



# **Charter of the Audit Committee of the Board of Directors of Central European Media Enterprises, Ltd.**

## **Statement of Policy**

The Audit Committee is a committee of the Board of Directors. It shall provide assistance to the Board in fulfilling the Board's oversight functions relating to the quality and integrity of the Company's financial reports, monitor the Company's financial reporting process and internal control system, and perform such other activities consistent with this Charter and the Company's By-laws as the Committee or the Board deems appropriate. It shall have such functions as are provided by NASDAQ, the Securities and Exchange Commission and the federal securities laws.

## **Membership**

The Audit Committee shall be comprised of three or more directors, none of whom shall be an employee of the Company and each of whom shall be independent directors. For purposes of the Audit Committee an independent director shall be one who meets the requirements set forth for independent directors by the laws and regulations applicable to the Audit Committee, including among others, the requirements of NASDAQ and the Securities Exchange Act of 1934 (the "Exchange Act"), in effect from time to time. All members of the Committee shall be financially literate, and at least one member shall have past employment experience in finance or accounting, requisite financial certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication including being or having been a Chief Executive Officer, Chief Financial Officer or other senior officer with financial oversight responsibilities.

The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until the next annual organizational meeting or until their respective successors shall be duly elected and qualified.

## **Meetings**

The Audit Committee shall meet at least six times annually in order to review the internal control program and procedures manual and policies for the Company, to review the audit plan of the Company's independent registered public accounting firm, and to review the post-audit findings, and the audit report of the independent registered public accounting firm as well as the audited year-end financial statements prior to the public announcement of financial results and the filing of the year-end audited financial statements with the Securities and Exchange Commission. At its meetings, the Audit Committee shall confer with the Company's independent registered public accounting firm and management to review the Company's interim financial statements and reports prior to the public announcement of financial results and the filing of the reports with the Securities and Exchange Commission. A quorum for these meetings shall be a majority of the members.

The Audit Committee may also hold any special meetings as may be called by the Chairman of the Audit Committee or at the request of the Company's independent registered public accounting firm or the internal accounting staff or management. Members of senior management, the independent registered public accounting firm or others may attend meetings of the Audit Committee at the invitation of the Audit Committee and shall provide pertinent information as necessary. The Audit Committee shall meet with the Company's independent registered public accounting firm, the internal accounting staff and management in separate executive sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately with the Audit Committee.

The Chairman of the Audit Committee shall set the agenda of each meeting and arrange for the

distribution of the agenda, together with supporting material, to the Audit Committee members prior to each meeting. The Chairman will also cause minutes of each meeting to be prepared and circulated to the Committee Members. The Audit Committee may meet via telephone conference calls or by unanimous written consent of its members.

The Committee shall report regularly to the Board as to its activities.

### **Relationship With the Company's Independent Registered Public Accounting Firm**

The Company's independent registered public accounting firm is ultimately accountable to the Board and the Audit Committee, as representatives of the Company's shareholders, but shall report directly to the Audit Committee. The Audit Committee shall be directly responsible for the appointment, compensation and oversight of the work of the Company's independent registered public accounting firm (including resolution of disagreements between management of the Company and the independent registered public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. All auditing services and non-audit services provided to the Company by the independent registered public accounting firm shall be pre-approved by the Audit Committee in accordance with such rules or limitations the Audit Committee adopts. The Audit Committee may delegate, subject to any rules or limitations it may deem appropriate, to one or more designated members of the Audit Committee the authority to grant such pre-approvals; provided, however, that the decisions of any member to whom authority is so delegated to pre-approve an activity shall be presented to the full Audit Committee at its next meeting.

#### Scope of Powers and Functions

The Audit Committee's primary functions are to:

#### Documents/Reports Review

1. Review and assess the adequacy of this Charter at least annually.
2. Review all public announcements of financial results and quarterly and annual financial statements and reports prior to any filing with the Securities and Exchange Commission.
3. Recommend to the Board that the audited financial statements be included in the Company's annual report on Form 10-K for filing with the Securities and Exchange Commission.

#### Independent Registered Public Accounting Firm

4. Approve the appointment and compensation of the Company's independent registered public accounting firm prior to any engagement and recommend that appointment to shareholders for ratification.
5. Review all relationships the Company's independent registered public accounting firm have with the Company to determine their independence and obtain and review a report from the independent registered public accounting firm concerning its internal quality control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues. The Company's independent registered public accounting firm shall annually provide to the Audit Committee a written statement delineating all such matters.
6. Review the annual audit plan of the Company's independent registered public accounting firm and evaluate its performance.
7. Review the experience and qualifications of the senior members of the team of the Company's independent registered public accounting firm and of the senior internal corporate accounting and financial reporting staff.
8. Obtain and review a report from the Company's independent registered public accounting firm at least annually as to (a) all critical accounting policies to be used, (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the Company's independent registered public accounting firm, and (c) other material written communications between the Company's independent registered public accounting firm and management of the Company, including management letters and schedules of unadjusted differences.
9. Require the rotation of the lead (and coordinating or reviewing) audit partner on a regular basis in accordance with the requirements of the Exchange Act.
10. Review the Company's hiring of employees or former employees of the Company's independent registered public accounting firm who participated in any capacity in the audits of the Company.

#### Financial Reporting and Controls Processes

11. Consult with the Company's independent registered public accounting firm concerning the completeness and accuracy of the Company's financial statements.
12. Review with the Company's independent registered public accounting firm and internal accounting staff the adequacy of the Company's system of internal controls and disclosure controls and procedures, including computerized information system controls and security, and any related significant findings and recommendations of the Company's independent registered public accounting firm, together with management's responses thereto.
13. Consult with the Company's independent registered public accounting firm as regards to the Company's accounting principles as applied in its financial statements and reporting.
14. Review any significant judgments made in management's preparation of the financial statements and the view of the Company's independent registered public accounting firm as to the appropriateness of such judgments.
15. Review any significant difficulties encountered during the course of the audit or review, including any restrictions on the scope of work of the Company's independent registered public accounting firm or access to reviewed information.
16. Review any disagreements between management and the Company's independent registered public accounting firm in connection with any public announcements of financial results and quarterly and annual financial statements and reports.
17. Review changes to the Company's accounting principles as recommended by the Company's independent registered public accounting firm or management.
18. Review and evaluate the internal audit function (including the independence of its reporting obligations, the proposed work plan for the year, staffing of the internal audit group and the co-ordination of such plan with the Company's independent registered public accounting firm) and review the results of the work of the internal audit group as least annually.
19. Review periodically with the Company's management, general counsel and the Company's independent registered public accounting firm, legal and regulatory matters and accounting initiatives that could have a significant effect on the Company's financial statements.
20. Discuss with management and the Company's independent registered public accounting firm the effect of unconsolidated subsidiaries and the corporate ownership structure, as well as of any off-balance sheet finance or special purpose vehicles, on the Company's financial statements.

#### Other

21. Review existing policies concerning related party transactions and conflicts of interest between Board members or senior management, on the one hand, and the Company, on the other hand and recommend any changes to such policies to the Board of Directors.
22. Establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
23. Review the Company's policies with respect to risk assessment and risk management.
24. Participate in an annual evaluation of the Audit Committee.
25. Investigate any other matter brought to its attention within the scope of its duties that it deems appropriate for investigation.

The Audit Committee shall have such other functions as are provided by NASDAQ, the Securities and Exchange Commission and federal securities laws.

The Audit Committee shall have the authority to engage and determine funding for outside legal, accounting or other advisors as it determines necessary to carry out its functions.

#### **Limitation of Audit Committee's Role**

The Company's management has the primary responsibility for the financial statements and the reporting process, including the Company's system of internal controls and disclosure controls and procedures. The Company's independent registered public accounting firm audits the Company's financial statements and expresses an opinion on the financial statements based on the audit. The Audit Committee oversees (i) the accounting and financial reporting processes of the Company and (ii) the audits of the financial statements of the Company on behalf of the Board of Directors.

While the Audit Committee has the functions set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. The responsibility to plan and conduct audits is that of

the Company's independent registered public accounting firm. The Company's management has the responsibility to determine that the Company's disclosures and financial statements are complete and accurate and in accordance with generally accepted accounting principles. It is also not the duty of the Audit Committee to assure the Company's compliance with laws and regulations or compliance with any code(s) of conduct adopted by the Company. The primary responsibility for these matters rests with the Company's management.

The Board of Directors originally adopted this Charter on November 2, 2002 and amended it on March 27, 2003, April 6, 2004, February 2, 2006 and February 14, 2007.