

October 26, 2011

**Key Metrics**

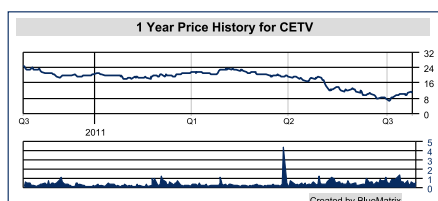
|                              |                  |
|------------------------------|------------------|
| CETV - NASDAQ                | \$10.75          |
| Pricing Date                 | Oct 26 2011      |
| Price Target                 | \$18.00          |
| 52-Week Range                | \$25.84 - \$6.54 |
| Shares Outstanding (mm)      | 64.4             |
| Market Capitalization (\$mm) | \$692.3          |
| 3-Mo Average Daily Volume    | 592,268          |
| Institutional Ownership      | 73%              |
| Debt/Total Capital           | 52.4%            |
| ROE                          | NM               |
| Book Value/Share             | \$23.65          |
| Price/Book                   | 0.5x             |
| Dividend Yield               | NM               |
| LTM EBITDA Margin            | NM               |

**OIBDA**

|        | 2010A | Prior<br>2011E | Curr.<br>2011E | Prior<br>2012E | Curr.<br>2012E |
|--------|-------|----------------|----------------|----------------|----------------|
| 1Q-Mar | 0.8   | --             | 14.2A          | --             | --             |
| 2Q-Jun | 46.2  | --             | 62.7A          | --             | --             |
| 3Q-Sep | (4.5) | 4.3E           | 8.9A           | --             | --             |
| 4Q-Dec | 64.8  | 77.9E          | 81.1E          | --             | --             |
| FY     | 107.3 | 159.1E         | 167.0E         | 193.8E         | 194.6E         |

**Revenue(\$mm)**

|        | 2010A | Prior<br>2011E | Curr.<br>2011E | Prior<br>2012E | Curr.<br>2012E |
|--------|-------|----------------|----------------|----------------|----------------|
| 1Q-Mar | 143.6 | --             | 172.8A         | --             | --             |
| 2Q-Jun | 201.7 | --             | 249.7A         | --             | --             |
| 3Q-Sep | 134.4 | 150.1E         | 165.5A         | --             | --             |
| 4Q-Dec | 257.4 | --             | 267.8E         | --             | --             |
| FY     | 737.1 | 840.3E         | 855.7E         | 873.1E         | 878.9E         |



**Company Description:**

Central European Media Enterprises ([www.cetv-net.com](http://www.cetv-net.com)) is a TV broadcasting company with leading networks in six Central and Eastern European countries. The company's television stations are located in Croatia (Nova TV), Czech Republic (TV Nova, Nova Sport and Nova Cinema), Romania (PRO TV, Acasa, PRO Cinema, MTV, Sport.ro and PRO TV International), Slovakia (Markíza and Doma), Slovenia (POP TV, Kanal A and TV Pika), and Bulgaria (bTV, PRO.BG and RING.BG).

# Central European Media Enterprises

## Rating: Buy

### 3Q11 Results: Impressive Quarter Despite

### Challenges; Lower Multiple = Lower PT of \$18

**Investment Highlights:**

- **CETV's operational excellence is outshining its stock performance.** CETV reported solid revenue and OIBDA expansion in 3Q, despite declining or flat TV ad markets. We remain confident that the company will meet year-end guidance and deliver strong marked improvements in 2012.
- **Results.** Total revenue of \$165.5mm represented 23% y/y growth and beat our forecast of \$150.1mm. Broadcast revenue across all markets slightly topped our \$139.7mm estimate, coming in at \$143.4mm. CETV reported a revenue beat across all of its operating markets, except in Romania. In Bulgaria, revenue of \$17.4mm reflected a 15.6% increase over our estimate. The company reported OIBDA of \$8.9mm, surpassing our estimate of \$4.3mm, which is significantly better than last year's loss of \$4.5mm. Broadcasting OIBDA of \$20.1mm beat our estimate of \$16.6mm, representing 144.8% growth over last year's \$8.2mm.
- **Media Pro Entertainment and New Media Help Drive Growth.** Performance in Media Pro Entertainment was largely bolstered by the 135% increase in third-party revenues, which accounted for roughly 50% of the unit's revenues during the quarter. Media Pro Entertainment revenue grew 32.6%, to \$35.1mm, from last year's \$26.5, while OIBDA reached \$761,000. With New Media, CETV completed a roll-out of Voyo across all operating markets, attaining over 1.2mm customers in September, prompting revenue to increase by over 50% in 3Q. The OIBDA loss declined to (\$1.0mm) from (\$1.6mm).
- **Balance Sheet.** CETV improved FCF by \$70mm to a much lower loss of \$4mm compared to a loss of \$74mm a year ago. The improvement is comprised of OIBDA growth of \$43mm, a working capital benefit of \$17mm, and lower capex of \$10mm. By year-end, the company expects to deliver positive FCF and maintain at least \$200mm of liquidity.
- **Positive Outlook Ahead.** In 2012, We believe CETV is likely to remain focused on its performance by steadily growing market share. For instance, recent legislation in the Czech Republic has restricted broadcasting of commercials on state-owned TV, giving CETV the chance to fill that void and gain market share. In all other operations, CETV maintains the market-leading position. We also expect New Media and Media Pro Entertainment divisions to continue to expand content distribution and subscription revenues in 2012. However, we are reducing our price target multiple to 10x from 11x and, consequently, our PT to \$18 from \$25.

## Central European Media Enterprises Support Behind Revenue

|                                   | 2008               | 2009             | 1Q10             | 2Q10             | 3Q10             | 4Q10             | 2010             | 1Q11             | 2Q11             | 3Q11             | 4Q11E            | 2011E            | 2012E            | 2013E            |
|-----------------------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Television Operations</b>      |                    |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Net Revenue:</b>               |                    |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Romania                           | \$274,627          | \$176,501        | \$36,547         | \$43,563         | \$29,065         | \$48,241         | \$157,416        | \$34,354         | \$47,015         | \$31,056         | \$48,644         | \$161,069        | \$161,421        | \$174,335        |
| Slovak Republic (Markiza TV)      | 132,691            | 107,356          | 18,090           | 24,720           | 16,049           | 31,532           | 90,391           | 19,090           | 29,845           | 18,204           | 31,878           | 99,017           | 102,798          | 114,106          |
| Slovenia (POP TV and Kanal A)     | 80,697             | 66,710           | 13,823           | 18,147           | 9,280            | 23,549           | 64,799           | 14,519           | 22,799           | 11,573           | 25,194           | 74,085           | 78,338           | 86,172           |
| Czech Republic                    | 376,546            | 275,883          | 54,300           | 71,572           | 47,268           | 91,878           | 265,018          | 57,706           | 82,668           | 55,279           | 97,072           | 292,725          | 309,705          | 346,870          |
| Croatia                           | 54,653             | 49,139           | 11,725           | 14,785           | 8,181            | 16,659           | 51,350           | 12,511           | 19,979           | 9,959            | 17,310           | 59,759           | 62,507           | 67,508           |
| Ukraine (Kino, CITI)              | 4,157              | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| Ukraine (Studio 1+1 Group)        | 96,737             | 32,033           | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| Bulgaria                          | 1,262              | 3,520            | 940              | 17,794           | 13,706           | 29,313           | 61,753           | 19,337           | 26,662           | 17,360           | 29,875           | 93,234           | 98,168           | 112,894          |
| <b>Total Net Revenue</b>          | <b>\$1,021,370</b> | <b>\$711,142</b> | <b>\$135,425</b> | <b>\$190,581</b> | <b>\$123,549</b> | <b>\$241,172</b> | <b>\$690,727</b> | <b>\$157,517</b> | <b>\$228,968</b> | <b>\$143,431</b> | <b>\$249,973</b> | <b>\$779,889</b> | <b>\$812,938</b> | <b>\$901,884</b> |
| New Media                         |                    |                  | 2,021            | 2,929            | 2,111            | 4,132            | 11,193           | 2,621            | 4,612            | 3,246            | 4,752            | 15,231           | 19,039           | 23,798           |
| Romania (Media Pro Entertainment) |                    | \$5,396          | 28,043           | 38,315           | 26,510           | 47,929           | 140,797          | 40,179           | 51,254           | 35,141           | 52,120           | 178,694          | 187,613          | 206,374          |
| Elimination                       |                    | (\$2,560)        | (\$21,848)       | (\$30,099)       | (\$17,816)       | (\$35,820)       | (\$105,583)      | (\$27,545)       | (\$35,178)       | (\$16,346)       | (\$39,090)       | (\$118,159)      | (\$140,709)      | (\$154,780)      |
| <b>Reportable Revenue</b>         | <b>\$1,021,370</b> | <b>\$708,582</b> | <b>\$143,641</b> | <b>\$201,726</b> | <b>\$134,354</b> | <b>\$257,413</b> | <b>\$737,134</b> | <b>\$172,772</b> | <b>\$249,656</b> | <b>\$165,472</b> | <b>\$267,755</b> | <b>\$855,655</b> | <b>\$878,880</b> | <b>\$977,275</b> |
| <b>Net Revenue Growth</b>         |                    |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Romania                           | 27.5%              | -35.7%           | 2.4%             | -10.8%           | -19.5%           | -13.7%           | -10.8%           | -6.0%            | 7.9%             | 6.9%             | 0.8%             | 2.3%             | 0.2%             | 8.0%             |
| Romania (Media Pro Entertainment) |                    | NE               | NE               | NE               | NE               | 788.2%           | 2509.3%          | 43.3%            | 33.8%            | 32.6%            | 8.7%             | 26.9%            | 5.0%             | 10.0%            |
| Slovak Republic (Markiza TV)      | 20.0%              | -19.1%           | -12.1%           | -12.4%           | -16.9%           | -19.7%           | -15.8%           | 5.5%             | 20.7%            | 13.4%            | 1.1%             | 9.5%             | 3.8%             | 11.0%            |
| Slovenia (POP TV and Kanal A)     | 15.9%              | -17.3%           | 5.2%             | -6.1%            | -17.7%           | 2.5%             | -2.9%            | 5.0%             | 25.6%            | 24.7%            | 7.0%             | 14.3%            | 5.7%             | 10.0%            |
| Czech Republic                    | 34.8%              | -26.7%           | -3.3%            | 0.0%             | -12.1%           | -2.7%            | -3.9%            | 6.3%             | 15.5%            | 16.9%            | 5.7%             | 15.0%            | 5.8%             | 12.0%            |
| Croatia                           | 46.9%              | -10.1%           | 14.9%            | 4.7%             | 19.1%            | -7.1%            | 4.5%             | 6.7%             | 35.1%            | 21.7%            | 3.9%             | 16.4%            | 4.6%             | 8.0%             |
| Ukraine (Kino, CITI)              | 56.9%              | NM               | 0.0%             | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               |
| Ukraine (Studio 1+1 Group)        | -22.8%             | -66.9%           | -100.0%          | -100.0%          | -100.0%          | -25.0%           | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               |
| Bulgaria                          | NM                 | NM               | 57.7%            | NM               | NM               | NM               | 1654.3%          | 1957.1%          | 49.8%            | 26.7%            | 1.9%             | 51.0%            | 5.3%             | 15.0%            |
| New Media                         |                    |                  |                  |                  |                  |                  |                  | 29.7%            | 57.5%            | 53.8%            | 15.0%            | 36.1%            | 25.0%            | 25.0%            |
| <b>Total Net Revenue</b>          | <b>21.6%</b>       | <b>-30.6%</b>    | <b>1.7%</b>      | <b>8.3%</b>      | <b>-0.1%</b>     | <b>4.3%</b>      | <b>4.0%</b>      | <b>20.3%</b>     | <b>23.8%</b>     | <b>23.2%</b>     | <b>4.0%</b>      | <b>16.1%</b>     | <b>2.7%</b>      | <b>11.2%</b>     |
| <b>Segment OBIDA:</b>             |                    |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Romania                           | \$111,784          | \$38,510         | \$4,529          | \$10,741         | \$4,319          | \$6,408          | \$25,997         | \$3,449          | \$9,297          | \$4,625          | \$9,729          | \$27,100         | \$33,898         | \$38,354         |
| Slovak Republic (Markiza TV)      | 50,226             | 13,880           | (3,305)          | 2,192            | (3,842)          | 3,954            | (1,001)          | (2,506)          | 5,737            | (1,547)          | 4,782            | 6,466            | 10,280           | 18,257           |
| Slovenia (POP TV and Kanal A)     | 25,416             | 17,822           | 3,084            | 6,422            | (657)            | 9,578            | 18,427           | 3,214            | 8,553            | (372)            | 10,581           | 21,976           | 27,418           | 32,745           |
| Czech Republic                    | 208,654            | 128,463          | 22,184           | 38,508           | 13,755           | 48,371           | 122,818          | 22,668           | 43,846           | 21,077           | 53,390           | 140,981          | 154,853          | 183,841          |
| Croatia                           | (5,414)            | 223              | 881              | 2,047            | (1,508)          | 948              | 2,368            | (332)            | 3,153            | (1,960)          | 2,077            | 2,938            | 7,813            | 11,476           |
| Ukraine (Kino, CITI)              | (3,721)            | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| Ukraine (Studio 1+1 Group)        | (32,944)           | (40,471)         | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| Bulgaria                          | (10,185)           | (44,774)         | (9,070)          | 1,261            | (3,312)          | 9,049            | (2,072)          | 162              | 5,768            | (715)            | 9,859            | 15,074           | 12,271           | 16,934           |
| Divisional Overheads              |                    |                  | (486)            | (301)            | (530)            | (806)            | (2,123)          | (507)            | (238)            | (973)            | (500)            | (2,218)          | (2,000)          | (2,000)          |
| <b>Total Broadcast</b>            |                    |                  | <b>17,817</b>    | <b>60,870</b>    | <b>8,225</b>     | <b>77,502</b>    | <b>164,414</b>   | <b>26,148</b>    | <b>76,116</b>    | <b>20,135</b>    | <b>89,917</b>    | <b>212,316</b>   | <b>244,534</b>   | <b>299,607</b>   |
| New Media                         |                    |                  | (3,384)          | (1,423)          | (1,562)          | (173)            | (6,542)          | (1,601)          | (489)            | (1,033)          | (500)            | (3,623)          | (7,000)          | (2,500)          |
| Romania (Media Pro Entertainment) |                    | (\$266)          | (2,033)          | 155              | (2,185)          | 1,058            | (3,005)          | 724              | 761              | 218              | 2,500            | 4,203            | 5,628            | 10,319           |
| Central                           |                    |                  | (10,812)         | (12,055)         | (8,256)          | (12,939)         | (44,062)         | (9,846)          | (12,397)         | (9,726)          | (10,000)         | (41,969)         | (45,000)         | (46,000)         |
| Eliminations                      |                    |                  | (747)            | (1,354)          | (709)            | (672)            | (3,482)          | (1,179)          | (1,298)          | (696)            | (800)            | (3,973)          | (3,600)          | (4,000)          |
| <b>Total OBIDA</b>                | <b>\$343,816</b>   | <b>\$113,387</b> | <b>\$841</b>     | <b>\$46,193</b>  | <b>(\$4,487)</b> | <b>\$64,776</b>  | <b>\$107,323</b> | <b>\$14,246</b>  | <b>\$62,693</b>  | <b>\$8,898</b>   | <b>\$81,117</b>  | <b>\$166,954</b> | <b>\$194,562</b> | <b>\$257,426</b> |
| <b>Yr/Yr Growth</b>               | <b>7.5%</b>        | <b>-67.0%</b>    | <b>-95.7%</b>    | <b>8.8%</b>      | <b>-38.1%</b>    | <b>10.4%</b>     | <b>-5.3%</b>     | <b>1593.9%</b>   | <b>35.7%</b>     | <b>-298.3%</b>   | <b>25.2%</b>     | <b>55.6%</b>     | <b>16.5%</b>     | <b>32.3%</b>     |
| <b>OBIDA Margins</b>              |                    |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Romania                           | 40.7%              | 21.8%            | 12.4%            | 24.7%            | 14.9%            | 13.3%            | 16.5%            | 10.0%            | 19.8%            | 14.9%            | 20.0%            | 16.8%            | 21.0%            | 22.0%            |
| Romania (Media Pro Entertainment) |                    | NM               | NM               | 0.4%             | -8.2%            | 2.2%             | -2.1%            | NM               | 1.5%             | 0.6%             | 4.8%             | 2.4%             | 3.0%             | 5.0%             |
| Slovak Republic (Markiza TV)      | 37.9%              | 12.9%            | -18.3%           | 8.9%             | -23.9%           | 12.5%            | -1.1%            | -13.1%           | 19.2%            | -8.5%            | 15.0%            | 6.5%             | 10.0%            | 16.0%            |
| Slovenia (POP TV and Kanal A)     | 31.5%              | 26.7%            | 22.3%            | 35.4%            | -7.1%            | 40.7%            | 28.4%            | 22.1%            | 37.5%            | -3.2%            | 42.0%            | 29.7%            | 35.0%            | 38.0%            |
| Czech Republic                    | 55.4%              | 46.6%            | 40.9%            | 53.8%            | 29.1%            | 52.6%            | 46.3%            | 39.3%            | 53.0%            | 38.1%            | 55.0%            | 48.2%            | 50.0%            | 53.0%            |
| Croatia                           | -9.9%              | 0.5%             | 7.5%             | 13.8%            | -18.4%           | 5.7%             | 4.6%             | -2.7%            | 15.0%            | -19.7%           | 12.0%            | 12.5%            | 12.5%            | 17.0%            |
| Ukraine (Kino, CITI)              | -89.5%             | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               |
| Ukraine (Studio 1+1 Group)        | -34.1%             | -126.3%          | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               | NM               |
| Bulgaria                          | NM                 | NM               | NM               | NM               | NM               | 30.9%            | NM               | 0.8%             | 21.6%            | -4.1%            | 33.0%            | 16.2%            | 12.5%            | 15.0%            |
| <b>Total OBIDA Margins</b>        | <b>33.7%</b>       | <b>15.9%</b>     | <b>0.6%</b>      | <b>22.9%</b>     | <b>-3.3%</b>     | <b>25.2%</b>     | <b>14.6%</b>     | <b>8.2%</b>      | <b>25.1%</b>     | <b>5.4%</b>      | <b>30.3%</b>     | <b>19.5%</b>     | <b>22.1%</b>     | <b>26.3%</b>     |

Source: Company Reports; Morgan Joseph TriArtisan LLC estimates

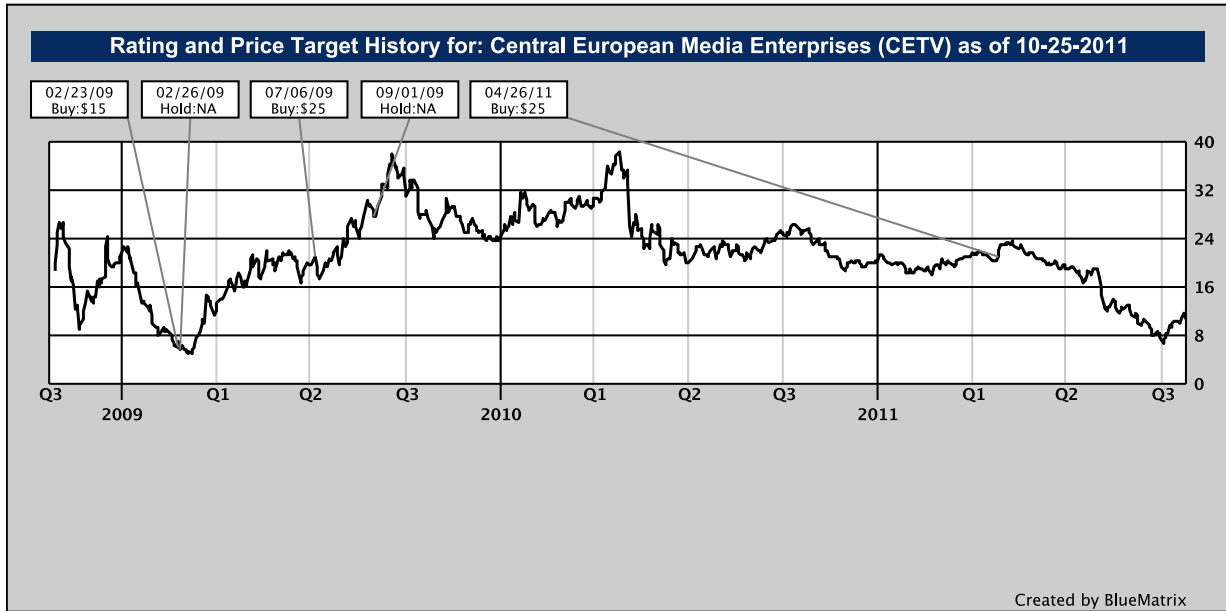
## Central European Media Enterprises - Income Statement

US\$ 000's except share and per share data

|  | 2009               | 2009PF             | 1Q10              | 2Q10              | 3Q10              | 4Q10              | 2010               | 1Q11              | 2Q11             | 3Q11              | 4Q11E            | 2011E             | 2012E             | 2013E            |
|--|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|------------------|-------------------|------------------|-------------------|-------------------|------------------|
| <b>Total Revenues</b>                          | \$711,142          | \$713,978          | \$143,641         | \$201,726         | \$134,354         | \$257,413         | \$737,134          | \$172,772         | \$249,656        | \$165,472         | \$267,755        | \$855,655         | \$878,880         | \$977,275        |
| <b>Yr/Yr Change in \$ Revenue</b>              | -30.4%             | -30.0%             | 1.7%              | 8.3%              | -0.1%             | 4.3%              | 3.7%               | 20.3%             | 23.8%            | 23.2%             | 4.0%             | 16.1%             | 2.7%              | 11.2%            |
| <b>Qtr/Qtr Change in \$ Revenue</b>            | NA                 | NA                 | -41.8%            | 40.4%             | -33.4%            | 91.6%             | NA                 | -32.9%            | 44.5%            | -33.7%            | 61.8%            | NA                | NA                | NA               |
| <b>Station Expenses</b>                        |                    |                    |                   |                   |                   |                   |                    |                   |                  |                   |                  |                   |                   |                  |
| Other Operating costs and Expenses             | \$134,098          | \$134,095          | \$27,280          | \$27,496          | \$29,050          | \$39,513          | \$123,339          | \$33,655          | \$34,536         | \$34,545          | \$48,590         | \$151,326         | \$195,969         | \$204,521        |
| Amortization of Programming Rights             | 382,656            | 389,900            | 87,786            | 99,166            | 81,658            | 121,693           | 390,303            | 96,031            | 122,730          | 94,983            | 109,047          | 422,791           | 368,235           | 378,474          |
| <i>Percentage of Revenues</i>                  | 53.8%              | 54.6%              | 61.1%             | 49.2%             | 60.8%             | 47.3%             | 52.9%              | 55.6%             | 49.2%            | 57.4%             | 40.7%            | 49.4%             | 41.9%             | 38.7%            |
| Depr. of station fixed assets and other intang | 53,651             | 53,651             | 14,114            | 13,075            | 13,341            | 13,885            | 54,415             | 13,417            | 14,493           | 13,075            | 13,500           | 54,485            | 50,000            | 50,000           |
| <b>Total Station Op. Costs and Exp.</b>        | <b>\$570,405</b>   | <b>\$577,646</b>   | <b>\$129,180</b>  | <b>\$139,737</b>  | <b>\$124,049</b>  | <b>\$175,091</b>  | <b>\$568,057</b>   | <b>\$143,103</b>  | <b>\$171,759</b> | <b>\$142,603</b>  | <b>\$171,137</b> | <b>\$628,602</b>  | <b>\$614,204</b>  | <b>\$632,995</b> |
| <i>% of Total Revenue</i>                      | 80.2%              | 80.9%              | 89.9%             | 69.3%             | 92.3%             | 68.0%             | 77.1%              | 82.8%             | 68.8%            | 86.2%             | 63.9%            | 73.5%             | 69.9%             | 64.8%            |
| SG&A Exp.                                      | 78,880             | 71,639             | 16,060            | 16,337            | 18,498            | 17,986            | 68,881             | 18,340            | 16,635           | 16,644            | 18,200           | 69,819            | 71,914            | 87,955           |
| <i>% of Total Revenue</i>                      | 11.1%              | 10.0%              | 11.2%             | 8.1%              | 13.8%             | 7.3%              | 9.3%               | 10.6%             | 6.7%             | 10.1%             | 6.8%             | 9.0%              | 8.2%              | 9.0%             |
| <b>Corporate Expenses:</b>                     |                    |                    |                   |                   |                   |                   |                    |                   |                  |                   |                  |                   |                   |                  |
| Corporate Operating costs and expenses         | 38,286             | 38,286             | 10,812            | 12,055            | 8,256             | 12,939            | 44,062             | 9,846             | 12,397           | 9,726             | 10,000           | 41,969            | 45,000            | 46,000           |
| Net Arbitration related proceeds/(costs)       | 0                  | 81,843             | 0                 | 0                 | 0                 | 397               | 397                | 0                 | 0                | 0                 | 0                | 0                 | 0                 | 0                |
| Stock based compensation                       | 6,147              | 6,147              | 1,573             | 1,600             | 1,900             | 1,800             | 6,873              | 1,521             | 1,583            | 1,452             | 1,600            | 6,156             | 6,400             | 6,400            |
| Amortization of license costs/Goodwill         | 21,597             | 21,597             | 5,149             | 6,545             | 6,996             | 7,297             | 25,987             | 7,627             | 7,809            | 7,957             | 7,000            | 30,393            | 30,000            | 31,500           |
| <b>Operating Income</b>                        | <b>(\$4,173)</b>   | <b>(\$83,180)</b>  | <b>(\$19,133)</b> | <b>\$25,452</b>   | <b>(\$25,345)</b> | <b>\$41,903</b>   | <b>\$22,877</b>    | <b>(\$7,665)</b>  | <b>\$39,473</b>  | <b>(\$12,910)</b> | <b>\$59,817</b>  | <b>\$78,715</b>   | <b>\$111,362</b>  | <b>\$172,426</b> |
| <b>% of Revenues</b>                           | <b>NM</b>          | <b>NE</b>          | <b>NM</b>         | <b>12.6%</b>      | <b>NM</b>         | <b>16.3%</b>      | <b>3.1%</b>        | <b>NM</b>         | <b>15.8%</b>     | <b>NM</b>         | <b>22.3%</b>     | <b>9.2%</b>       | <b>12.7%</b>      | <b>17.6%</b>     |
| Interest (Expense) Income                      | (112,855)          | (112,855)          | (30,875)          | (30,645)          | (31,046)          | (38,701)          | (131,267)          | (54,911)          | (37,120)         | (34,523)          | (31,000)         | (157,554)         | (124,000)         | (124,000)        |
| Equity in income/loss of affiliate             | 0                  | 0                  | 0                 | 0                 | 0                 | 0                 | 0                  | 0                 | 0                | 0                 | 0                | 0                 | 0                 | 0                |
| Other Income (expense)                         | 3,192              | 85,297             | 5,631             | (45,031)          | 60,781            | (24,890)          | (3,509)            | 42,513            | 5,177            | (42,407)          | 0                | 5,283             | 0                 | 0                |
| <b>Pretax Income</b>                           | <b>(\$113,836)</b> | <b>(\$110,738)</b> | <b>(\$44,377)</b> | <b>(\$50,224)</b> | <b>\$4,390</b>    | <b>(\$21,688)</b> | <b>(\$111,899)</b> | <b>(\$20,063)</b> | <b>\$7,530</b>   | <b>(\$89,840)</b> | <b>\$28,817</b>  | <b>(\$73,556)</b> | <b>(\$12,638)</b> | <b>\$48,426</b>  |
| <b>Pretax Income Margin</b>                    | <b>-16.0%</b>      | <b>NM</b>          | <b>-30.9%</b>     | <b>-24.9%</b>     | <b>NM</b>         | <b>-8.4%</b>      | <b>-15.2%</b>      | <b>-11.6%</b>     | <b>3.0%</b>      | <b>NM</b>         | <b>10.8%</b>     | <b>-8.6%</b>      | <b>-1.4%</b>      | <b>5.0%</b>      |
| Income Tax                                     | 3,193              | 3,193              | 2,391             | (2,689)           | (973)             | (3,754)           | (5,025)            | (932)             | (6,718)          | 7,644             | 546              | 540               | 34,159            | 18,894           |
| <b>Net Income Before Minority Interest</b>     | <b>(\$110,643)</b> | <b>(\$107,545)</b> | <b>(\$41,986)</b> | <b>(\$52,913)</b> | <b>\$3,417</b>    | <b>(\$25,442)</b> | <b>(\$116,924)</b> | <b>(\$20,995)</b> | <b>\$812</b>     | <b>(\$82,196)</b> | <b>\$29,363</b>  | <b>(\$73,016)</b> | <b>\$21,522</b>   | <b>\$67,319</b>  |
| Minority Interest in (Loss)/Gain               | 10,650.0           | 10,650.0           | (308.0)           | 218,082.0         | (1.0)             | (674.0)           | 217,099.0          | (119.0)           | 156.0            | 122.0             | 10,000.0         | 10,159.0          | 14,000.0          | 14,000.0         |
| <b>Net income(loss)</b>                        | <b>(\$99,993)</b>  | <b>(\$96,895)</b>  | <b>(\$42,294)</b> | <b>\$165,169</b>  | <b>\$3,416</b>    | <b>(\$26,116)</b> | <b>\$100,175</b>   | <b>(\$21,114)</b> | <b>\$968</b>     | <b>(\$82,074)</b> | <b>\$39,363</b>  | <b>(\$62,857)</b> | <b>\$35,522</b>   | <b>\$81,319</b>  |
| <b>EPS (weighted average) (\$)</b>             | <b>(\$1.91)</b>    | <b>(\$1.78)</b>    | <b>(\$0.67)</b>   | <b>\$2.59</b>     | <b>\$0.05</b>     | <b>(\$0.41)</b>   | <b>\$1.56</b>      | <b>(\$0.33)</b>   | <b>\$0.02</b>    | <b>(\$1.27)</b>   | <b>\$0.61</b>    | <b>(\$0.98)</b>   | <b>\$0.55</b>     | <b>\$1.24</b>    |
| <b>EPS (fully diluted) (\$)</b>                | <b>(\$1.91)</b>    | <b>(\$1.78)</b>    | <b>(\$0.67)</b>   | <b>\$2.59</b>     | <b>\$0.05</b>     | <b>(\$0.41)</b>   | <b>\$1.56</b>      | <b>(\$0.33)</b>   | <b>\$0.02</b>    | <b>(\$1.27)</b>   | <b>\$0.61</b>    | <b>(\$0.98)</b>   | <b>\$0.55</b>     | <b>\$1.24</b>    |
| <b>EPS Growth</b>                              | <b>-68.3%</b>      |                    | <b>NM</b>         | <b>-346.7%</b>    | <b>-89.4%</b>     | <b>17.1%</b>      | <b>-126.3%</b>     | <b>NM</b>         | <b>-101.1%</b>   | <b>89.6%</b>      | <b>-76.4%</b>    | <b>-162.4%</b>    | <b>-265.4%</b>    | <b>6120.0%</b>   |
| Shares (weighted average)                      | 54,271             | 54,344             | 63,537            | 63,871            | 64,337            | 64,358            | 64,026             | 64,369            | 64,386           | 64,393            | 64,395           | 64,386            | 65,026            | 65,369           |
| Shares (fully diluted)                         | 54,282             | 54,344             | 63,537            | 63,871            | 64,497            | 64,358            | 64,066             | 64,369            | 64,501           | 64,393            | 64,395           | 64,415            | 65,066            | 65,369           |

Source: Company Reports &amp; Morgan Joseph TriArtisan LLC estimates

## Required Disclosures



### Price Target

Our price target is \$18.

### Valuation Methodology

Our \$18 price target is based on a multiple of 10x our 2012E TEV/EBITDA estimates.

### Risk Factors

- **Emerging-market volatility and currency risk.** While several of CME's countries have adopted the euro, others have not—so there is some currency risk. Additionally, many of these markets went through a very difficult recession and have not rebounded fully.
- **Potential for a bad acquisition.** One of the company's key strategies is to pursue acquisitions of broadcasters in Eastern Europe. An ill-advised acquisition would burn capital and could waste management resources.
- **Two shareholders effectively control the company.** Chairman Ronald Lauder and TimeWarner own roughly 34.4% of the equity but have 70% of the vote

I, David B. Kestenbaum, the author of this research report, certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers, and no part of my compensation was, is, or will be directly or indirectly tied to the specific recommendations or views contained in this research report.

Research analyst compensation is dependent, in part, upon investment banking revenues received by Morgan Joseph TriArtisan LLC.

Morgan Joseph TriArtisan LLC intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

| Rating   | Investment Banking<br>Services/Past 12 Mos. |         |
|----------|---|---------|
|          | Percent                                     | Percent |
| BUY [B]  | 68.80                                       | 11.63   |
| HOLD [H] | 31.20                                       | 5.13    |
| SELL [S] | 0.00  | 0.00    |

### Meaning of Ratings

- A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.
- B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.
- C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

### Other Disclosures

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