

US GAAP, cons., USDm	exp. 3Q11 J&T	y/y	3Q10	exp. 2011 J&T	exp. 2011 market
Net revenues	155.2	15%	134.4	860.7	844.6
EBITDA	5.8	n.m.	-4.5	172.4	165.3
EBITDA margin	3.8%	+7.1pps	-3.3%	20.0%	19.6%
EBIT	-17.2	n.m.	-25.3	80.1	79.3
Financial result	-62.8	n.m.	29.7	-115.3	-
Net income after minor.	-80.8	n.m.	3.4	-37.7	-34.2
EPS (USD)	-1.3	n.m.	0.1	-0.6	-0.7

Source: J&T Banka, CME, Bloomberg

### 3Q 2011 earnings estimate

**Central European Media Enterprises (CME) is scheduled to publish its earnings for the third quarter of 2011 on Wednesday 26 October** before market open. 3Q11 sales are expected at USD 155.2m, i.e. up 15% than a year ago. **Year-on-year appreciation of European currencies** against the US dollar remains the main factor in the growth (the koruna firmed by 10% y/y and the euro by 9%). Denominated in local currencies, the sales growth stays moderate on average. In the Czech Republic we expect that sales in CZK terms grew just by 0.5%: firstly, we expect only slight growth of the advertising market, of about 2–3 %, and secondly, the audience share of CME's channels slightly declined year-on-year. On the other hand, more rapid increases should be seen in Slovakia (6%), in Slovenia (10%) and in particular in Croatia (13%), where CME managed to raise its market share by almost a quarter in year-on-year comparison. We expect Romanian and Bulgarian sales in local currencies to continue decreasing.

EBITDA is expected at USD 5.8m (USD -4.5m in 3Q11), mainly thanks to a **higher profit margin** (exp. 3.8%), which could be seen rising already in 2Q. By contrast, the financial level should end in a big loss of about USD 63m in 3Q, owing to a quarter-on-quarter depreciation of the koruna and the euro against the dollar. Mainly as a result of the financial loss, we expect a **net loss** of USD 80.8m, i.e. loss of USD 1.3/share.

### Outlook

Contrary to expectations, CME did not provide full-year guidance at the time of the release of its 2Q 2011 earnings (27 July) saying that the market consensus (as at 27 July) expecting sales of USD 831m and EBITDA of USD 168m is realistic. The **full-year guidance** should be published on 26 October during a conference call (3:00 p.m. CET).

The present market consensus expects full-year sales of USD 845m and EBITDA of USD 165m while we project slightly higher **sales of USD 861m and EBITDA of USD 172m**. However, we do not think that the guidance will differ much from the consensus since the earnings for the first three quarters will be already known. Please note that the difference could also be caused by different currency rate assumptions. In our model we expect the USD/EUR rate at an average of 1.41 for 2011. We do not expect the company to provide guidance for 2012.

We would expect a **potentially positive moment** for the company if **Time Warner**, the biggest shareholder in CME, started an **acquisition procedure of Polish television TVN**, which is currently for sale. A positive reaction could come from the expectation of a future merger of the two central-European TV companies, but also from sector valuation resulting from the price paid for TVN. The reaction on the stock market could also be magnified by a short-squeeze.

## BUY

Target price: **USD 20**  
Market price: **USD 10.21**

### Basic information

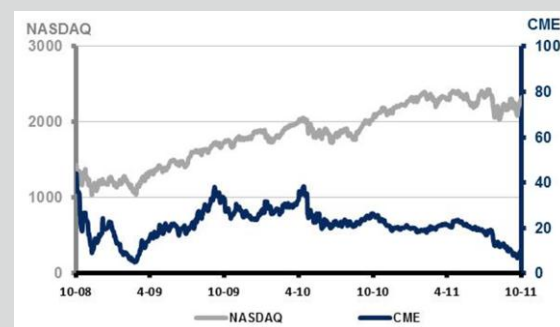
The company is a leading free-to-air TV broadcaster in six countries in CEE. Based on audience share it is the biggest player in the Czech Republic, Slovakia, Romania, Slovenia and Bulgaria (after acquisition of bTV). It has also a significant position on the market in Croatia. Other business includes production and distribution of TV and film content (MediaPro) and operating internet business (New Media).

### Key events

Results for 3Q11 and outlook (October 26)  
Potential acquisition of TVN by Time Warner

### Basic data

Bloomberg code:	CETV US
Reuters code:	CETV.O
52-week low:	USD 6.72
52-week high:	USD 25.92
Market capitalization:	USD 650m
Average daily volume:	397,000
Shares outstanding:	64.4m
Free float:	45%
Major shareholder:	Time Warner (34.4%)



### Performance (% change)

	1M	3M	6M	1Y
CME	4.7	-44.8	-52.1	-61.3
Nasdaq	6.2	-0.7	1.2	13.1

### Pavel Ryska

+420 221 710 658  
[ryska@jtbank.cz](mailto:ryska@jtbank.cz)

## J&amp;T

## Trading

Name	Contact
<b>Michal Semotan</b> Trading and Sales	+420 221 710 130 <a href="mailto:semotan@jtbank.cz">semotan@jtbank.cz</a>
<b>Michal Znojil</b> Trading and Sales	+420 221 710 131 <a href="mailto:znojil@jtbank.cz">znojil@jtbank.cz</a>
<b>Michal Stubna</b> Trading – Slovak Equities	+421 259 418 173 <a href="mailto:stubna@jtbank.cz">stubna@jtbank.cz</a>
<b>Tomas Brychta</b> Money Market, Forex	+420 221 710 238 <a href="mailto:brychta@jtbank.cz">brychta@jtbank.cz</a>
<b>Petr Vodicka</b> Fixed Income	+420 221 710 155 <a href="mailto:vodicka@jtbank.cz">vodicka@jtbank.cz</a>

## Portfolio Management – Client Service

Name	Contact
<b>Roman Hajda</b> Chief Investment Officer	+420 221 710 224 <a href="mailto:hajda@jtbank.cz">hajda@jtbank.cz</a>
<b>Petr Holinsky</b> Portfolio Manager	+420 221 710 429 <a href="mailto:holinsky@jtbank.cz">holinsky@jtbank.cz</a>

## Portfolio Management

Name	Contact
<b>Martin Kujal</b> Chief Investment Officer; bonds	+420 225 010 298 <a href="mailto:martin.kujal@atlantik.cz">martin.kujal@atlantik.cz</a>
<b>Marek Janecka</b> Portfolio Manager; equity	+420 225 010 299 <a href="mailto:marek.janecka@atlantik.cz">marek.janecka@atlantik.cz</a>
<b>Miroslav Padera</b> Portfolio Manager; DPM	+420 225 010 223 <a href="mailto:miroslav.padera@atlantik.cz">miroslav.padera@atlantik.cz</a>

## ATLANTIK

## Trading

Name	Contact
<b>David Novy</b> Trading – Czech and Foreign Equities	+420 225 010 228 <a href="mailto:david.novy@atlantik.cz">david.novy@atlantik.cz</a>
<b>Barbora Stieberova</b> Trading – Czech and Foreign Equities	+420 225 010 248 <a href="mailto:barbora.stieberova@atlantik.cz">barbora.stieberova@atlantik.cz</a>
<b>Tereza Jaluvkova</b> Trading – Czech and Foreign Equities	+420 225 010 206 <a href="mailto:tereza.jaluvkova@atlantik.cz">tereza.jaluvkova@atlantik.cz</a>
<b>Marek Kijevsky</b> Trading – Foreign Equities	+420 225 010 269 <a href="mailto:marek.kijevsky@atlantik.cz">marek.kijevsky@atlantik.cz</a>
<b>Miroslav Nejezchleba</b> Trading – Foreign Equities	+420 225 010 233 <a href="mailto:miroslav.nejezchleba@atlantik.cz">miroslav.nejezchleba@atlantik.cz</a>

## Sales and Client Service

Name	Contact
<b>Dalibor Hampejs</b> Mutual Funds	+420 545 423 448 <a href="mailto:dalibor.hampejs@atlantik.cz">dalibor.hampejs@atlantik.cz</a>
<b>Andrea Skupova</b> Client Service	+420 225 010 284 <a href="mailto:atlantik@atlantik.cz">atlantik@atlantik.cz</a>

## Research

Name	Contact
<b>Milan Vanicek</b> Strategy, pharma, telecom	+420 225 010 207 <a href="mailto:milan.vanicek@atlantik.cz">milan.vanicek@atlantik.cz</a>
<b>Milan Lavicka</b> Banking, financials	+420 225 010 214 <a href="mailto:milan.lavicka@atlantik.cz">milan.lavicka@atlantik.cz</a>
<b>Bohumil Trampota</b> Utilities, oil&gas	+420 225 010 257 <a href="mailto:bohumil.trampota@atlantik.cz">bohumil.trampota@atlantik.cz</a>
<b>Pavel Ryska</b> Media, real estate	+420 225 010 258 <a href="mailto:pavel.ryska@atlantik.cz">pavel.ryska@atlantik.cz</a>
<b>Petr Sklenar</b> Macroeconomics, fixed income	+420 225 010 219 <a href="mailto:petr.sklenar@atlantik.cz">petr.sklenar@atlantik.cz</a>

## ATLANTIK finanční trhy, a.s.

**Praha:**  
Vinohradská 230  
100 00 Prague 10  
Czech Republic  
Tel.: +420 225 010 222  
Fax: +420 225 010 221

**Brno:**  
Veselá 24  
602 00 Brno  
Czech Republic  
Tel.: +420 545 423 411

Tel: 800 122 676  
[atlantik@atlantik.cz](mailto:atlantik@atlantik.cz)  
[www.atlantik.cz](http://www.atlantik.cz)  
Bloomberg: ATLK <GO>  
Reuters: ATLK

## J&amp;T BANKA

**Czech Republic**  
**J&T Banka, a. s.**  
Pobřežní 14  
186 00 Prague 8  
Czech Republic  
Tel.: +420.221.710.111  
[www.jtbank.cz](http://www.jtbank.cz)

**Slovakia**  
**J&T Banka, a. s., pobočka zahraničnej banky**  
Lamacská cesta 3  
841 04 Bratislava  
Slovakia  
Tel.: +421.259.418.111  
[www.jt-bank.sk](http://www.jt-bank.sk)

ATLANTIK finanční trhy, a.s. (hereinafter only "ATLANTIK FT") is a licensed securities brokerage and a member of the Prague Stock Exchange (Burza cenných papírů Praha, a.s.) authorized to provide investment services as outlined in Act No. 256/2004 Sb. on Business Activities on the Capital Market. J & T BANKA, a.s. (hereinafter only "the Bank") is a licensed bank and a member of the Prague Stock Exchange authorized to provide investment services as outlined in Act No. 256/2004 Sb. on Business Activities on the Capital Market. ATLANTIK FT and the Bank prepare and disseminate investment recommendations in accordance with legal regulations, their internal regulations, and Directive No. 114/2006 Sb, "Impartial Presentation of Investment Recommendations." The activities of ATLANTIK FT and the Bank are subject to the oversight of the Czech National Bank, Na Příkopě 28, 115 03 Prague 1 – <http://www.cnb.cz/>.

ATLANTIK FT and the Bank disseminate recommendations pursuant to Directive No. 114/2006 Sb, "Impartial Presentation of Investment Recommendations", and this document contains some important information and notice related to the creation and dissemination of investment recommendations.

ATLANTIK FT and the Bank issue investment recommendations created by the employees of ATLANTIK FT and/or the Bank (hereinafter only "Analysts"). Analysts who create investment recommendations bear full responsibility for the objectivity of such recommendations.

#### Levels of investment recommendations used

ATLANTIK FT and the Bank use the following levels of investment recommendations:

- **BUY** – It is anticipated that the percentage difference between the one-year target price of the share (determined by one of the valuation methods stated below) and the current market price exceeds the minimum theoretical required return for the respective share. This required return is calculated as the sum of earnings from a risk-free asset (Czech government bonds with the longest term to maturity) and the product of beta coefficient and a risk premium (determined individually for each company and derived from the risk premium for the Czech market).
- **HOLD** – It is anticipated that the percentage difference between the one-year target price of the share (determined by one of the valuation methods stated below) and the current market price is less than the minimum theoretical required return for the respective share but, at the same time, exceeds the return from a risk-free asset.
- **SELL** – It is anticipated that the percentage difference between the one-year target price of the share (determined by one of the valuation methods stated below) and the current market price is less than the return from a risk-free asset.

#### Valuation methods

To value companies and investment projects ATLANTIK FT and the Bank use first of all a method of discounted cash flow (FCFE or DDM). A method of relative comparison is an integral part of every valuation, but it serves more as a corroborative test for the discounting method due to the following reasons: (i) differences in accounting standards, (ii) differences in the sizes of companies, (iii) information availability, (iv) impacts of acquisitions and subsidiaries on balance sheet structures, (v) differences in dividend strategies, and (vi) differences in expectations of future profit margins. If the fundamental valuation is in principle consistent with the range of values determined on the basis of the relative comparison, this implies that the projections of cash flows and other key assumptions of the discount model are correct (especially the discount factor, growth rate for the so-called "infinite period," capital structure, etc). In the reverse case, it is necessary to identify factors which cause principal differences between the findings of the two valuation methods.

#### Measures preventing conflicts of interest in association with investment instruments:

The remuneration to persons who participate in producing investment recommendations depends in particular on the quality of the work performed, the results achieved and the company's overall profit. Those who participate in producing the investment recommendations have neither financial nor other motivations to issue investment recommendations of a particular level or direction. In complying with the rules for prudently providing investment services and for organizing the company's internal operations, ATLANTIK FT and the Bank apply procedures and rules set forth by legal regulations and the company's internal regulations which prevent conflicts of interest in association with investment instruments contained in the investment recommendations disseminated by ATLANTIK FT and the Bank.

#### Additional notice

ATLANTIK FT, the Bank and their related parties, and persons that have a legal or actual relationship with them, including members of authorised representative bodies, senior employees or other employees, may trade in investment instruments or make other investments or transactions related to them, and may during a decisive period buy or sell, or offer to buy or sell on regulated markets or elsewhere, whether as a broker, an intermediary, or in another legal role.

Traders and other employees of ATLANTIK FT and the Bank and/or related parties may offer clients and its own trading department oral or written market commentaries or trading strategies reflecting opinions which are at variance with the opinions expressed in investment recommendations.

In making investment decision, investors should regard investment recommendations only as one of several factors to be considered. Investment analyses and recommendations issued by ATLANTIK FT and the Bank and/or related parties have been prepared in accordance with the rules of conduct and internal regulations for managing conflicts of interest associated with investment recommendations.

An overview of changes in the level for an investment instrument in regard to which ATLANTIK FT and the Bank have issued an investment recommendation and its price targets during the past 12 months are published and accessible at <http://www.atlantik.cz/> and/or <http://www.jtbank.cz/>.

The issuer was not acquainted with the recommendation prior to its issuance and therefore the recommendation has not been modified or adjusted in any way at the issuer's request.

It is always the Client's responsibility to make the final investment decisions and the Client bears full responsibility for them.

Although investment recommendations of ATLANTIK FT and the Bank are prepared by Analysts in good faith, in a professional and a fair manner and with due care, ATLANTIK FT and/or the Bank cannot accept responsibility and cannot guarantee that the information contained therein is complete or accurate, except for the information concerning ATLANTIK FT and the Bank.

The investment recommendations express the opinions of Analysts as at the date of their publication and may be changed without prior notice. Successful investments in the past do not guarantee the same results in the future. Investment recommendations do not in any case constitute an offer to purchase or sell any investment instruments. The individual investment instruments or strategies stated in the investment recommendations do not have to be suitable for every investor. The opinions and recommendations stated therein do not take into account the situation of individual clients, their financial positions, objectives or needs. The investment recommendations should serve those investors who are anticipated to make their own investment decisions without depending unreasonably on the information stated in the investment recommendations. These investors are obliged to make their own decisions as to the expediency of investments made in any investment instruments by appropriately considering the price, possible threats and risks, along with their own investment strategies and financial situation. The value or price of any investment may change. Therefore, investors may receive funds in return that are lower than their original investments.

Successful investments made in the past do not guarantee favourable results in the future.

2011 © ATLANTIK finanční trhy, a.s., J & T BANKA, a.s.