Document

101.PRE XBRL Taxonomy Presentation Linkbase Document

* Previously filed exhibits.

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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

Date: July 25, 2017 David Sturgeon
Executive Vice President and Chief Financial Officer
Principal Financial Officer and Principal Accounting Officer

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