
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K

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

Date of Report (date of earliest event reported): **October 8, 2010**

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
(Exact name of registrant as specified in its charter)

BERMUDA
(State or other jurisdiction
of incorporation and
organisation)

0-24796
(Commission
File Number)

98-0438382
(IRS Employer
Identification No.)

Mintflower Place, 4th floor
8 Par-La-Ville Rd, Hamilton, Bermuda
(Address of principal executive offices)

HM 08
(Zip code)

Registrant's telephone number, including area code: **(441) 296-1431**

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01 Regulation FD Disclosure

In upcoming presentations, Central European Media Enterprises Ltd. (the "Company") will be providing certain financial information in respect of CET 21 spol. s r.o., the Company's wholly owned subsidiary that operates its businesses in the Czech Republic and the Slovak Republic. Such financial information is included in Exhibit 99.1 hereto.

Section 9. Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) The following exhibits are furnished under Item 7.01 as part of this report:

99.1 Consolidated Financial Statements of CET 21 spol. s r.o. for the years ended December 31, 2009, 2008 and 2007.

99.2 Unaudited Consolidated Financial Statements of CET 21 spol. s r.o. for the six months ended June 30, 2010 and 2009.

The information furnished under Item 7.01 "Regulation FD Disclosure" shall not be deemed "filed" for purpose of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, we have duly caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

Date: October 8, 2010

By: */s/* DAVID STURGEON

David Sturgeon
Deputy Chief Financial Officer

CET 21 spol. s r.o.
Consolidated balance sheets
(US\$ 000's)

	December 31, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 24,873	\$ 30,637
Accounts receivable, net (Note 7)	75,918	85,649
Program rights, net	29,382	21,563
Prepaid programming	31,567	25,491
Other current assets (Note 8)	21,316	19,885
Total current assets	183,056	183,225
Non-current assets		
Investments (Note 5)	—	9,480
Property, plant and equipment, net (Note 9)	103,528	100,988
Program rights, net	101,366	65,238
Goodwill (Note 4)	1,000,941	950,578
Broadcast licenses and other intangible assets, net (Note 4)	241,065	245,513
Other non-current assets (Note 8)	6,004	132
Total non-current assets	1,452,904	1,371,929
Total assets	\$1,635,960	\$1,555,154
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 78,972	\$ 63,242
Current debt—third parties (Note 6)	78,942	12,943
Other current liabilities (Note 11)	7,054	4,099
Total current liabilities	164,968	80,284
Non-current liabilities		
Long-term debt—related parties (Note 6)	555,896	587,219
Other non-current liabilities (Note 11)	48,924	49,845
Total non-current liabilities	604,820	637,064
Commitments and contingencies (Note 14)		
EQUITY		
Share capital	22	22
Additional paid in capital	529,699	521,293
Retained earnings	140,141	164,783
Accumulated other comprehensive income	196,310	151,708
Total equity	866,172	837,806
Total liabilities and equity	\$1,635,960	\$1,555,154

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

CET 21 spol. s r.o.
Consolidated statements of operations
and comprehensive income
(US\$ 000's)

	For the year ended December 31,		
	2009	2008	2007
Net revenues	\$377,808	\$510,121	\$383,099
Operating expenses:			
Operating costs	49,929	55,435	51,194
Cost of programming	148,508	157,788	108,766
Depreciation of property, plant and equipment	24,899	24,470	14,064
Amortization of broadcast licenses and other intangibles (Note 4)	15,694	27,364	21,116
Cost of revenues	239,030	265,057	195,140
Selling, general and administrative expenses	37,197	37,859	32,724
Operating income	101,581	207,205	155,235
Interest income	424	1,627	8,134
Interest expense (Note 13)	(51,154)	(57,851)	(49,128)
Foreign currency exchange gain/(loss), net	4,486	(10,918)	7,773
Other (expense)/income	(397)	30	(1,285)
Income before provision for income taxes and equity in loss from unconsolidated affiliate	54,940	140,093	120,729
Provision for income taxes	(11,181)	(28,794)	(20,911)
Equity in loss of affiliate	—	(81,160)	—
Net Income	43,759	30,139	99,818
Net income attributable to noncontrolling interest	—	—	(3,411)
Net Income attributable to CET 21 Group	\$ 43,759	\$ 30,139	\$ 96,407
Net income	43,759	30,139	99,818
Currency translation adjustment	44,602	(39,090)	122,043
Comprehensive income/(loss)	\$ 88,361	\$ (8,951)	\$221,861
Comprehensive (income)/loss attributable to noncontrolling interest	—	—	(884)
Comprehensive income/(loss) attributable to CET 21 Group . .	\$ 88,361	\$ (8,951)	\$220,977

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

CET 21 spol. s r.o.
Consolidated statements of equity
(US\$ 000's)

	Share capital	Additional paid in capital	Retained earnings	Accumulated other comprehensive income	Noncontrolling interest	Total Equity
BALANCE, December 31, 2006	\$ 336,174	\$234,899	\$ 67,231	\$ 74,639	\$ 6,633	\$719,576
Acquisition of Markiza (note 3) . . .	—	(49,758)	—	—	(10,268)	(60,026)
Adjustment to share capital for statutory merger	(116,360)	116,360	—	—	—	—
Net income	—	—	96,407	—	3,411	99,818
Currency translation adjustment . .	—	—	—	116,159	224	116,383
BALANCE, December 31, 2007	\$ 219,814	\$301,501	\$163,638	\$190,798	\$ —	\$875,751
Adjustment to share capital for statutory merger	(219,792)	219,792	—	—	—	—
Distributions	—	—	(28,994)	—	—	(28,994)
Net income	—	—	30,139	—	—	30,139
Currency translation adjustment . .	—	—	—	(39,090)	—	(39,090)
BALANCE, December 31, 2008	\$ 22	\$521,293	\$164,783	\$151,708	—	\$837,806
Sale of Investment in Innova (note 5)	—	\$ 12,540	—	—	—	\$ 12,540
Acquisition of Media Pro Pictures s.r.o. (note 3)	—	(4,134)	—	—	—	(4,134)
Distributions	—	—	(68,401)	—	—	(68,401)
Net income	—	—	43,759	—	—	43,759
Currency translation adjustment . .	—	—	—	44,602	—	44,602
BALANCE, December 31, 2009	\$ 22	\$529,699	\$140,141	\$196,310	\$ —	\$866,172

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

CET 21 spol. s r.o.
Consolidated statements of cash flows
(US\$ 000's)

	For the year ended December 31,		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 43,759	\$ 30,139	\$ 99,818
Adjustments to reconcile net income to net cash generated from operating activities:			
Depreciation and amortization	114,065	130,248	85,364
Equity in loss of affiliate (Note 5)	—	81,160	—
Loss on disposal of fixed assets	492	113	—
Foreign currency exchange (gain)/loss, net	(4,486)	10,918	(7,773)
Net change in (net of effects of acquisitions of businesses):			
Accounts receivable	14,291	(1,724)	(11,917)
Program rights costs	(65,346)	(59,543)	(45,617)
Other assets	(378)	(9,394)	(2,568)
Accounts payable and accrued liabilities	(33,345)	(38,575)	(23,387)
Income taxes payable	(8,132)	(12,425)	18,170
Other current liabilities	(2,297)	(3,064)	(10,481)
Net cash generated from operating activities	58,623	127,853	101,609
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(24,115)	(34,909)	(44,916)
Proceeds from disposal of property, plant and equipment	807	243	893
Investment in associated companies	—	(103,798)	—
Net cash used in investing activities	(23,308)	(138,464)	(44,023)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from credit facilities	53,945	—	42,050
Payments made on credit facilities	(233)	(56)	(43,758)
Loans extended to related party	—	—	(53,800)
Repayments received on loans extended to related party	—	32,293	29,867
Proceeds of loans from related party	—	—	2,207
Repayment of loans from related party	(51,821)	(5,127)	(22,627)
Distributions paid	(44,601)	(28,994)	—
Net cash used in financing activities	(42,710)	(1,884)	(46,061)
Impact of exchange rate fluctuations on cash	1,631	(3,025)	4,643
Net (decrease)/increase in cash and cash equivalents	(5,764)	(15,520)	16,167
CASH AND CASH EQUIVALENTS, beginning of period	30,637	46,157	29,990
CASH AND CASH EQUIVALENTS, end of period	\$ 24,873	\$ 30,637	\$ 46,157
SUPPLEMENTAL CASH FLOW DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Contribution of interest in subsidiaries (Note 3)	\$ (4,134)	\$ —	\$ 121,238
Loans receivable offset in connection with contribution of interest in subsidiaries (Note 3)	\$ —	\$ —	\$ 128,401
Investment in affiliate sold (Note 5)	\$ 11,260	\$ —	\$ —
Dividend payable offset in connection with sale of investment in affiliate (Note 5)	\$ 23,800	\$ —	\$ —
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	\$ 53,084	\$ 57,922	\$ 48,870
Cash paid for income taxes	\$ 19,272	\$ 49,634	\$ 15,285

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

CET 21 spol. s r.o.

Notes to the consolidated financial statements

(Tabular amounts in US\$ 000's)

1. Organization and business

CET 21 spol. s r.o. (including its consolidated subsidiaries the "CET Group") is 99.996% owned by CME Media Enterprises B.V. ("CME BV") and 0.004% owned by CME Investments B.V. ("CME Investments"), which are both wholly owned subsidiaries of Central European Media Enterprises Ltd. ("CME Ltd.").

The CET 21 Group was comprised of the following significant legal entities as at December 31, 2009:

Group name	Effective voting interest	Jurisdiction of organization	Type of affiliate
CET 21 spol. s r.o. ("CET 21")		Czech Republic	Parent
Jyxo, s.r.o. ("Jyxo")	100.00%	Czech Republic	Subsidiary
BLOG Internet, s.r.o ("BLOG")	100.00%	Czech Republic	Subsidiary
Media Pro Pictures s.r.o. ("MPP Praha")	100.00%	Czech Republic	Subsidiary
CME Slovak Holdings B.V. ("CME Slovak Holdings") . . .	100.00%	Netherlands	Subsidiary
A.R.J., a.s.	100.00%	Slovak Republic	Subsidiary
MARKÍZA-SLOVAKIA, spol. s r.o. ("Markiza")	100.00%	Slovak Republic	Subsidiary
MEDIA INVEST, spol. s r.o.	100.00%	Slovak Republic	Subsidiary

All subsidiaries have been consolidated in the financial statements.

CME Ltd., the ultimate parent of the CET Group is a Bermuda corporation that was formed in June 1994 and its assets are held through a series of Dutch and Netherlands Antilles holding companies. CME Ltd. is a vertically integrated media group operating leading broadcasting, internet and TV content businesses in Central and Eastern Europe.

Background

CME Ltd. acquired a 97.5% voting and economic interest in CET 21 in May 2005 for total consideration of approximately US\$ 909.5 million. Following approval from the Czech Republic Media Council in April 2006, the remaining 2.5% minority interests in CET 21 were transferred to the CET Group for nominal consideration and CME Ltd. had a voting and economic interest in CET 21 of 100.0%. CME Ltd. applied push-down accounting in the separate financial statements of CET 21 and as a result, the goodwill recorded as part of the business combination accounting along with the other assets acquired and liabilities assumed were pushed down and reflected in the separate financial statements of CET 21.

As of January 1, 2007, CME Ltd. owned an 80.0% controlling interest in Markiza. On July 13, 2007, CME Ltd. acquired the remaining 20.0% interest in Markiza through its wholly owned subsidiary, CME Slovak Holdings, which by then held a 100.0% interest in Markiza. CME Slovak Holdings was transferred to CET 21 on October 11, 2007, and in exchange, the CET Group offset CZK 2.5 billion (approximately US\$ 128.4 million) of indebtedness due from CME Ltd. and its other wholly owned subsidiaries. The consolidated financial statements of the CET Group

include the operations and the assets and liabilities of Markiza as if the transfer of 80.0% of the net assets had occurred as of January 1, 2007.

As part of CME Ltd.'s buyout of its minority interest partners in Ukraine, the CET Group acquired an initial 23.3% interest in Innova Film GmbH ("Innova") on June 30, 2008 of which 21.7% was acquired from Igor Kolomoisky, a CME Ltd. shareholder and a member of CME Ltd.'s Board of Directors. The CET Group acquired a further 16.7% interest on October 17, 2008 at which point CME Ltd. held a 100.0% interest in its Ukraine operations. The CET Group sold its 40.0% investment in Innova to CME BV on November 16, 2009 in exchange for the offset of CZK 422.4 million (approximately US\$ 23.8 million) of dividends payable to CME BV. (See Note 5, "Investments").

On December 9, 2009, CME Ltd, through its wholly owned subsidiary CME Media Pro BV acquired the Media Pro Entertainment Group of companies ("MPE") from companies connected with Adrian Sarbu, an Executive Director of CET 21, CME Ltd.'s President and Chief Executive Officer and a member of CME Ltd.'s Board of Directors, for a total consideration of US\$ 98.4 million. The Czech Republic operations of MPE, namely Media Pro Pictures s.r.o. ("MPP Praha") were subsequently transferred to CET 21. Goodwill of US\$ 47.0 million was recognized by CME Ltd on acquisition of MPE, of which US\$ 1.7 million was allocated to MPP Praha. The consolidated financial statements of the CET Group include the operations and the assets and liabilities of MPP Praha as if the transfer had occurred as of December 9, 2009.

CET 21 holds the broadcast licenses for and operates two national television channels in the Czech Republic, TV NOVA (Czech Republic) and NOVA CINEMA, and two cable/satellite channels, NOVA SPORT and MTV CZECH. In addition, the CET Group holds the broadcast licenses for and operates the national television channel in the Slovak Republic, TV MARKIZA and a female-orientated cable channel, DOMA.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The functional currency of the CET Group is the Czech Koruna. The consolidated financial statements are presented in US Dollars (US\$).

The significant accounting policies are summarized as follows:

Basis of presentation

The CET Group is an integrated part of CME Ltd. These consolidated financial statements have been prepared on a "carve-out" basis from the consolidated financial statements of CME Ltd. to represent the financial position and performance of the CET Group as if it had existed on a stand-alone basis as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007. The consolidated financial statements have been derived by extracting the assets, liabilities, revenues and expenses directly attributable to the CET Group from the assets, liabilities, revenues and expenses reflected in the accounting records of CME Ltd. on a legal entity basis. The CET Group eliminates from its financial results all intercompany transactions between entities included in the consolidated financial statements.

The consolidated financial statements included herein may not necessarily be indicative of the CET Group's financial position, results of operations, or cash flows had the CET Group operated as a separate entity during the periods presented or for future periods.

These consolidated financial statements reflect all of the assets, liabilities, revenues, expenses, and cash flows of the CET Group after the elimination of intergroup accounts and transactions. The CET Group consolidates the financial statements of entities in which it holds at least a majority voting interest and entities in which it holds less than a majority voting interest but over which it has the ability to exercise control. Entities in which the CET Group holds less than a majority voting interest but over which it exercises significant influence are accounted for using the equity method. Other investments are accounted for using the cost method. The CET Group's investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the investment may not be recoverable.

Revenue recognition

Revenue is recognized when there is persuasive evidence of an arrangement, delivery of products has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. A bad debt provision is maintained for estimated losses resulting from customers' inability to make payments.

Revenues are recognized net of discounts and customer sales incentives. The CET Group's principal revenue streams and their respective accounting treatments are discussed below:

Advertising revenue

Revenues primarily result from the sale of advertising time. Television advertising revenue is recognized as the commercials are aired. In certain countries, the CET Group commits to provide advertisers with certain rating levels in connection with their advertising. Revenue is recorded net of estimated shortfalls, which are usually settled by providing the advertiser additional advertising time. Discounts and agency commissions are recognized at the point when the advertising is broadcast and are reflected as a reduction to gross revenue.

Program distribution revenue

Program distribution revenue is recognized when the relevant agreement has been entered into, the product is available for delivery, the license period has begun, collectability of the cash is reasonably assured and all of the CET Group's contractual obligations have been satisfied.

Subscription revenues

Subscriber fees from cable operators and direct-to-home broadcasters are recognized as revenue over the period for which the channels are provided and to which the fees relate. Subscriber revenue is recognized as contracted, based upon the level of subscribers.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less.

Property, plant and equipment

Property, plant and equipment is carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives assigned to each major asset category as below:

Asset category	Estimated useful life
Land	Indefinite
Buildings	25 years
Machinery, fixtures and equipment	3 - 5 years
Other equipment	3 - 5 years
Software licenses	3 years

Construction-in-progress is not depreciated until put into use. Leasehold improvements are depreciated over the shorter of the related lease term or the life of the asset. Costs of repairs and maintenance are expensed as incurred. Assets to be disposed of are reported at the lower of carrying value or fair value, less costs of disposal.

Long-lived assets including intangible assets with finite lives

Long-lived assets include property, plant, equipment and intangible assets with finite lives.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The carrying values of long-lived assets are considered impaired when the anticipated undiscounted cash flows from such assets are less than their carrying values. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value.

Program rights

Purchased program rights

Purchased program rights and the related liabilities are recorded at their gross value when the license period begins and the programs are available for broadcast.

Purchased program rights are classified as current or non-current assets based on anticipated usage, while the related program rights liability is classified as current or non-current according to the payment terms of the license agreement.

Program rights are evaluated to determine if expected revenues are sufficient to cover the unamortized portion of the program. To the extent that expected revenues are insufficient, the program rights are written down to their net realizable value.

Program rights are amortized on a systematic basis over their expected useful lives, depending on their categorization. The appropriateness of the amortization profiles are reviewed regularly and are as follows:

Type of programming	Amortization %				
	Run 1	Run 2	Run 3	Run 4	Run 5
Special blockbuster	30%	25%	20%	15%	10%
Films and series, 2 runs	65%	35%	—	—	—
Films and series, 3 runs	60%	30%	10%	—	—
Concerts, documentaries, sports events, etc.	100%	—	—	—	—

A “special blockbuster” must meet specific requirements to be classified as such, while the number of runs in other films and series is generally described in the license agreement.

Produced program rights

Self-produced program rights consist of deferred film and television costs including direct costs, production overhead and development costs. Program rights are amortized on an individual production basis using the ratio of the current period’s gross revenues to estimated remaining total gross revenues from such programs. Such program rights are stated at the lower of cost less accumulated amortization or net realizable value. Program rights are evaluated to determine if expected revenues are sufficient to cover the unamortized portion of the program. To the extent that expected revenues are insufficient, the program rights are written down to their net realizable value.

Produced program rights are classified as current or non-current assets based on anticipated usage.

Goodwill and indefinite-lived intangible assets

Goodwill represents the excess of the fair value of consideration paid over the fair value of net tangible and other identifiable intangible assets acquired in a business combination. The carrying value of goodwill is evaluated for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill is evaluated for impairment in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment exists when the carrying value of a reporting unit (including its goodwill), exceeds its fair value after adjusting for any impairments of long-lived assets or indefinite life intangible assets. Goodwill impairment is measured as the excess of the carrying value of goodwill over its implied fair value which is calculated by deducting the fair value of all assets, including recognized and unrecognized intangible assets from the fair value of the reporting unit.

Indefinite-lived intangible assets are evaluated for impairment by comparing the fair value of the asset to its carrying value. Any excess of the carrying value over the fair value is recognized as an impairment charge.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to our estimate of the undiscounted future cash flows we expect that asset group will generate. If the carrying amount of an asset exceeds our estimate of its

undiscounted future cash flows, an impairment charge is recognized equal to the amount by which the carrying amount exceeds the fair value of the respective asset.

Indefinite-lived intangible assets consist of certain acquired broadcast licenses and trademarks. Broadcast licenses are assigned indefinite lives after consideration of the following conditions:

- the CET Group’s intention to renew the licenses into the foreseeable future;
- the CET Group’s precedents of renewals or reasonable expectation of renewals;
- the CET Group does not expect any substantial cost to be incurred as part of a future license renewal and no costs have been incurred in the renewals to date; and
- the CET Group has not experienced any historical evidence of a compelling challenge to our holding these licenses.

Indefinite-lived intangible assets are not amortized. Indefinite-lived intangible assets are evaluated for impairment in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment loss is recognized if the carrying value of an indefinite-lived intangible asset exceeds its fair value.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to our estimate of the undiscounted future cash flows we expect that asset group will generate. If the carrying amount of an asset exceeds our estimate of its undiscounted future cash flows, an impairment charge is recognized equal to the amount by which the carrying amount exceeds the fair value of the respective asset.

In evaluating our goodwill, indefinite-lived intangible assets and long-lived assets for impairment we use the following valuation methods:

Measurement	Valuation method
Recoverability of cash flows	Undiscounted future cash flows
Fair value of broadcast licenses	Build-out method
Fair value of trademarks	Relief from royalty method
Fair value of reporting units	Discounted cash flow model

Income taxes

Income taxes are accounted for using the asset and liability method as set out in Accounting Standards Codification (“ASC”) 740, “Accounting for Income Taxes”. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more likely than not to be realized. In evaluating the realizability of our deferred tax assets, we consider available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations.

In accordance with ASC 740, those tax positions that are determined to be “more likely than not” of being sustained upon examination, based on the technical merits of the positions, are recognized in the consolidated financial statements.

The CET Group recognizes, when applicable, both accrued interest and penalties related to uncertain tax positions in income tax expense in the accompanying Consolidated Statements of Operations.

Foreign currency

Translation of financial statements

The CET Group’s functional currency is the Czech Koruna, which is the local currency of the country in which the majority of the CET Group’s operations are located. The financial statements of the CET Group’s operations with a functional currency other than the Czech Koruna are translated from such functional currency to the Czech Koruna at the exchange rates in effect at the balance sheet date for assets and liabilities, and at weighted average rates for the period for revenues and expenses, including gains and losses.

These financial statements are translated from the Czech Koruna to the reporting currency of US Dollars at the exchange rates in effect at the balance sheet date for assets and liabilities and at average rates for the period for revenues and expenses, including gains and losses.

Translational gains and losses are charged or credited to Accumulated Other Comprehensive Income/(Loss), a component of Equity.

Transactions in foreign currencies

Gains and losses from foreign currency transactions are included in foreign currency exchange gain/(loss), net in the Consolidated Statement of Operations in the period during which they arise.

Foreign currency

The main exchange rates against the US Dollar used in the preparation of the Consolidated Balance Sheets and Consolidated Statements of Operations are:

	Consolidated balance sheets		Consolidated statement of operations		
	As of December 31,		For the year ended December 31,		
	2009	2008	2009	2008	2007
CZK	18.37	19.35	19.06	17.04	20.31
EUR	0.69	N/A	0.72	N/A	N/A
SKK	N/A	22.45	N/A	21.21	24.67

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 year. Actual results could differ from those estimates.

Leases

Leases are classified as either capital or operating. Those leases that transfer substantially all benefits and risks of ownership of the property to us are accounted for as capital leases. All other leases are accounted for as operating leases. As of December 31, 2009 and 2008, the CET Group did not have any capital leases.

Operating lease costs are expensed on a straight-line basis over the term of the lease.

Financial instruments

Fair value of financial instruments

The carrying value of financial instruments, including cash, accounts receivable, accounts payable, accrued liabilities, and credit facilities 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 6, "Debt".

Contingencies

Contingencies are recorded in accordance with ASC 450 "Contingencies". The estimated loss from a loss contingency such as a legal proceeding or claim is recorded in the Consolidated Statement of Operations if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a loss contingency is made if there is at least a reasonable possibility that a loss will be incurred.

Advertising costs

Advertising costs are expensed as incurred. Advertising expense incurred for the years ending December 31, 2009, 2008 and 2007 totaled US\$ 5.3 million, US\$ 8.0 million and US\$ 5.7 million, respectively.

3. Acquisitions and disposals

2007 acquisition of Markiza

As of January 1, 2007, CME Ltd. owned an 80.0% controlling interest in Markiza. On July 13, 2007, CME Ltd., through CME Slovak Holdings, acquired the remaining 20.0% interest in Markiza, which by then held a 100.0% interest in Markiza. CME Ltd. transferred CME Slovak Holdings to the CET Group on October 11, 2007. In accordance with ASC 805, "Business Combinations", net assets were transferred to the CET Group at historical cost, which was US\$ 121.2 million, of which US\$ 42.6 million is included in the CET Group's financial statements as if the transfer had occurred as of January 1, 2007 and US\$ 78.6 million was related to the purchase of the 20.0% interest in 2007. In exchange, the CET Group offset CZK 2.5 billion (approximately US\$ 128.4 million) of loans receivable due from CME BV in October 2007 and the shortfall was included within Additional paid-in capital.

2008 acquisition of Jyxo and Blog

In order to enhance the CET Group's internet offering and its software delivery capabilities in the Czech Republic, the Group purchased 100.0% of both Jyxo, an information technology provider, and Blog, the operator of the leading blog site in the Czech Republic, blog.cz, on May 27, 2008.

Initial cash consideration was approximately US\$ 9.4 million. In addition, the CET Group had an obligation to pay a further CZK 27.0 million (approximately US\$ 1.4 million) in June 2010, which has been recorded as consideration payable at December 31, 2008 and 2009. This amount was paid in June 2010 and was recorded as an additional cost of acquiring Jyxo.

We performed a fair value exercise to allocate the purchase price to the acquired assets and liabilities and separately identifiable intangible assets as at May 27, 2008. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value on acquisition
Cash and cash equivalents	\$ 727
Other net assets	618
Property, plant and equipment	3,744
Intangible assets not subject to amortization(1)	9,124
Contingent consideration liability(2)	(160)
Deferred tax liability	(2,462)
Total purchase price(3)	\$11,591

(1) Intangible assets comprise trademarks. Following a review of useful economic lives, on October 1, 2009 the blog.cz trademark was changed from a indefinite lived asset to an asset with a useful economic life of 5 years.

(2) Since the aggregate value of the assets and liabilities acquired exceeds the purchase price without considering any additional amounts we may have to pay that are contingent upon meeting operational targets, we have recognized this excess, which is lower than the maximum amount of contingent consideration that may become payable, as if it were a liability.

(3) The total purchase price includes US\$ 0.5 million of capitalized acquisition costs, initial cash payments of approximately US\$ 9.4 million and consideration payable of CZK 27.0 million (approximately US\$ 1.7 million at the date of acquisition).

2009 acquisition of MPP Praha

On December 9, 2009, CME Ltd, through its wholly owned subsidiary CME Media Pro BV acquired the Media Pro Entertainment Group of companies ("MPE") from companies connected with Adrian Sarbu, an Executive Director of CET 21, CME Ltd.'s President and Chief Executive Officer and a member of CME Ltd.'s Board of Directors, for a total consideration of US\$ 98.4 million. The Czech Republic operations of MPE, namely MPP Praha were subsequently transferred to CET 21 for nominal consideration. Goodwill of US\$ 47.0 million was recognized by CME Ltd on acquisition of MPE, of which US\$ 1.7 million was allocated to MPP Praha.

4. Goodwill and indefinite-lived intangible assets

Goodwill:

Goodwill as at December 31, 2009 and 2008 is summarized as follows:

Net balance, December 31, 2007	\$1,008,921
Foreign currency movement	(58,343)
Net balance, December 31, 2008	\$ 950,578
Acquisition of Media Pro Pictures s.r.o	1,683
Foreign currency movement	46,680
Net balance, December 31, 2009	\$1,001,941

The CET Group did not record any impairment on goodwill as of December 31, 2009, 2008 and 2007. No goodwill is expected to be deductible for tax purposes.

Broadcast licenses and other intangible assets:

The net book value of the CET Group's broadcast licenses and other intangible assets as at December 31, 2009 and 2008 is summarized as follows:

	Broadcast licenses	Trademarks	Customer relationships	Other	Total
Balance, December 31, 2007	\$185,742	\$28,404	\$58,849	\$470	\$273,465
Additions	—	9,124	—	—	9,124
Amortization	(21,155)	(461)	(5,690)	(58)	(27,364)
Foreign currency movements	(8,757)	(3,103)	2,122	26	(9,712)
Balance, December 31, 2008	\$155,830	\$33,964	\$55,281	\$438	\$245,513
Amortization	(9,936)	(412)	(5,298)	(48)	(15,694)
Foreign currency movements	7,523	1,777	1,921	25	11,246
Balance, December 31, 2009	\$153,417	\$35,329	\$51,904	\$415	\$241,065

Broadcast licenses have an economic useful life of, and are amortized on a straight-line basis over, 12 - 23 years.

CET 21's application for the extension of its existing broadcast licences until January 2025 was approved in the first quarter of 2009. As a result, the amortization period for CET 21's broadcast licenses was changed accordingly from that date.

Customer relationships are deemed to have an economic useful life of, and are amortized on a straight-line basis over, 5 to 20 years. Trademarks have an indefinite life, with the exception of those acquired trademarks which we do not intend to use, which have an economic life of, and are being amortized over, between two and five years using the declining balance method and the blog.cz acquired trademark which is being amortized over its useful economic life of 5 years.

The gross value and accumulated amortization of broadcast licenses and other intangible assets was as follows at December 31, 2009 and December 31, 2008:

	December 31, 2009	December 31, 2008
Gross value	\$ 342,156	\$325,961
Accumulated amortization	(101,091)	(80,448)
Total broadcast licenses and other amortized intangible assets, net	\$ 241,065	\$245,513

The estimated future amortization expense for the CET Group's intangible assets with finite lives as of December 31, 2009 is as follows:

2010	\$16,417
2011	16,293
2012	16,293
2013	16,293
2014	15,920

5. Investments

As part of CME Ltd.'s buyout of its minority partners in Ukraine, the CET Group acquired an initial 23.3% interest in Innova Film GmbH ("Innova") on June 30, 2008 for cash consideration of US\$ 45.6 million, of which 21.7% was purchased from Igor Kolomoisky, a CME Ltd. shareholder and a member of CME Ltd.'s Board of Directors for US\$ 40.9 million. The CET Group acquired a further 16.7% interest for cash consideration of US\$ 48.3 million on October 17, 2008 at which point CME Ltd. held a 100.0% interest in its Ukraine operations. Innova held an indirect interest of 30.0% in Studio 1+1 LLC, the principal operating company for the Ukraine operations, and thus the CET Group held an effective interest of 12.0% in Studio 1+1 LLC. The other 60.0% controlling interest of Innova was owned by other wholly-owned subsidiaries of CME Ltd.

In the fourth quarter of 2008, the outlook for the Ukraine economy in general, and the advertising market in particular, worsened significantly. This was both as a result of the global economic crisis and factors unique to Ukraine, such as the need for assistance from the International Monetary Fund ("IMF"), increasing political instability and a dispute with Russia over supplies of natural gas. The rapid decline in the Ukraine economy along caused us to conclude that the future cash flows to be generated by the Ukraine operations had decreased and the risk associated with Studio 1+1 had increased substantially. As a result, the Group recorded an impairment charge of CZK 1.4 billion (approximately US\$ 81.2 million) to write down the investment to its fair value of CZK 183.4 million (approximately US\$ 9.5 million). The decline in fair value was deemed to be other than temporary.

The CET Group sold its investment in Innova to CME BV on November 16, 2009. The difference of CZK 239.0 million (US\$ 12.5 million) between the book value of CZK 183.4 million (US\$ 11.3 million) and the purchase price of CZK 422.4 million (US\$ 23.8 million) is included in

Additional paid-in capital. The CET Group offset the purchase price of CZK 422.4 million (US\$ 23.8 million) against dividends owed to CME BV.

	Type of affiliate	Interest	Carrying value	
			December 31, 2009	December 31, 2008
Innova	Equity Method Investment	40.0%	—	\$ 9,480

6. Debt

The CET Group's total debt comprised the following as at December 31, 2009 and 2008:

Total debt

	Carrying value		Fair value	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Credit facilities(a - d)	\$ 78,942	\$ 12,943	\$ 78,942	\$ 12,943
Long-term debt to related parties	555,896	587,219	556,331	460,618
	\$634,838	\$600,162	\$635,273	\$473,561

Current debt—third parties

	December 31, 2009	December 31, 2008
Credit facilities(a - d)	\$78,942	\$12,943
Total current debt—third parties	\$78,942	\$12,943

(a) As at December 31, 2009, CET 21 had drawn, in CZK, the full CZK 1.2 billion (approximately US\$ 65.3 million) of a credit facility with Česká Spořitelna, a.s. ("CS"). Interest was payable on this facility at a rate of 3.19% at December 31, 2009. Drawings under this facility were secured by a pledge of receivables, which are also subject to a factoring arrangement with Factoring Ceska Sporitelna, a.s. ("FCS"), a subsidiary of CS. The facility was repaid in full on February 22, 2010 and subsequently cancelled.

(b) As at December 31, 2009, CZK 250.0 million (approximately US\$ 13.6 million), the full amount of the facility had been drawn by CET 21 under a working capital facility agreement with CS. Interest was payable on the facility at a rate of 3.19% at December 31, 2009 and 5.28% at December 31, 2008. Drawings under this facility were secured by a pledge of receivables, which are also subject to a factoring arrangement with FCS. The facility was repaid in full on February 22, 2010 and subsequently cancelled.

(c) As at December 31, 2009 and 2008, there were no drawings under a CZK 300.0 million (approximately US\$ 16.3 million) factoring facility with FCS that is available until September 30, 2011. The facility bears interest at one-month PRIBOR (Prague Interbank Offered Rate) plus 1.40% for each period that actively assigned accounts receivable are outstanding.

(d) On December 21, 2009, CET 21 entered into a Facility Agreement ("the "Erste Facility") for up to CZK 3.0 billion (approximately US\$ 163.3 million) with Erste Group Bank A.G. as arranger, CS as facility agent and security agent, and each of CS, UniCredit Bank Czech Republic, a.s. and BNP Paribas as original lenders. CME Ltd. and certain of its subsidiaries, namely CME Slovak Holdings, CME BV, CME Investments and Markiza, are guarantors under the Erste Facility (together, the "Original Guarantors"). The facility became available for drawing on January 18, 2010. On February 16, 2010, the aggregate commitment by the lenders under the Erste Facility to CET 21 increased from CZK 2.5 billion (approximately US\$ 136.1 million) to CZK 2.8 billion (approximately US\$ 152.4 million). As of September 23, 2010, CZK 2.8 billion (approximately US\$ 152.4 million) has been drawn. The facility matures on April 30, 2012, subject to a potential extension of one year. Interest under the facility is calculated at a rate per annum of 4.90% above PRIBOR. The repayment of the loan will commence 12 months from the date of the Erste Facility, in four semi-annual instalments of 15.0% each and one instalment of 40.0% on the maturity date (assuming no extension). CET 21 may be required to prepay amounts drawn in the event of specified changes of control. The Original Guarantors have agreed to guarantee the obligations of CET 21 under the Erste Facility by entering into an interest rate swap agreement (see Note 16, "Subsequent Events"). As security for the facility, CET 21 has pledged substantially all of its

assets, including its 100.0% ownership interest in CME Slovak Holdings and its ownership interest in 100.0% of the registered capital of Jyxo and BLOG. In addition, CME Investments has granted security over the receivables under inter-group loans made to CET 21 and Markiza, respectively. The Erste Facility contains customary representations, warranties, covenants and events of default. The covenants include limitations on CET 21's ability to carry out certain types of transactions, incur additional indebtedness, make disposals and create liens.

Long-term debt—related parties

	December 31, 2009	December 31, 2008
Long-term debt—related parties(e - g)	\$555,896	\$587,219
Total long-term debt—related parties	\$555,896	\$587,219

(e) As of December 31, 2009, CET 21 owed CZK 9.7 billion (approximately US\$ 528.1 million) to CME Investments under a loan that bears interest at a fixed rate of 9.0% and has a maturity date of May 2, 2015. Previously, the debt was owed to CME BV and at December 31, 2008 the principal owed was CZK 10.7 billion (approximately US\$ 553.0 million). Interest of CZK 883.7 million (approximately US\$ 46.4 million), CZK 961.8 million (approximately US\$ 56.3 million) and CZK 961.8 million (approximately US\$ 47.4 million) was incurred on this loan in 2009, 2008 and 2007, respectively.

Accrued interest of CZK 217.2 million (approximately US\$ 11.7 million) and CZK 240.5 million (approximately US\$ 12.3 million) was included within accounts payable and accrued liabilities as at December 31, 2009 and 2008, respectively.

(f) As of December 31, 2009, Markiza owed EUR 21.0 million (approximately US\$ 27.8 million) to CME Investments under a loan that bears interest at a fixed rate of 7.55% and has a maturity date of November 23, 2013. The balance as of December 31, 2008 was EUR 25.0 million (approximately US\$ 34.2 million). Interest of EUR 1.7 million (approximately US\$ 2.3 million) and EUR 0.1 million (approximately US\$ 0.1 million) was incurred on this loan in 2009 and 2008, respectively. Accrued interest of EUR 0.1 million (approximately US\$ 0.1 million) was included within accounts payable and accrued liabilities as at December 31, 2009 and 2008.

(g) As of January 1, 2008, Markiza owed SKK 114.2 million (approximately US\$ 5.0 million) to CME BV under a loan that bore a fixed interest rate of 2.0%. The loan was fully repaid in February 2008. Interest of SKK 1.2 million (approximately US\$ 56 thousand) and SKK 34.6 million (approximately US\$ 1.4 million) was incurred on this loan in 2008 and 2007, respectively.

BMG

CME BV has an uncommitted multicurrency overdraft facility for EUR 5.0 million (approximately US\$ 7.2 million) from Bank Mendes Gans ("BMG"), a subsidiary of ING Bank N.V. ("ING"), as part of a cash pooling arrangement. The cash pooling arrangement with BMG enables CME BV and its wholly owned subsidiaries, which include all members of the CET 21 Group, to receive credit in respect of cash balances which the wholly owned subsidiaries deposit with BMG. Cash deposited by CME BV's subsidiaries with BMG is pledged as security against the drawings of other subsidiaries up to the amount deposited.

As at December 31, 2009, the net deposits made by the CET Group in the BMG cash pool was US\$ 3.3 million.

Debt maturities for the next five years are as follows:

2010	\$ 78,942
2011	—
2012	—
2013	27,804
2014	—
Thereafter	528,092
Total	\$634,838

7. Accounts receivable

Accounts receivable comprised the following at December 31, 2009 and December 31, 2008:

	December 31, 2009	December 31, 2008
Third-party customers	\$77,530	\$87,744
Less allowance for bad debts and credit notes	(2,201)	(2,110)
Related parties	589	15
Less allowance for bad debts and credit notes	—	—
Total accounts receivable	\$75,918	\$85,649

Bad debt expense for the year ending December 31, 2009 and 2008 was US\$ 0.2 million and US\$ 0.1 million, respectively and in 2007, a net recovery of US\$ 0.3 million of amounts previously written off.

As at December 31, 2009, CZK 713.5 million (approximately US\$ 38.8 million) of receivables were pledged as collateral subject to a factoring agreement.

8. Other assets

Other current and non-current assets comprised the following at December 31, 2009 and December 31, 2008:

	December 31, 2009	December 31, 2008
Current:		
Productions in progress	\$10,989	\$13,690
Other prepaid expenses	1,984	5,111
Income taxes recoverable	4,648	10
Deferred tax	328	485
VAT recoverable	1,638	391
Capitalized debt costs	1,449	—
Other	280	198
Total other current assets	\$21,316	\$19,885

	December 31, 2009	December 31, 2008
Non-current:		
Deferred tax	286	—
Productions in progress	3,631	—
Capitalized debt costs	1,932	—
Other	155	132
Total other non-current assets	\$6,004	\$132

9. Property, plant and equipment

Property, plant and equipment comprised the following at December 31, 2009 and December 31, 2008:

	December 31, 2009	December 31, 2008
Land and buildings	\$ 67,586	\$ 55,450
Machinery, fixtures and equipment	134,061	116,273
Other equipment	9,196	10,987
Software licenses	14,191	11,751
Construction in progress	8,167	10,711
Total cost	\$ 233,201	\$ 205,172
Less: Accumulated depreciation	(129,673)	(104,184)
Total net book value	\$ 103,528	\$ 100,988

Depreciation expense for the years ending December 31, 2009, 2008 and 2007 was US\$ 24.9 million, US\$ 24.5 million and US\$ 14.1 million, respectively.

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprised the following at December 31, 2009 and December 31, 2008:

	December 31, 2009	December 31, 2008
Accounts payable	\$19,665	\$15,751
Programming liabilities	19,317	9,596
Duties and other taxes payable	5,253	5,098
Accrued staff costs	4,810	8,818
Accrued interest payable	12,017	12,620
Income taxes payable	168	3,478
Accrued production costs	2,723	2,915
Accrued legal and professional fees	975	683
Authors' rights	1,349	991
Other accrued liabilities	12,695	3,292
Total accounts payable and accrued liabilities	\$78,972	\$63,242

11. Other liabilities

Other current and non-current liabilities comprised the following as at December 31, 2009 and 2008:

	December 31, 2009	December 31, 2008
Current:		
Deferred revenue	\$2,648	\$3,855
Consideration payable	1,470	—
Deferred tax	678	91
Other	2,258	153
Total other current liabilities	\$7,054	\$4,099

	December 31, 2009	December 31, 2008
Non-current:		
Deferred tax	\$48,924	\$47,810
Programming liabilities	—	516
Consideration payable	—	1,396
Other	—	12
Total other non-current liabilities	\$48,924	\$49,845

12. Income taxes

The Czech Republic and non-Czech Republic components of income before income taxes are:

	For the years ended December 31,		
	2009	2008	2007
Domestic	\$55,192	\$53,314	\$ 87,953
Foreign	(252)	5,619	32,776
Total	\$54,940	\$58,933	\$120,729

In 2008, we recognized an impairment loss against our equity method investment for which there was no tax credit.

The Czech Republic and non-Czech Republic components of the provision for income taxes consists of:

	For the years ended December 31,		
	2009	2008	2007
Current income tax expense:			
Domestic	\$10,613	\$25,022	\$22,905
Foreign	1,367	8,615	7,334
	\$11,980	\$33,637	\$30,239
Deferred tax expense/(benefit):			
Domestic	\$ 298	\$ (3,585)	\$ (8,850)
Foreign	(1,097)	(1,258)	(478)
	(799)	(4,843)	(9,328)
Provision for income taxes	\$11,181	\$28,794	\$20,911

Components of deferred tax assets and liabilities

The following table shows the significant components included in deferred income taxes as at December 31, 2009 and 2008:

	December 31, 2009	December 31, 2008
Assets:		
Tax benefit of loss carry-forwards and other tax credits	\$ 596	\$ 866
Programming rights	869	1,332
Other	566	763
Gross deferred tax assets	2,031	2,961
Valuation allowance	(596)	(866)
Net deferred tax assets	1,435	2,095
Liabilities:		
Broadcast licenses, trademarks and customer relationships	\$43,068	\$43,969
Property, plant and equipment	4,801	5,308
Other	2,552	234
Total deferred tax liabilities	\$50,421	\$49,511
Net deferred income tax liability	\$48,986	\$47,416

The CET Group had the following movements on valuation allowances:

Balance at December 31, 2007	\$ 933
Credit to costs and expenses	(67)
Balance at December 31, 2008	\$ 866
Credit to costs and expenses	(270)
Balance at December 31, 2009	\$ 596

As of December 31, 2009 the CET Group has operating loss carry-forwards that will expire in the following periods:

Year	2010	2011	2012	2013	2014
Czech Republic	\$3,059	\$31	\$43	\$5	\$12

The losses are subject to examination by the tax authorities and to restriction on their utilization. In particular the losses can only be utilized against profits arising in the legal entity in which they arose. The CET Group has provided valuation allowances against the above operating loss carry-forwards as management considers it more likely than not that the CET Group will fail to utilize these tax benefits.

The CET Group's subsidiaries file income tax returns in the Czech Republic and the Slovak Republic. As at December 31, 2009, the CET Group's subsidiaries are generally no longer subject to income tax examinations for years before:

Country	Year
Czech Republic	2006
Slovak Republic	2004

13. Interest expense

Interest expense comprised the following for the years ended December 31, 2009, 2008 and 2007:

	For the year ended December 31,		
	2009	2008	2007
Interest on long-term debt—related parties	\$48,677	\$56,703	\$48,774
Interest on credit facilities—third parties	2,477	1,148	354
Total interest expense	\$51,154	\$57,851	\$49,128

14. Commitments and contingencies

Commitments

(a) Station programming rights agreements

At December 31, 2009, the CET Group had US\$ 95.6 million of commitments in respect of future programming, including contracts signed with license periods starting after the balance sheet date. Of this amount, US\$ 38.6 million is payable within one year.

(b) Operating lease commitments

For the years ended December 31, 2009, 2008 and 2007 the CET Group incurred aggregate rent on all facilities of US\$ 5.9 million, US\$ 6.9 million and US\$ 6.9 million, respectively. Future minimum operating lease payments at December 31, 2009 for non-cancellable operating leases with remaining terms in excess of one year (net of amounts to be recharged to third parties) are payable as follows:

	December 31, 2009
2010	3,172
2011	2,626
2012	1,927
2013	1,272
2014	868
2015 and thereafter	2,079
Total	\$11,944

Factoring of trade receivables

CET 21 has a working capital credit facility of CZK 250 million (approximately US\$ 13.6 million) with CS. This facility is secured by a pledge of receivables under the factoring agreement with FCS (see Note 6, "Debt").

15. Related party transactions

Related party transactions

CME Ltd. and subsidiaries

The CET Group enters into transactions with other subsidiaries of CME Ltd.

Acquisitions and disposals

On November 10, 2007 CET 21 acquired CME Slovak Holdings BV from CME Ltd. and on December 9, 2009 CET 21 acquired Media Pro Pictures s.r.o. from CME Media Pro BV. (See note 3, "Acquisitions and Disposals").

The CET Group sold its investment in Innova to CME BV on November 16, 2009. (See note 5, "Investments").

Debt

The CET Group has entered into a variety of loan agreements with other companies owned by CME Ltd. These agreements (as well as outstanding balances under the agreements) are described in Note 6, "Debt".

Loans receivable

In 2006, CET 21 lent CZK 3.0 billion (approximately US\$ 143.7 million) to CME BV at a fixed interest rate of 9.0%. This amount was repaid in full in October 2007 and CZK 150.4 million (approximately US\$ 7.4 million) of interest income was recognized on this loan in 2007.

Sales and purchases

The CET Group purchased programming from other members of the CME Ltd. group with a value of approximately US\$ 1.3 million in 2009. There were no such transactions in 2008 or 2007.

The CET Group purchased various services from other members of the CME Ltd. group with a value of approximately US\$ 3.8 million, US\$ 0.9 million and US\$ 1.6 million in 2009, 2008 and 2007, respectively. The total amount payable was US\$ 2.8 million and US\$ 0.8 million at December 31, 2009 and 2008, respectively.

The CET Group provided services to other members of the CME Ltd. group with a value of approximately US\$ 0.9 million, US\$ 0.1 million and US\$ 0.1 million in 2009, 2008 and 2007, respectively. The total amount receivable for these services was US\$ 0.5 million and US\$ 16 thousand as at December 31, 2009 and 2008, respectively.

Other related parties

The CET 21 Group has entered into transactions with various organizations and individuals that are considered to be related parties: Adrian Sarbu, an Executive Director of CET 21, CME Ltd.'s President and Chief Executive Officer and a member of CME Ltd.'s Board of Directors; Time Warner, beneficial owners of approximately 31.0% of CME Ltd.'s outstanding shares with the right to nominate two members of CME Ltd.'s Board of Directors; Igor Kolomoisky, beneficial owner of approximately 2.5% of CME Ltd.'s shares of Class A common stock and a member of CME Ltd.'s Board of Directors.

Adrian Sarbu

The CET Group purchased programming from companies related to or connected with Mr. Sarbu with a value of approximately US\$ 0.5 million, US 4.6 million and US\$ 0.7 million in 2009, 2008 and 2007, respectively. The total amount payable as at December 31, 2009 and 2008 was US\$ nil and US\$ 0.4 million, respectively.

Time Warner

The CET Group purchased programming from companies related to or connected with Time Warner with a value of approximately US\$ 3.5 million, US\$ 71.1 million and US\$ 5.0 million in 2009, 2008 and 2007, respectively. The total amount payable as at December 31, 2009 and 2008 was US\$ 7.0 million and US\$ 3.6 million, respectively.

Igor Kolomoisky

The CET Group acquired a 21.7% interest in Innova on June 30, 2008 from Igor Kolomoisky for cash consideration of US\$ 40.9 million.

16. Subsequent events

Credit facilities

On February 16, 2010 the aggregate commitment by the lenders under the Erste Facility to CET 21 increased from CZK 2.5 billion (approximately US\$ 136.1 million) to CZK 2.8 billion (approximately US\$ 152.4 million). As of February 22, 2010, CET 21 had drawn CZK 2.8 billion (approximately US\$ 152.4 million) under the Erste Facility which remains outstanding as at September 30, 2010. Drawings were used to refinance certain existing indebtedness of CET 21 to CS and to repay certain indebtedness of CET 21.

On February 9, 2010, CET 21 entered into an interest rate swap agreement with Unicredit and CS until 2013 to convert CZK 1.5 billion (approximately US\$ 81.7 million) of the Erste Facility from a floating rate of 3 month PRIBOR (plus margin) to a fixed interest rate of 2.730% per annum (plus margin). The notional amounts swapped decline in line with the planned amortisation of the loan and extension option. The fair value of the interest rate swap will be recorded on the Consolidated Balance Sheet and any adjustments to the fair value will be recorded in the Consolidated Statement of Operations.

The CET Group has evaluated subsequent events through September 30, 2010 the date on which the CET Group's financial statements were available to be issued.

CET 21 spol. s r.o.
Unaudited condensed consolidated balance sheets
(US\$ 000's)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 22,954	\$ 24,873
Accounts receivable, net (Note 5)	69,818	75,918
Program rights, net	29,224	29,382
Prepaid programming	21,300	31,567
Other current assets (Note 6)	16,990	21,316
Total current assets	160,286	183,056
Non-current assets		
Property, plant and equipment, net (Note 7)	84,555	103,528
Program rights, net	101,163	101,366
Goodwill (Note 3)	876,075	1,001,941
Broadcast licenses and other intangible assets, net (Note 3)	202,272	241,065
Other non-current assets (Note 6)	2,674	6,004
Total non-current assets	1,266,739	1,452,904
Total assets	\$1,427,025	\$1,635,960
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 69,566	\$ 78,972
Current portion of Long-term debt—third parties (Note 4)	40,101	78,942
Other current liabilities (Note 9)	14,208	7,054
Total current liabilities	123,875	164,968
Non-current liabilities		
Long-term debt—related parties (Note 4)	411,129	555,896
Long-term debt—third parties (Note 4)	93,570	—
Other non-current liabilities (Note 9)	43,617	48,924
Total non-current liabilities	548,316	604,820
Commitments and contingencies (Note 12)		
EQUITY		
Share capital	22	22
Additional paid in capital	529,684	529,699
Retained earnings	139,631	140,141
Accumulated other comprehensive income	85,497	196,310
Total equity	754,834	866,172
Total liabilities and equity	\$1,427,025	\$1,635,960

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

CET 21 spol. s r.o.
Unaudited condensed consolidated statements of operations
and comprehensive income
(US\$ 000's)

	For the six months ended June 30,	
	2010	2009
Net revenues	\$ 170,466	\$175,768
Operating expenses		
Operating costs	25,486	23,383
Cost of programming	74,507	64,790
Depreciation of property, plant and equipment	11,571	11,230
Amortization of broadcast licenses and other intangibles (Note 3)	8,257	7,304
Cost of revenues	119,821	106,707
Selling, general and administrative expenses	19,078	15,513
Operating income	31,567	53,548
Interest income	109	230
Interest expense (Note 10)	(25,787)	(24,261)
Foreign currency exchange loss, net	(3,737)	(1,202)
Change in fair value of derivatives (Note 11)	(1,622)	—
Other income/(expense)	294	(279)
Income before tax	824	28,036
Provision for income taxes	(1,334)	(5,486)
Net (loss)/income	\$ (510)	\$ 22,550
Net (loss)/income	(510)	22,550
Currency translation adjustment	(110,813)	42,191
Comprehensive (loss)/income	\$(111,323)	\$ 64,741

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

CET 21 spol. s r.o.
Unaudited condensed consolidated statements of equity
(US\$ 000's)

	Share capital	Additional paid in capital	Retained earnings	Accumulated other comprehensive income	Total Equity
BALANCE, December 31, 2008	\$22	\$521,293	\$164,783	\$151,708	\$837,806
Distributions	—	—	(43,674)	—	(43,674)
Net income	—	—	22,550	—	22,550
Currency translation adjustment	—	—	—	42,191	42,191
BALANCE, June 30, 2009	\$22	\$521,293	\$143,659	\$193,899	\$858,873

	Share capital	Additional paid in capital	Retained earnings	Accumulated other comprehensive income	Total Equity
BALANCE, December 31, 2009	\$22	\$529,699	\$140,141	\$ 196,310	\$ 866,172
Adjustment to Media Pro Pictures s.r.o. purchase accounting	—	(15)	—	—	(15)
Net loss	—	—	(510)	—	(510)
Currency translation adjustment	—	—	—	(110,813)	(110,813)
BALANCE, June 30, 2010	\$22	\$529,684	\$139,631	\$ 85,497	\$ 754,834

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

CET 21 spol. s r.o.
Unaudited condensed consolidated statements of cash flows
(US\$ 000's)

	For the six months ended June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/income	\$ (510)	\$ 22,550
Adjustments to reconcile net (loss)/income to net cash generated from operating activities:		
Depreciation and amortization	70,731	50,169
Loss on disposal of fixed assets	—	295
Change in fair value of derivatives (Note 11)	1,622	—
Foreign currency exchange loss, net	3,737	1,202
Net change in:		
Accounts receivable	(3,246)	12,653
Program rights	(31,580)	(29,579)
Other assets	4,877	(3,074)
Accounts payable and accrued liabilities	(21,559)	(3,620)
Income taxes payable	(1,204)	(8,194)
Other current liabilities	629	516
Net cash generated from operating activities	23,497	42,918
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(9,119)	(11,028)
Proceeds from disposal of property, plant and equipment	—	665
Payment of deferred consideration	(1,296)	—
Net cash used in investing activities	(10,415)	(10,363)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from credit facilities	150,513	53,945
Payments made on credit facilities	(78,062)	(39)
Payments made on loans from related parties	(84,390)	(50,584)
Net cash (used in)/received from financing activities	(11,939)	3,322
Impact of exchange rate fluctuations on cash	(3,062)	1,719
Net (decrease)/increase in cash and cash equivalents	(1,919)	37,595
CASH AND CASH EQUIVALENTS, beginning of period	24,873	30,637
CASH AND CASH EQUIVALENTS, end of period	\$ 22,954	\$ 68,233

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

CET 21 spol. s r.o.
Notes to unaudited condensed consolidated
financial statements
(Tabular amounts in US\$ 000's)

1. Organization and business

Central European Media Enterprises Ltd. ("CME Ltd."), a Bermuda corporation, was formed in June 1994 and its assets are held through a series of Dutch and Netherlands Antilles holding companies. CME Ltd. is a vertically integrated media group operating leading broadcasting, internet and TV content businesses in Central and Eastern Europe.

CET 21 spol. s r.o. (including its consolidated subsidiaries, the "CET Group") is 99.996% owned by CME Media Enterprises BV ("CME BV") and 0.004% owned by CME Investments BV ("CME Investments"), which are both wholly owned subsidiaries of CME Ltd.

The CET Group was comprised of the following significant legal entities as at June 30, 2010:

Group Name	Effective voting interest	Jurisdiction of organization	Type of affiliate
CET 21 spol. s r.o. ("CET 21")		Czech Republic	Parent
Jyxo, s.r.o. ("Jyxo")	100.00%	Czech Republic	Subsidiary
BLOG Internet, s.r.o. ("BLOG Internet")	100.00%	Czech Republic	Subsidiary
Media Pro Pictures s.r.o.	100.00%	Czech Republic	Subsidiary
CME Slovak Holdings B.V. ("CME Slovak Holdings") . . .	100.00%	Netherlands	Subsidiary
A.R.J., a.s.	100.00%	Slovak Republic	Subsidiary
MARKÍZA-SLOVAKIA, spol. s r.o. ("Markiza")	100.00%	Slovak Republic	Subsidiary
MEDIA INVEST, spol. s r.o.	100.00%	Slovak Republic	Subsidiary

All subsidiaries have been consolidated in the financial statements.

CET 21 holds the broadcast licenses for and operates two national television channels in the Czech Republic, TV NOVA (Czech Republic) and NOVA CINEMA, and two cable/satellite channels, NOVA SPORT and MTV CZECH. In addition, the CET Group holds the broadcast licenses for and operates the national television channel in the Slovak Republic, TV MARKIZA and a female-orientated cable channel, DOMA.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The functional currency of the CET Group is the Czech Koruna. The consolidated financial statements are presented in US Dollars (US\$).

The main exchange rates against the US Dollar used in the preparation of the consolidated balance sheets and consolidated statements of operations are:

	Consolidated balance sheets		Consolidated statements of operations	
	June 30, 2010	December 31, 2009	For the six months ended June 30,	
			2010	2009
CZK	20.95	18.37	19.44	20.41
EUR	0.81	0.69	0.75	0.75

The significant accounting policies are summarized as follows:

Basis of presentation

The CET Group has historically operated as an integrated part of CME Ltd. These consolidated financial statements have been prepared on a “carve-out” basis from the consolidated financial statements of CME Ltd. to represent the financial position and performance of the CET Group as if it had existed on a stand-alone basis as of December 31, 2009 and June 30, 2010 and for the six months ended June 30, 2010 and 2009. The consolidated financial statements have been derived by extracting the assets, liabilities, revenues and expenses directly attributable to the CET Group from the assets, liabilities, revenues and expenses reflected in the accounting records of CME Ltd. on a legal entity basis. The CET Group eliminates from its financial results all intercompany transactions between entities included in the consolidated financial statements.

The consolidated financial statements included herein may not necessarily be indicative of the CET Group’s financial position, results of operations, or cash flows had the CET Group operated as a separate entity during the periods presented or for future periods.

These consolidated financial statements reflect all of the assets, liabilities, revenues, expenses, and cash flows of the CET Group after the elimination of intergroup accounts and transactions. The CET Group consolidates the financial statements of entities in which it holds at least a majority voting interest and entities in which it holds less than a majority voting interest but over which it has the ability to exercise control. Entities in which the CET Group holds less than a majority voting interest but over which it exercises significant influence are accounted for using the equity method. Other investments are accounted for using the cost method.

The accompanying unaudited condensed consolidated financial statements for the six months ended June 30, 2010 do not include all of the information and note disclosures required by US GAAP. Amounts as of December 31, 2009 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 the consolidated financial statements of the CET Group for the year ended December 31, 2009. The significant accounting policies have not changed since December 31, 2009, except as noted below.

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 year. Actual results could differ from those estimates.

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. The consolidated results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

Financial instruments

Derivative financial instruments

The CET Group uses derivative financial instruments for the purpose of mitigating interest rate risks, which exist as part of the CET Group's financing arrangements. As a policy, the CET Group does not engage in speculative or leveraged transactions, nor does it hold or issue derivative financial instruments for trading purposes.

These contracts are marked to market at the balance sheet date, and the resultant unrealized gains and losses are recorded in the Condensed Consolidated Statement of Operations, together with realized gains and losses arising on settlement of these contracts.

The CET Group adopted Accounting Standard Update ("ASU") 2010-6, "Improving Disclosures on Fair Value Measurements" on January 1, 2010. There was no impact on the carrying value of the assets or liabilities recognized or results of operations and the relevant disclosure of inputs and valuation techniques is provided in Note 11, "Financial Instruments and Fair Value Measurements" to comply with this ASU.

Income taxes

The Group accounts for income taxes in interim periods in accordance with Accounting Standards Codification ("ASC") 740-270. For interim income tax reporting purposes applicable to ordinary income, the Group generally determines its best estimate of an annual effective tax rate and applies that rate on a year-to-date basis. The Group's calculated estimated annual effective tax rate excludes significant, unusual or infrequently occurring items, jurisdictions for which a reliable estimate cannot be made or where the estimated benefit of losses cannot be recognized, and certain other items excluded in the US GAAP authoritative guidance. The income tax (or benefit) related to all other items is individually computed and recognized when the items occur.

In the six months ended June 30, 2010, the reason for the variation in the customary relationship between income tax expense and pre-tax income for the CET Group is due to the impact of disallowable expenses in the Slovak Republic.

3. Goodwill and intangible assets

Changes in the carrying amount of the goodwill for the six months ended June 30, 2010 are as follows:

Goodwill:

Net balance, December 31, 2009	\$1,001,941
Foreign currency movement	(125,866)
Net balance, June 30, 2010	\$ 876,075

The Group did not record any impairment of goodwill as of June 30, 2010 and December 31, 2009.

No goodwill is expected to be deductible for tax purposes.

Broadcast licenses and other intangible assets:

The net book value of the CET Group's broadcast licenses and other intangible assets as at June 30, 2010 and December 31, 2009 is summarized as follows:

	Amortized broadcast licenses	Trademarks	Customer relationships	Other	Total
Balance, December 31, 2009	\$153,417	\$35,329	\$51,904	\$415	\$241,065
Amortization	(4,920)	(749)	(2,564)	(24)	(8,257)
Foreign currency movements	(18,885)	(4,447)	(7,216)	12	(30,536)
Balance, June 30, 2010	\$129,612	\$30,133	\$42,124	\$403	\$202,272

Broadcast licenses have an economic useful life of, and are amortized on a straight-line basis over, 12 - 23 years.

Customer relationships are deemed to have an economic useful life of, and are amortized on a straight-line basis over, five to eight years. Trademarks have an indefinite life, with the exception of those acquired trademarks which we do not intend to use, which have an economic life of, and are being amortized over, between two and five years using the declining balance method and the blog.cz acquired trademark which is being amortized over its useful economic life of 5 years.

The gross value and accumulated amortization of broadcast licenses and other intangible assets was as follows at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
Gross value	\$298,014	\$ 342,156
Accumulated amortization	(95,742)	(101,091)
Total broadcast licenses and othe amortized intangible assets, net . . .	\$202,272	\$ 241,065

4. Debt

Our total debt comprised the following as at June 30, 2010 and December 31, 2009:

Total debt

	Carrying value		Fair value	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Credit Facilities (a - d)	\$133,671	\$ 78,942	\$133,671	\$ 78,942
Long-term debt to related parties	411,129	555,896	409,477	556,331
	\$544,800	\$634,838	\$543,148	\$635,273

Long-term debt—third parties

	June 30, 2010	December 31, 2009
Credit Facilities (a - d)	\$133,671	\$ 78,942
Less current	(40,101)	(78,942)
Total long-term debt—third parties	\$ 93,570	\$ —

(a) On December 21, 2009, CET 21 entered into a Facility Agreement (“the “Erste Facility”) for up to CZK 3.0 billion (approximately US\$ 143.2 million) with Erste Group Bank A.G. as arranger, CS as facility agent and security agent, and each of CS, UniCredit Bank Czech Republic, a.s. and BNP Paribas as original lenders. CME Ltd. and certain of its subsidiaries, namely CME Slovak Holdings, CME BV, CME Investments and Markiza, are guarantors under the Erste Facility (together, the “Original Guarantors”). The facility became available for drawing on January 18, 2010. On February 16, 2010, the aggregate commitment by the lenders under the Erste Facility to CET 21 increased from CZK 2.5 billion (approximately US\$ 136.1 million) to CZK 2.8 billion (approximately US\$ 152.4 million). As of June 30, 2010, CZK 2.8 billion (approximately US\$ 152.4 million) had been drawn. The facility matures on April 30, 2012, subject to a potential extension of one year. Interest under the facility is calculated at a rate per annum of 4.90% above PRIBOR. The repayment of the loan will commence 12 months from the date of the Erste Facility, in four semi-annual instalments of 15.0% each and one instalment of 40.0% on the maturity date (assuming no extension). CET 21 may be required to prepay amounts drawn in the event of specified changes of control. The Original Guarantors have agreed to guarantee the obligations of CET 21 under the Erste Facility by entering into an interest rate swap agreement (see Note 11, “Fair Value Measurements”). As security for the facility, CET 21 has pledged substantially all of its assets, including its 100.0% ownership interest in CME Slovak Holdings and its ownership interest in 100.0% of the registered capital of Jyxo and BLOG. In addition, CME Investments has granted security over the receivables under inter-group loans made to CET 21 and Markiza, respectively. The Erste Facility contains customary representations, warranties, covenants and events of default. The covenants include limitations on CET 21’s ability to carry out certain types of transactions, incur additional indebtedness, make disposals and create liens.

(b) As at June 30, 2010 and December 31, 2009, there were no drawings under a CZK 300.0 million (approximately US\$ 14.3 million) factoring facility with Factoring Ceska Sportelna (“FCS”) available until September 30, 2011. The facility bears interest at one-month PRIBOR plus 1.40% for the period that actively assigned accounts receivable are outstanding.

(c) A CZK 1.2 billion (approximately US\$ 64.6 million at the date of repayment) (December 31, 2009: CZK 1.2 billion (US\$ 65.3 million) credit facility granted to CET 21 by CS was repaid in full with the drawings under the Erste Facility on February 22, 2010 and was subsequently cancelled.

(d) The CZK 250.0 million (approximately US\$ 13.5 million at the date of repayment) (December 31, 2009: CZK 250.0 million (US\$ 13.6 million) working capital facility of CET 21 with CS was repaid in full with the drawings under the Erste Facility on February 22, 2010 and was subsequently cancelled.

Long-term debt—related parties

	June 30, 2010	December 31, 2009
Long-term debt—related parties (e - g)	\$411,129	\$555,896
Total long-term debt—related parties	\$411,129	\$555,896

(e) As of June 30, 2010, CET 21 owed CZK 8.1 billion (approximately US\$ 384.5 million) (December 31, 2009: CZK 9.7 billion (US\$ 528.1 million)) to CME Investments under a loan that bears interest at a fixed rate of 9.0% and has a maturity date of May 2, 2015.

Interest of CZK 383.5 million (approximately US\$ 19.8 million) and CZK 449.2 million (approximately US\$ 22.0 million) was incurred on this loan in the six months ended June 30, 2010 and 2009, respectively. Accrued interest of CZK 186.0 million (approximately US\$ 8.9 million) and CZK 217.2 million (approximately US\$ 11.7 million) was included within accounts payable and accrued liabilities at June 30, 2010 and December 31, 2009 respectively.

(f) As of June 30, 2010, Markiza owed EUR 21.0 million (approximately US\$ 25.8 million) to CME Investments under a loan that bears interest at a fixed rate of 7.55% and has maturity date of November 23, 2013. The balance as of December 31, 2009 was EUR 21.0 million (approximately US\$ 27.8 million).

Interest expense of EUR 1.0 million (approximately US\$ 1.2 million) and EUR 1.0 million (approximately US\$ 1.4 million) was incurred on this loan in the six months ended June 30, 2010 and 2009, respectively. Accrued interest of EUR 0.1 million (approximately US\$ 0.2 million) and EUR 0.1 million (approximately US\$ 0.1 million) was included within accounts payable and accrued liabilities as at June 30, 2010 and December 31, 2009, respectively.

(g) As of June 30, 2010, MPP Praha owed EUR 0.5 million (approximately US\$ 0.6 million) to CME Media Pro BV, a wholly owned subsidiary of CME Ltd, under a loan that bears interest at a fixed rate of 9.75% and has a maturity date of January 13, 2015 (December 31, 2009: US\$ nil).

Interest expense of EUR 19 thousand (approximately US\$ 25 thousand) was incurred on this loan in the six months ended 2010. Accrued interest of EUR 19 thousand (approximately US\$ 23 thousand) was included within accounts payable and accrued liabilities as at June 30, 2010.

BMG

CME BV has an uncommitted multicurrency overdraft facility for EUR 5.0 million (approximately US\$ 6.1 million) from Bank Mendes Gans (“BMG”), a subsidiary of ING Bank N.V. (“ING”), as part of a cash pooling arrangement. The cash pooling arrangement with BMG enables CME BV and its wholly owned subsidiaries, which include all members of the CET Group, to receive credit in respect of cash balances which the wholly owned subsidiaries deposit with BMG. Cash deposited by CME BV’s subsidiaries with BMG is pledged as security against the drawings of other subsidiaries up to the amount deposited.

As at June 30, 2010 the net deposits made by the CET Group in the BMG cash pool was US\$ 0.3 million.

Debt maturities for the next five years are as follows:

2010	\$ 20,051
2011	40,101
2012	73,519
2013	26,621
2014	—
Thereafter	384,508
Total	\$544,800

5. Accounts receivable

Accounts receivable comprised the following at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
Third-party customers	\$71,851	\$77,530
Less allowance for bad debts and credit notes	(2,410)	(2,201)
Related parties	377	589
Less allowance for bad debts and credit notes	—	—
Total accounts receivable	\$69,818	\$75,918

At June 30, 2010, CZK 434.5 million (approximately US\$ 20.7 million) of receivables were pledged as collateral subject to the Erste Facility. See Note 4, "Debt".

6. Other assets

Other current and non-current assets comprised the following at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
Current:		
Productions in progress	\$ 6,220	\$10,989
Other prepaid expenses	2,262	1,984
Income taxes recoverable	5,185	4,648
Deferred tax	1,201	328
VAT recoverable	404	1,638
Capitalized debt costs	1,279	1,449
Other	439	280
Total other current assets	\$16,990	\$21,316
Non-current:		
Deferred tax	285	286
Productions in progress	998	3,631
Capitalized debt costs	1,256	1,932
Other	135	155
Total other non-current assets	\$2,674	\$6,004

7. Property, plant and equipment

Property, plant and equipment comprised the following at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
Land and buildings	\$ 61,207	\$ 67,586
Machinery, fixtures and equipment	113,246	134,061
Other equipment	6,736	9,196
Software licenses	13,078	14,191
Construction in progress	7,737	8,167
Total cost	\$ 202,004	\$ 233,201
Less: Accumulated depreciation	(117,449)	(129,673)
Total net book value	\$ 84,555	\$ 103,528

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprised the following at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
Accounts payable	\$16,085	\$19,665
Programming liabilities	18,085	19,317
Duties and other taxes payable	5,931	5,253
Accrued staff costs	4,241	4,810
Accrued interest payable	9,064	12,017
Income taxes payable	54	168
Accrued production costs	4,455	2,723
Accrued legal and professional fees	1,158	975
Authors' rights	2,097	1,349
Other accrued liabilities	8,396	12,695
Total accounts payable and accrued liabilities	\$69,566	\$78,972

9. Other liabilities

Other current and non-current liabilities comprised the following as at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
Current:		
Deferred revenue	\$10,666	\$2,648
Consideration payable	—	1,470
Deferred tax	696	678
Other	2,846	2,258
Total other current liabilities	\$14,208	\$7,054
Non-current:		
Deferred tax	\$42,016	\$48,924
Derivative liabilities	1,601	—
Total other non-current liabilities	\$43,617	\$48,924

10. Interest expense

Interest expense comprised the following for the six months ended June 30, 2010 and 2009:

	For the six months ended June 30,	
	2010	2009
Interest on long-term debt—related parties	\$20,799	\$23,170
Interest on credit facilities—third parties	4,255	1,091
Amortization of capitalized debt costs	733	—
Total interest expense	\$25,787	\$24,261

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 established in ASC 820-10-35 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.

At June 30, 2010, we did not have any financial assets or liabilities carried at fair value using significant level 1 or level 3 inputs and the only instrument we value using level 2 inputs is the following interest rate swap agreement:

Interest rate swap

On February 9, 2010, the CET Group entered into an interest rate swap agreement with UniCredit and CS expiring in 2013 to convert CZK 1.5 billion (approximately US\$ 71.6 million) of the Erste Facility from a floating rate of three month PRIBOR (plus a margin) to a fixed interest rate of 2.73% per annum (plus a margin). The notional amounts swapped decline in line with the planned amortization of the loan and the extension option. The interest rate swap is a financial instrument that is used to reduce interest rate risk and is considered an economic hedge. The interest rate swap has not been designated as a hedging instrument so changes in the fair value of the derivative are recorded in the condensed consolidated statement of operations and in the condensed consolidated balance sheet in other non-current liabilities.

The CET Group values the interest rate swap agreement 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 PRIBOR-based yield curve. This instrument is 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 instrument, are readily observable.

The fair value of the interest rate swap as at June 30, 2010 was a US\$ 1.6 million liability. A derivative loss of US\$ 1.6 million was recognized in the condensed consolidated statement of operations for the six months ended June 30, 2010.

12. Commitments and contingencies

Commitments

(a) Station programming rights agreements

At June 30, 2010, the CET Group had US\$ 115.7 million of commitments in respect of future programming, including contracts signed with license periods starting after the balance sheet date. Of this amount, US\$ 26.7 million is payable within one year.

(b) Operating lease commitments

For the six months ended June 30, 2010 and 2009 the CET Group incurred aggregate rent on all facilities of US\$ 1.9 million and US\$ 2.1 million, respectively. Future minimum operating

lease payments at June 30, 2010 for non-cancellable operating leases with remaining terms in excess of one year (net of amounts to be recharged to third parties) are payable as follows:

	June 30, 2010
2010	1,470
2011	2,609
2012	1,817
2013	681
2014	617
2015 and thereafter	1,338
Total	\$8,532

Factoring of trade receivables

The Erste Facility is secured by a pledge of receivables under a factoring agreement. At June 30, 2010, CZK 434.5 million (approximately US\$ 20.7 million) of receivables were pledged as collateral under this agreement (see Note 4 (a), "Debt").

13. Related party transactions

Related party transactions

CME Ltd. and subsidiaries

The CET Group enters into transactions with other subsidiaries of CME Ltd.

Debt

The CET Group has entered into a variety of debt agreements with other companies owned by CME Ltd. These agreements (as well as outstanding balances under the agreements) are described in Note 4, "Debt".

Sales and purchases

The CET Group enters into transactions with CME Ltd. and its subsidiaries. The CET Group purchased programming from CME Ltd. and its subsidiaries with a value of approximately US\$ 0.1 million and US\$ 0.3 million in the six months ended June 30, 2010 and 2009, respectively. The total amount payable was US\$ 0.9 million at June 30, 2010 and US\$ nil at December 31, 2009.

Furthermore the CET Group purchased various services from CME Ltd. and its subsidiaries with a value of approximately US\$ 3.5 million and US\$ 0.7 million in the six months ended June 30, 2010 and 2009, respectively. The total amount payable was US\$ 3.0 million at June 30, 2010 and US\$ 2.8 million at December 31, 2009.

Other related parties

In the ordinary course of business, the CET Group also has transactions with various organizations and individuals that are considered to be related parties: Adrian Sarbu, an Executive Director of CET 21, CME Ltd.'s President and Chief Executive Officer and a member of CME Ltd.'s Board of Directors; Time Warner, beneficial owners of approximately 31.0% of

CME Ltd's outstanding shares with the right to nominate two members of CME Ltd's Board of Directors.

Adrian Sarbu

The CET Group purchased services from companies related to or connected with Mr. Sarbu in the six months ended June 30, 2010 and 2009 with a value of approximately US\$ 0.1 million and US\$ 30 thousand, respectively. The total amount payable at June 30, 2010 was US\$ 0.9 million and US\$ nil at December 31, 2009.

Time Warner

The CET Group purchased programming from companies related to or connected with Time Warner in the six months ended June 30, 2010 and 2009 with a value of approximately US\$ 1.2 million and US\$ 1.6 million, respectively. The total amount payable as at June 30, 2010 was US\$ 5.3 million and US\$ 7.0 million at December 31, 2009.

14. Subsequent events

None

The CET Group has evaluated subsequent events through September 30, 2010, the date on which the CET Group's financial statements were available to be issued.