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[translated transcript]

Intro

92 million viewers: this is the audience of the TV channels operated by CME, a media company whose shares are traded at the Prague Stock Exchange.

Preview

CME: a media tiger of Central and Eastern Europe, and one of the fastest-growing companies whose shares are available on the Prague stock market.

Forget stock exchange charts and business results analyses – everything hinges on psychology, says investment psychology expert Gayle Buff.

Discussion

HOST: Today, I would like to welcome to our studio Ms. Romana Tomasova, representing CME management. Analyst's opinion will be provided by Radim Kramule, a stock market analyst from Česká Spořitelna, and stock exchange charts will be explained by Tomáš Nesnídal, an independent trader from the Financnik.cz financial server.

Presentation of CME

Nearly twenty years ago, Ronald Lauder came up with a daring vision of the changes and development in Central and Eastern Europe. The countries who had stood up to the Soviet oppression were now transforming into democratic states, with a growing demand for new, independent television stations. Today, Lauder's vision has become reality, and broadcasts of the CME media group, in which Lauder owns a majority share, air in six Central and Eastern European countries, with over 92 million viewers. In the Czech Republic, CME owns the largest commercial channel, TV Nova, as well as the Galaxie Sport and Nova Cinema channels. Nova actually generates over 33 percent of the group's revenues. Romania came second last year, and the Ukraine third, despite being CME's largest market geographically. CME owns the Markíza and Galaxie Sport TV channels in Slovakia. It further owns TV stations in Croatia, Romania, Slovenia, and the Ukraine. CME's shares are traded on the NASDAQ in the USA, and on the Prague Stock Exchange. Lauder himself owns a controlling interest of 73 percent. 15 percent of the shares are traded on the open market. Business results prove how sound the group's operations are: last year, the company increased its profit by more than 300 percent, to \$2.12 per share. This had been the approximate price of CME's shares in 1999, when the company was cut off from its income in the Czech Republic by the then director of TV Nova, Vladimír Železný. The exchange list of March 27 on the NASDAQ technological market, which trades CME's shares alongside the Prague Stock Exchange, indicates a market price of nearly \$86.

Discussion

HOST: CME has managed to reach up to 90 percent of the local population on any market it has entered. What are the pillars of such success?

TOMASOVA: I would say there are three factors. First, we managed to be in the right place at the right time. Our TV stations were established in the early 1990's when we managed to obtain licenses for terrestrial broadcast. Local management is another pillar of our policy, with CME drawing upon the experience of local experts. We do not try to build a single centralized brand, since every country and every TV channel is specific. Viewers in different countries have different tastes, a different sense of humor. This leads to the last pillar of our

policy – local content production. In countries such as the Czech Republic or Romania, we produce nearly 70 percent of our program content, including TV series, news broadcast, or TV journalism, aired in prime time.

HOST: What has been the source of CME's success from an analyst's perspective?

KRAMULE: I agree with most of the factors mentioned earlier. Another important factor was obviously the fact that CME had entered its current markets shortly after the disintegration of the former Communist block, so that it did not have any major competition, and its commercial approach has helped it to achieve its tremendous success.

HOST: TV Nova is the star of your TV portfolio. Its audience is close to 40 percent, which actually makes it one of the most popular TV channels in the world using this criterion. How has that come to pass?

TOMASOVA: The credit goes to our super-strong creative team. We have managed to build an extremely powerful brand, with powerful newscast, excellent marketing and self-promotion.

HOST: Has CME's success been reflected in the stock exchange charts? What do the charts since the group's introduction to the markets tell us?

NESNIDAL: CETV's shares are under a fairly strong influence of the growth or decline of the NASDAQ technological index, where CME's shares are also listed. Luckily, the increase of the shares' prices had at the time been supported by this growth, catapulting them upwards. This has been influenced by the remarkable coincidence of several positive moments: TV Nova's and CETV's success, which had moreover occurred during a good, prosperous period. At present, however, CETV's shares suffer the misfortune of being dragged down by the gradual, several-month fall in NASDAQ shares. The chart shows that although the market has been growing for a long time, it has declined again, without any signs of...

HOST: Are we now talking about shares traded on NASDAQ? CME's shares are also available in Prague, are they not?

NESNIDAL: I am talking both about CME on the Prague stock market and about CETV on the US stock market. Both charts clearly show the current prevailing downward trend; from the technical standpoint, nothing indicates a reversal in the situation and a subsequent repeated growth.

HOST: A great threat to CME's business operations is the fact that it has been operating on developing markets. This entails growth opportunities but also risks: consider, for example, the growth of inflation in our region, where CME operates. How serious is such a risk, according to you? What importance should investors ascribe to it?

KRAMULE: Advertising sales are the central source of income for companies in the media sector; these depend on the economic growth and on the way other companies advertise their products through the providers of distribution channels such as the television, or others. Therefore, inflation is just one of the possible negative influences, with economic growth being the primary factor. Therefore, in case of a possible recession within the region, caused by development abroad, or a worldwide recession, we may expect a reduction in advertising

expenses, and consequently a slowdown in the profit growth of such media companies, CME included.

HOST: CME's historic growth has been mostly driven by acquisitions. What acquisitions are you planning for the near future?

TOMASOVA: I would not say that the historic growth has been driven by acquisitions; looking back at our latest acquisitions, the last large acquisition had been TV Nova in 2005, and the repurchase of shares from the Ukrainian minority shareholders. We aim at supporting growth in the markets we operate in, by means of launching new channels focusing on specific demographic groups, developing internet activities, and supporting local production. Acquisitions only come after this. Obviously, we have been checking opportunities in both Central and Eastern Europe, but many of them are no longer viable, since all major TV stations already have large owners.

HOST: However, let us still consider acquisitions. Whenever you try to buy a company, there is always a risk of overpaying. Some analysts point out that you overpaid when buying the minority shares in the Ukraine. What risks do you see when considering CME's acquisition efforts?

KRAMULE: A number of global media groups are aware of the growth in this region. Those groups may further push for higher prices, trying to overbid one another and enter the markets here; so this risk is very palpable. However, valuation is not the only thing we should consider, since it always depends on a given situation. A company in a certain position generates a certain amount of profit, which both determine its value. It is up to the potential buyer to assess the company's future potential and possible future profit, using that as a basis to value its acquisitions.

HOST: There is also another risk: CME focuses mainly on television; however, there is the new phenomenon of the Internet, which has been on the rise even in our region. How serious do you think is the risk that the Internet will gradually replace television in our region, or at least increase its coverage?

KRAMULE: I would actually say that the Internet competes primarily with the printed press. It carries mainly printed information, so the newspaper market is the largest medium which might be possibly affected by the rise of Internet. Television has only come in the second stage of Internet development. Only now have phenomena like YouTube appeared, with people producing their own videos and sharing them freely on the Internet. On the other hand, we should realize that businesses will always advertise their products and need a space to promote them; therefore, I am not afraid of any noticeable influence of the Internet on the media groups. As far as CME is concerned, I am convinced that the Internet may actually present a great opportunity.

HOST: What is your view of the Internet?

TOMASOVA: I absolutely agree with what has just been said. In all of the countries where we are present we try to promote Internet activities heavily, building entertainment portals. Our goal is to become at least number three or better in the Internet sector on every one of our markets.

HOST: Have you also considered starting a news site?

TOMASOVA: Newscast is a key program in any country. People watching your news will usually stick with your channel for the rest of the evening.

HOST: Let's talk about competition now. Who are CME's competitors and in what way may they present a threat?

KRAMULE: I would not say that CME has a single competitor on all markets, since there is no other group similar to CME operating in the region. There are certain local media groups operating in one country but not in another. Our largest competitors are therefore local producers, either owned by local companies or European/global media groups.

HOST: What about economic parameters? How is CME doing compared to its competitors?

KRAMULE: As regards its value, CME offers its investors a substantial growth, as it has proved in the past. We expect this growth to continue, unlike global media groups in Western Europe, so the company offers certain dynamics. There are a few companies listed on the stock market, such as TVN in Poland or CTC in Russia, which could be relatively compared with CME.

HOST: Digital broadcast, and the emergence of new TV channels in the Czech Republic, is fast approaching. To what degree may this be a threat to your position on the market?

TOMASOVA: We do not see the switch to digital broadcast as a threat but rather as an opportunity; so far, we have been prevented from launching new channels on the Czech market. Let us compare, for example, the Czech and Romanian markets. There is a high cable TV coverage in Romania and we have already launched five channels there, one general and four specialized ones. On the Czech market, we have recently added Nova Cinema to Galaxie Sport; however, the lack of a distribution platform has prevented us from expanding our activities further. Therefore, digital broadcast is more of an opportunity than a threat to us.

HOST: How much of the advertising budget spent in the Czech media do you think the new channels will seize?

KRAMULE: I believe they might take up a part of the budget spent in regional companies broadcasting within a certain region only; however, for large advertisers, such as Procter & Gamble or other global corporations, the critical factor is the number of people the company / TV channel is capable of reaching. Until the small channels achieve a certain critical ratings level, the large channels need not be afraid of losing a large chunk of their advertising income.

HOST: CME is one of the fastest growing companies whose shares are traded on the Prague stock market. According to the estimates of the Merrill Lynch investment banking company, the net earnings per share should grow by more than 50 percent over the next few years. Is today's price of CME's shares on the Prague stock market or the NASDAQ too low or too expensive? How important is this parameter for you?

KRAMULE: Based on our valuation, the current price seems fair, neither too high nor too low. With CME, we should take into account other criteria, such as its operating profit, since the

net profit is affected by a number of accounting factors reflected in the profit and loss statement, such as property or debt revaluation. We should realize that while CME's reports use American dollars, its income comes in local currencies; it also has debt in euros, which is subsequently converted to dollars; all of this has a vast impact on the net profit levels. Instead of this highly relative indicator, we recommend considering the company's P/E ratio.

HOST: How is CME doing compared to the development of the entire Czech stock market, and the PX index of the Prague Stock Exchange?

NESNIDAL: CME has indeed fared far better than the entire index. On the other hand, technical analyses indicate that the higher the growth, the steeper the decline in a time of crisis, which is exactly what has occurred now. CME's shares are now falling faster than the index itself, and as I have already said, I see no technical signals of a turn for the better. In my opinion, the current stagnation will continue within the short-term perspective, both with the PX index and CME's shares.

HOST: We have mentioned repeatedly that CME's shares are traded both on the NASDAQ stock exchange and on the Prague Stock Exchange. What leads companies to trade their shares on multiple markets?

TOMASOVA: The listing on the Prague Stock Exchange was an opportunity to diversify our shareholder base. Back in 2005, over 90 percent of our shareholders came from the USA. Thanks to the Prague Stock Exchange listing, this ratio has shifted in favor of European shareholders, so that approximately 30 percent of our current shareholders are European companies.

HOST: To what extent is the price of CME's shares in Prague, listed in Czech crowns, affected by the development on NASDAQ?

KRAMULE: I think that this does not concern just CME; however, the American listing has a tremendous influence. I would say that the price is primarily determined on NASDAQ. As Ms. Tomasova has already mentioned, we should realize that most of our investors are Americans, so that most of the trading also takes place on NASDAQ: according to our estimates, 80 percent of our shares are traded in the US and 20 percent in Europe. Therefore, the price development in Prague depends largely on the price at which NASDAQ closed the previous day.

HOST: Thank you for now.

Story – Investment Psychology

HOST: Corporate economic results, stock exchange charts... but what impact does psychology have on investments? That was our first question for investment psychologist Gayle Buff.

BUFF: I believe that psychology is crucial in any investment. If you are not in touch with your inner feelings you will either move in a group of people who are extremely afraid or those who are greedy and uncaring. Both are extremes. Keeping a clear head when looking at the market, analyzing rather than reacting, thinking and planning ahead makes you a far more

successful investor – one who keeps their emotion always under control. The market is constantly changing and evolving. You should learn to adapt to this, to modify and alter your plans depending on the development. You shouldn't let your emotion guide your reactions.

REPORTER: How do I get the market on my side?

BUFF: Before you enter the market, you should learn to understand yourself; you need to know what you want and realize the difference between long-term investing and speculative gambling. While you shouldn't succumb to your emotions, it doesn't mean that you should suppress your feelings. Those have to come from within. You need to be very observant to make a sound investment decision. Investing is a process; you need to know what you are doing, why and how you are doing it.

REPORTER: What do I need to become a successful investor?

BUFF: The most important thing is being able to tolerate a certain degree of uncertainty. The markets change constantly and nothing is ever certain. There are certain market relations we understand; we know that the markets go up and down, but we never know when this is going to happen, and we will never know this. Markets are completely unpredictable.

Discussion – Part 2

HOST: Markets are unpredictable, true; however, we would still like to know how the price of CME's shares is going to develop. CME announced its results in February. What do they tell us and what is the possible development over the upcoming quarters?

KRAMULE: The sales indicator has exceeded the market expectations, which indicates a sound future income dynamics. On the other hand, operating costs have been higher than expected, especially as regards production expenses or broadcasting rights purchases, so that the operating profit indicator has fallen slightly short of expectations.

HOST: TV Nova, the Czech branch of CME, has profited from a strong crown, from the intended launch of new channels, as well as from the growing advertising prices. When will this reflect in your revenues?

TOMASOVA: These factors have a continuous impact. Our revenues have grown by more than 30 percent in the previous year, and the bulk of the growth can be ascribed to the growth of advertising prices. We need to realize that advertising expenses per inhabitant in the countries where we operate are still far lower than in Western Europe. Until the difference is evened out, advertising prices will keep growing.

HOST: Analysts determine target prices for the upcoming 12 months on the stock markets where CME's shares are traded. Where do you see CME's shares in a year's perspective?

KRAMULE: We have recently issued a new report on CME, stating a target price of \$92.6, which is slightly higher than the current one. However, we should realize that target prices are based on certain circumstances or results, and are determined using the future estimated revenues and profit. They represent a certain base result that the company is expected to achieve, as well as a recommendation for investors. Target prices are adjusted depending on

the company's actual development; however, analysts should always use the best information available to assess the company.

HOST: What are CME's prospects based on the stock exchange chart since the beginning of the year?

NESNIDAL: Looking at the chart from a short-term perspective, say, three months from today, the technical analysis does not indicate any substantial growth, in my opinion. I would actually be reluctant to use the word growth at all. In my view, the following two or three months will bring stagnation at best; however, since the price largely depends to the development on NASDAQ, I am afraid that we may expect a further decline.

HOST: Thank you very much for your time. Goodbye.