CENTRAL EUROPEAN MEDIA ENTERPRISES LTD
Form 10-K/A
April 01, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 1 TO FORM 10-K

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

For the fiscal year ended December 31, 2004

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission File Number 0-24796

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

BERMUDA	**98-0438382**
(State or other jurisdiction of incorporation and organization)	(IRS Employer Identification No.)
Clarendon House, Church Street, Hamilton	HM CX Bermuda
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for each shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities

Exchange Act of 1934) Yes x No o

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2004 (based on the closing sale price of US$ 22.63 of the Registrant's Common Stock, as reported by the Nasdaq Exchange on such date) was approximately US$ 460 million

Number of shares of Class A Common Stock outstanding as of February 18, 2005 : 21,049,400
Number of shares of Class B Common Stock outstanding as of February 18, 2005 : 7,334,768

EXPLANATORY NOTE

This is Amendment No. 1 to the Annual Report on Form 10-K of Central European Media Enterprises Ltd., as originally filed on March 15, 2005.

Modifications have been made only to "Contractual Cash Obligations" in Note V of Item 7, which is set out in its entirety below.

We have not updated the Annual Report on Form 10-K/A to modify disclosures in Annual Report on Form 10-K for events occurring subsequent to the original March 15, 2005 filing date. This Amendment No. 1 to the Annual Report on Form 10-K/A continues to speak as of March 15, 2005.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the sections entitled “Forward Looking Statements” and "Risk Factors" in Part I, Item 1.

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I. Executive Summary

Management Changes

- On February 2, 2004, Michael N. Garin was appointed Chief Executive Officer, succeeding Fred T. Klinkhammer who will retire as Vice-Chairman on March 22, 2005.

- On November 22, 2004, Marina Williams was appointed as Executive Vice-President responsible for overseeing existing broadcast assets, the development of new regional business opportunities, and the integration of acquired properties into our operating structure.

Continuing Operations

The following table provides a summary of our consolidated results for each of the three years ended December 31, 2004:

	For the year ended December 31, (US$000's)					
	2004	**2003**	**Movement**	**2003**	**2002**	**Movement**
Net Revenues	182,339	124,978	*57,361*	124,978	99,143	*25,835*
Operating income/(loss)	18,740	(4,410)	*23,150*	(4,410)	1,466	*(5,876)*
Net income/(loss) from continuing operations	16,007	(24,201)	*40,208*	(24,201)	(25,106)	*905*
Net income/(loss)	**18,531**	**346,012**	***(327,481)***	**346,012**	**(14,184)**	***360,196***

The principal events of 2004 are as follows:

- In the twelve months ended December 31, 2004, our total Segment EBITDA margin (defined as the ratio of Segment EBITDA to Segment Net Revenues) reached 30% as compared to 26% for the twelve months ended December 31, 2003 (Segment EBITDA is defined and reconciled to our consolidated US GAAP results in Part II, Item 8, Note 20, "Segment Data").

- On February 9, 2004 we entered into an agreement with the Dutch tax authorities to settle our tax liabilities in the Netherlands, including for the award we received in the arbitration against the Czech Republic, through 2003 for a payment of US$ 9 million (see Part II, Item 8, Note 14, "Commitments and Contingencies").

- On March 29, 2004, we increased our holding in our Romanian operations to 80.0% for a total consideration of US$ 20.3 million.

- On April 19, 2004 our Romanian operations launched with minimal additional investment our second cable channel PRO CINEMA, which broadcasts series, films and documentaries.

- On July 1, 2004, the Supreme Court of Ukraine rejected an appeal lodged by AITI, a Ukrainian broadcasting company, which had sought to challenge the validity of the grant of the 15-hour per day broadcasting license awarded to Studio 1+1 in 1996.

- On July 16, 2004, we acquired 100% of Nova TV (Croatia) and OK in Croatia for Euro 20.3 million (approximately US$ 24.7 million at the time of acquisition) (for further information, see Part II, Item 8, Note 9, "Acquisitions and Disposals").

- On July 21, 2004 the Ukrainian Media Council awarded Studio 1+1, our Ukrainian operation, the license to broadcast for the remaining nine hours per day (for further information, see Part II, Item 8, Note 1, "Organization and Business").

- On October 14, 2004 we celebrated the 10th anniversary of our listing on the NASDAQ exchange.

- On December 13, 2004 we entered into an agreement to acquire from PPF an 85% ownership interest in the TV Nova (Czech Republic) Group, which operates TV NOVA (Czech Republic), the most-watched television channel in Central and Eastern Europe in terms of audience share (the "TV Nova (Czech Republic) Acquisition"). The principal operating companies of the TV Nova (Czech Republic) group are CP 2000, a.s., Mag Media 99 a.s., and CET 21 s.r.o. (“CET 21”). In addition, on February 24, 2005, we entered into an agreement with Peter Krsak to acquire his entire ownership interest in CET 21, the company holding the broadcasting license for TV NOVA (Czech Republic) (the “Krsak Agreement”) (for further information, see Part I, Item 1, "Operations by Country, Expected Acquisitions").

Future Trends

- Our Board, after extensive discussions with both management and outside advisors in 2003, agreed on a strategic plan to expand our business. It was decided that our geographic focus would remain in Central and Eastern Europe, and that our core business would remain television. We identified three categories of development:

  - Acquisition of additional ownership in our present operations, which is regarded as the strategy with the least risk due to our knowledge of these operations;
  - Acquisition of one or more established businesses in the Balkans, particularly in the states of the former Yugoslavia, which would allow us to capitalize on our success in Slovenia; and
  - Acquisition of a broadcaster in one of the substantially larger markets of Central or Eastern Europe, which would likely give rise to a significant increase in the scale of our business.

- We achieved success in all three categories during the course of 2004.
  - In March 2004, we increased our interest in our Romanian operations from 66% to 80%;
  - In July 2004, we acquired Nova TV (Croatia); and
  - On December 13, 2004, we entered into a definitive agreement with the PPF Group to acquire a controlling interest in TV NOVA (Czech Republic).

- In 2005, we will be focused on enhancing the performance of our Croatian operations and on the completion of the TV Nova (Czech Republic) Acquisition and the integration of the TV Nova (Czech Republic) Group into our operations.

- We are planning on further investment in our Croatian operations. We expect to increase our audience share by acquiring higher quality programming and making additional strategic investments in local productions as well as by making limited capital investment in order to extend our technical reach. We expect total investment to be in excess of US$ 15 million.

- In the Czech Republic we anticipate that we will complete the TV Nova (Czech Republic) Acquisition in the second quarter of 2005. A successful implementation of the Krsak Agreement in connection with the TV Nova (Czech Republic) Acquisition will allow us to terminate most of the litigation surrounding the TV Nova (Czech Republic) Group and simplify the ownership and operating structure of the TV Nova (Czech Republic) Group, which will facilitate the integration of the TV Nova (Czech Republic) Group into our operations. The TV Nova (Czech Republic) Group reported total net revenues of US$ 207.8 million, operating profit of US$ 92.7 million and net income of US$ 55.0 million. For the twelve months ended December 31, 2004, the TV Nova (Czech Republic) Group reported a depreciation charge of US$ 6.7 million and a net debt position of US$ 67 million as at December 31, 2004. (All of these figures are determined in accordance with US GAAP. The accounting policies used in compiling the combined accounts for the TV Nova (Czech Republic) Group may differ from those used by us, and the basis of combination of the entities included in the TV Nova (Czech Republic) Group may differ from the basis of consolidation that we apply to the inclusion of those entities in our accounts following completion.)

- With the addition of the TV Nova (Czech Republic) Group to our operations, we would be operating a business with estimated net revenues nearly two times our current levels and we would expect to generate significant positive net income and cash-flow from our operations. We will also have a large amount of debt on our balance sheet as a result of the TV Nova (Czech Republic) Acquisition (including indebtedness of the TV Nova (Czech Republic) Group) and the related financing. However, we believe that the results of operations and our cash flows will be sufficient to meet our debt service obligations.

II. General Market Information

Markets

Our revenue generating operations are located in Central and Eastern Europe, namely Croatia, Romania, the Slovak Republic, Slovenia and Ukraine. Revenues primarily result from the sale of advertising time.

We, like other television operators, experience seasonality, with advertising sales tending to be lowest during the third quarter of each calendar year due to the summer holiday period (typically July and August), and highest during the fourth quarter of each calendar year. See Part II, Item 6, "Quarterly Results and Seasonality" for further discussion.

Television Advertising Markets

There is no objective source for reliable information on the size of television advertising spending in our markets. The following table sets out our estimates of the development of advertising spending by market in US$ millions.

Country	1999	2000	2001	2002	2003	2004
Croatia						90 - 100
Romania	65 - 75	65 - 75	60 - 70	65 - 75	85 - 95	110 - 120
Slovak Republic	35 - 45	35 - 45	35 -45	40 - 50	60 - 70	75 - 85
Slovenia	40 - 50	40 - 50	45 - 55	45 - 55	45 - 55	50 - 60
Ukraine	25 - 35	40 - 55	70 - 85	85 - 100	100 - 115	130 - 140

European Union Expansion

Slovenia and the Slovak Republic acceded to the European Union ("EU") in May 2004. It is currently anticipated that Romania and Croatia will accede after 2007. Accession to the EU is likely to bring certain positive developments. All countries joining the EU become subject to EU legislation and we believe that the ongoing progress towards EU entry reduces the political and economic risks of operating in the emerging markets of Central and Eastern Europe. The reduction in political risk factors may encourage increased foreign investment that will be supportive of economic growth. Accession to the EU may also bring certain negative developments. The adoption of EU compliant legislation in connection with accession may result in the introduction of new standards affecting industry and employment and compliance with such new standards may require increased spending.

III. Analysis of Segment Results

OVERVIEW

We manage our business on a country-by-country basis and review the performance of each business segment using data that reflects 100% of operating and license company results. Our segments are comprised of Croatia, Romania, the Slovak Republic, Slovenia and Ukraine.

We evaluate the performance of our segments based on Segment EBITDA. Segment EBITDA includes STS and Markiza (our operating and license companies in the Slovak Republic) and certain Romanian operations which are not consolidated under US GAAP.

Our key performance measure of the efficiency of our business segments is EBITDA margin. We define Segment EBITDA margin as the ratio of Segment EBITDA to Segment Net Revenue. We believe a 30% Segment EBITDA margin can be achieved and sustained by each station.

Our assets and liabilities are managed centrally and are reported internally in the same manner as the consolidated financial statements, consequently no additional segment information is provided in respect of assets and liabilities.

Segment EBITDA is determined as segment net income/loss, which includes costs for program rights amortization, before interest, taxes, depreciation and amortization of intangible assets. Items that are not allocated to our segments for purposes of evaluating their performance, and therefore are not included in Segment EBITDA, include:

- expenses presented as corporate expenses in our consolidated statements of operations (i.e., corporate operating costs, stock based compensation and amortization of intangibles);
- changes in the fair value of derivatives;
- foreign currency exchange gains and losses; and
- certain unusual or infrequent items (e.g., extraordinary gains and losses, impairments on assets or investments).

We use Segment EBITDA as a component in determining management bonuses.

For a full reconciliation of our Segment Net Revenues and Segment EBITDA by operation to our consolidated US GAAP results for the years ended December 31, 2004, 2003 and 2002 see Part II, Item 8, Note 20, "Segment Data".

A summary of our total Segment Net Revenues, Segment EBITDA and Segment EBITDA margin showing the relative contribution of each Segment, is as follows.

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SEGMENT FINANCIAL INFORMATION
For the Years Ended December 31, (US $000's)

	2004	(1)	2003	(1)	2002	(1)
Segment Net Revenue						
Croatia (NOVA TV)	$ 9,757	4%	$ -	-%	$ -	-%
Romania (2)	76,463	31%	51,177	29%	33,547	24%
Slovak Republic (MARKIZA TV)	61,576	25%	50,814	29%	38,397	28%
Slovenia (POP TV and KANAL A)	45,388	18%	37,168	21%	33,864	25%
Ukraine (STUDIO 1+1)	53,351	22%	36,633	21%	31,732	23%
Total Segment Net Revenue	**$ 246,535**	**100%**	**$ 175,792**	**100%**	**$ 137,540**	**100%**
Segment EBITDA						
Croatia (NOVA TV)	$ (3,756)	(5)%	$ -	-%	$ -	-%
Romania (2)	25,198	34%	12,206	27%	6,347	20%
Slovak Republic (MARKIZA TV)	18,975	25%	11,657	26%	7,132	23%
Slovenia (POP TV and KANAL A)	19,077	26%	13,173	29%	11,052	35%
Ukraine (STUDIO 1+1)	14,729	20%	7,999	18%	6,890	22%
Total Segment EBITDA	**$ 74,223**	**100%**	**$ 45,035**	**100%**	**$ 31,421**	**100%**
Segment EBITDA Margin	**30%**		**26%**		**23%**	

(1) Percentage of Total Segment Net Revenue / Total Segment EBITDA
(2) Romanian channels are PRO TV, PRO CINEMA, ACASA, PRO TV INTERNATIONAL, PRO FM and INFOPRO.
(3) We defined Segment EBITDA margin as the ratio of Segment EBITDA to Segment Net Revenue.

ANALYSIS BY GEOGRAPHIC SEGMENT

(A) CROATIA

SEGMENT FINANCIAL INFORMATION
For the Year Ended December 31, (US $000's) (1)

	2004
Croatian Net Revenues	$ 9,757
Croatian EBITDA	$ (3,756)
Croatian EBITDA Margin	(38)%

(1) The results shown are for the period since acquisition of the Croatian operations in July 2004

Market Background: Croatia is our newest market; we acquired our Croatian operations on July 16, 2004. The television advertising market in Croatia has shown growth of approximately 4% in 2004 and is expected to grow at a single digit percentage in 2005. It is expected that Croatia will accede to the EU after 2007.

NOVA TV (Croatia) is ranked fourth (of four channels ranked) in the market based on its national all-day audience share of 14.3% for 2004. The major competitors are the two state-owned channels HRT1 and HRT2, with national all-day audience shares for 2004 of 39.1% and 17.8%, respectively, and RTL with 16.7%.

- **Net Revenues** for 2004 consisted in part of barter revenue, principally generated from contracts already in existence at the date of acquisition. Most such contracts expired at the end of 2004. New management appointed in September 2004 continues to focus on converting revenues derived from barter to cash.

- **Croatian Segment EBITDA** for 2004 was a loss of US$ 3.8 million which is substantially attributable to a lack of investment in quality programming during the first half of 2004 as well as the impact of advertising agreements entered into on unfavorable terms that were assumed at the completion of our acquisition of the Croatian operations.

Costs charged in arriving at Segment EBITDA for 2004 included US$ 6.0 million of programming costs and US$ 2.1 million of salaries and related costs.

(B) ROMANIA

SEGMENT FINANCIAL INFORMATION
For the Years Ended December 31, (US $000's)

	2004	**2003**	***Movement***	**2003**	**2002**	***Movement***
Romanian Net Revenues	76,463	51,177	*25,286*	51,177	33,547	*17,630*
Romanian EBITDA	25,198	12,206	*12,992*	12,206	6,347	*5,859*
Romanian EBITDA Margin	33%	24%	*9%*	24%	19%	*5%*

Market Background: Romania is one of the fastest growing economies in Central and Eastern Europe. The television advertising market showed growth of approximately 28% for 2004 and we expect it to show continued strong growth in 2005. We believe that Romania’s preparations to accede to the EU after 2007 will continue to support strong growth rates in television advertising spending in the period running up to accession, as has been the experience with earlier entrants.

PRO TV, our main channel, and ACASA, a cable channel, are ranked second and fourth in the market based on their national all day audience shares for 2004 of 15.8% and 7.4%, respectively. The major competitors are the state channel TVR1 with a national all-day audience share of 22.0% and Antena 1, a privately owned channel, with 12.4%. One of the reasons for TVR1’s higher all-day audience share is that it is the only significant broadcaster with coverage across almost the entire country. Advertisers, however, evaluate audience share within a channel's coverage area and by this measure PRO TV ranks first and ACASA fourth (of seven stations ranked) in all-day audience share. Both of our stations cover the important urban markets, which are targeted by advertisers.

In April 2004 our Romanian operation launched a second cable channel PRO CINEMA. It had a national all day audience share of 0.6% for 2004.

- **Net Revenues** for 2004 increased by 49% over 2003 due to several factors. The increase in revenues was primarily due to the growth in the television advertising market, which contributed approximately US$ 14.0 million. The balance of the increase in net revenues, approximately US$ 11.3 million, was due to an increase in prices charged for advertising, additional inventory for advertising spots created by the launch of PRO CINEMA and greater sales of inventory across all of our channels.

Net Revenues for 2003 increased by 53% over 2002, reflecting the increase in advertising prices and revenues from a conversion of a related-party barter agreement into a cash generating arrangement.

- **Romanian Segment EBITDA** for 2004 increased by 106% over 2003, delivering an EBITDA margin of 33%, which represents a significant increase over the 24% margin delivered in the prior year.

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Costs charged in arriving at 2004 EBITDA grew by US$ 12.3 million or 32% over 2003. The cost of programming in 2004 increased by US$ 9.4 million or 46% over 2003 due to a 47% increase in the charge for amortization of acquired programming rights and an increase of 46% in local production costs. The increase in amortization of acquired programming was the result of a combination of planned investment in more popular programming, an increase in the price of acquired programming and an increase in hours amortized due to the introduction of the new PRO CINEMA channel. Other operating costs and expenses in 2004 increased by US$ 1.8 million over 2003 mainly as a result of the increase in salary costs and bonuses. In 2003 we recorded a decrease in expenses as a result of bad debt reversals.

EBITDA for 2003 increased by US$ 5.9 million compared to 2002. Costs charged in arriving at EBITDA for 2003 increased by 43% over 2002, mainly due to higher amortization of programming rights and staff costs.

(C) SLOVAK REPUBLIC

SEGMENT FINANCIAL INFORMATION
For the Years Ended December 31, (US $000's)

	2004	**2003**	***Movement***	**2003**	**2002**	***Movement***
Slovak Republic Net Revenues	61,576	50,814	*10,762*	50,814	38,397	*12,417*
Slovak Republic EBITDA	18,975	11,657	*7,318*	11,657	7,132	*4,525*
Slovak Republic EBITDA Margin	31%	23%	*8%*	23%	19%	*4%*

Market Background: The television advertising market showed growth of approximately 11% in local currency terms in 2004. Growth rates were driven by local inflation and the re-allocation of advertising spending to the television advertising market from other advertising media. Measured in US dollars, the television advertising market grew by an estimated 20% in 2004 with the difference in growth from the local market growth being due to the weakening of the US dollar in the period. We anticipate the television advertising market will grow between 10% and 20% in 2005. The Slovak Republic acceded to the EU in May 2004.

MARKIZA TV is the leading broadcaster in the Slovak Republic with a national all-day audience share for 2004 of 39.8%. The major competitor is the state channel STV1, with a national all-day audience share of 20.0%. The national all-day audience share of TV JOJ, the only other significant privately owned broadcaster, grew from 11.3% in 2003 to 12.9% in 2004. Following the recent introduction of peoplemeters, the national all-day audience share of MARKIZA TV has been 35%.

- **Net Revenues** increased by 21% in 2004 compared to 2003. Revenue growth in local currency terms in 2004 was 7%. This was attributable to an expansion of the television advertising market and an increase in our prices early in 2004.

Net Revenues increased 32% in 2003 compared to 2002, largely due to a weakening US dollar. In local currency terms, revenues grew by 7% in 2003 compared to 2002, in line with the growth of the television advertising market in that period.

- **Slovak Republic Segment EBITDA** increased 63% in 2004 compared to 2003 and the EBITDA margin increased to 31% in 2004 from 23% in 2003. Local currency EBITDA growth was 43% in 2004 compared to 2003. Costs charged in arriving at EBITDA in 2003 include a US$ 1.1 million provision for a disagreement over distributions to partners. This expense was reversed in 2004 following a resolution of the disagreement. Significant programming amortization savings were also made in 2004.

EBITDA in 2003 increased by 63% over 2002, with underlying local currency growth of 36% against 2002. The EBITDA margin increased from 19% in 2002 to 23% in 2003.

(D) SLOVENIA

SEGMENT FINANCIAL INFORMATION
For the Years Ended December 31, (US $000's)

	2004	**2003**	***Movement***	**2003**	**2002**	***Movement***
Slovenian Net Revenues	45,388	37,168	*8,220*	37,168	33,864	*3,304*
Slovenian EBITDA	19,077	13,173	*5,904*	13,173	11,052	*2,121*
Slovenian EBITDA Margin	42%	35%	*7%*	35%	33%	*2%*

Market Background: The television advertising market in 2004 showed growth of approximately 9% in local currency terms and 21% in Euros, the currency in which the majority of our sales are denominated. Measured in US dollars, the television advertising market grew by an estimated 10% in 2004 compared to 2003 with the difference in growth from the Euro-denominated growth being the weakening of the US dollar in the period. We expect the market to show slow growth in 2005.

Our channels POP TV and KANAL A were ranked first and fourth (of four stations ranked) in the market based on national all-day audience shares of 27.6% and 8.3%, respectively. The main competitors are state broadcasters SLO1 and SLO2, with national all-day audience shares of 25.8% and 10.6%, respectively.

- **Net Revenues** increased by 22% in 2004 over 2003, due in part to the weaker US dollar compared to the Euro. In local currency terms, revenues increased by 14% in 2004 compared to 2003. The increase in advertising revenues is a result of higher average spot prices and increased advertising spending by major advertisers (including Danone, Benckiser Adriatic, Unilever and mobile phone operator Planet). Approximately US$ 3.0 million (7.4%) was due to higher spot prices and approximately US$ 1.6 million (4%) was due to higher sales volumes.

Net revenues increased 10% in 2003 compared to 2002. This was due to a weakening US dollar. In local currency terms, revenues decreased by 6% in 2003 compared to 2002, in line with the decrease in the television advertising market compared to 2002, when additional revenues were generated by our broadcast of the 2002 soccer World Cup in which Slovenia participated.

- **Slovenian Segment EBITDA** increased by 45% in 2004 over 2003, resulting in an EBITDA margin of 42% in 2004 compared to 35% in 2003. This reflects an increase in revenues as well as reductions in operating costs resulting from local management's cost control measures.

Costs charged in arriving at segment EBITDA in 2004 increased by 10% compared to 2003. In local currency terms, costs charged in arriving at Segment EBITDA increased by 2%. Expenditure on programming was reduced by US$ 0.3 million through changes to the programming schedule. Resolution of uncertainties affecting transmission fees resulted in both lower costs and a provision write-back which together generated a saving of US$ 0.4 million compared to the year 2003.

EBITDA increased by 19% in 2003 over 2002 following the implementation of cost control measures limiting cost base growth to 5%. Consequently, the EBITDA margin in 2003 increased to 35%, an improvement of 2% over 2002.

(E) UKRAINE

SEGMENT FINANCIAL INFORMATION
For the Years Ended December 31, (US $000's)

	2004	**2003**	***Movement***	**2003**	**2002**	***Movement***
Ukrainian Net Revenues	53,351	36,633	*16,718*	36,633	31,732	*4,901*
Ukrainian EBITDA	14,729	7,999	*6,730*	7,999	6,890	*1,109*
Ukrainian EBITDA Margin	28%	22%	*6%*	22%	22%	*-%*

Market Background: The television advertising market showed growth of approximately 24% for 2004, and we currently anticipate that it will continue to show strong growth in 2005.

STUDIO 1+1 was ranked second based on a national all-day audience share of 21.2%. Following the award of a license for nine additional broadcasting hours, Studio 1+1 increased its broadcasting time from 15 to 24 hours per day since September 2004. The main competitors of Studio 1+1 are Inter, with a national all-day audience share of 23.2%, and Novi Kanal, with 10%. STUDIO 1+1's prime time audience share is 27.2% compared to Inter's 26.0%.

- **Net Revenues** increased by 46% in 2004 over 2003 due to an increase in prime time audience share from 25.8% to 27.2% and an exceptionally strong growth rate in the television advertising market.

Net revenues for 2003 increased by 15% over 2002, which was below the rate of growth for the television advertising market due to weaker ratings for STUDIO 1+1 in 2003.

- **Ukrainian Segment EBITDA** for 2004 increased by 84% over 2003 to US$ 14.7 million, resulting in an EBITDA margin of 28% for 2004, 6% above 2003.

Costs charged in arriving at EBITDA increased by US$ 10.0 million in 2004 compared to 2003. This included a US$ 5.5 million increase in the cost of programming. The increase related primarily to the increased investment in popular Russian programming, the price of which has grown by approximately 40% year on year, as well as the additional cost of programming broadcast on the expanded nine hour schedule since September 2004. Russian programming continues to generate the highest ratings and is essential to maintain strong prime time ratings. Salaries and benefits increased by US$ 1.6 million, a large portion of which was staff bonuses. Transmission costs increased by US$ 1.4 million due to additional hours of broadcasting since September and changes to contractual prices with the provider. Business taxes increased by US$ 0.9 million primarily due to increased withholding tax on syndicated programming.

EBITDA for 2003 increased by 16% over 2002 to US$ 8.0 million, resulting in an EBITDA margin of 22% for 2003, in line with 2002. Costs charged in arriving at EBITDA grew by US$ 3.8 million in 2003 compared with 2002, an increase of 15%, in line with revenue growth. This was principally due to the increased cost of programming.

PROGRAMMING PAYMENTS AND PROGRAM AMORTIZATION

Our consolidated cost of programming for 2004, 2003 and 2002 were as follows:

	For the Years Ended December 31,		
	(US$ 000's)		
	2004	**2003 (1)**	**2002 (1)**
Production expenses	$ 29,458	$ 20,657	$ 17,137
Program amortization	42,335	30,090	20,423
Cost of Programming	**$ 71,793**	**$ 50,747**	**$ 37,560**

(1) Restated to reflect the adoption of FIN 46 (R).

The amortization of acquired programming for each of our consolidated operations and for our operations in the Slovak Republic (MARKIZA TV) for 2004, 2003 and 2002 is set out in the table below. For comparison the table also shows the cash paid for programming by each of our operations in the respective periods. The cash paid for programming by our operations in Croatia, Romania, Slovenia and Ukraine is reflected within net cash provided by/(used in) continuing operating activities in our consolidated statement of cash flows.

	For the Years Ended December 31,		
	(US$ 000's)		
	2004	**2003 (1)**	**2002 (1)**
Program amortization:			
Croatia (NOVA TV)	$ 3,695	$ -	$ -
Romania (PRO TV, ACASA and PRO TV INTERNATIONAL)	18,215	12,413	7,830
Slovenia (POP TV and KANAL A)	5,117	5,326	5,212
Ukraine (STUDIO 1+1)	15,308	12,351	7,381
	42,335	**30,090**	**20,423**
Slovak Republic (MARKIZA TV)	9,038	9,392	8,429
	$ 51,373	**$ 39,482**	**$ 28,852**
Cash paid for programming:			
Croatia (NOVA TV)	$ 3,076	$ -	$ -
Romania (PRO TV, ACASA and PRO TV INTERNATIONAL)	22,164	14,876	9,570
Slovenia (POP TV and KANAL A)	5,177	5,587	4,380
Ukraine (STUDIO 1+1)	21,022	11,534	9,343
	51,439	**31,997**	**23,293**
Slovak Republic (MARKIZA TV)	8,120	9,088	7,787
	$ 59,559	**$ 41,085**	**$ 31,080**

(1) Restated to reflect the adoption of FIN 46 (R).

IV. Analysis of the Results of Consolidated Operations

OVERVIEW

We consolidate the financial statements of entities in which we hold more than a majority voting interest and also those entities which are deemed to be a Variable Interest Entity of which we are the primary beneficiary as defined by FIN 46 (R). (For further discussion, see Part II, Item 8, Note 2, "Summary of Significant Accounting Policies" and Note 25, “Subsidiaries and Investments”). We consolidate our operations in Croatia, Romania (with the exception of Radio Pro), Slovenia and Ukraine.

Entities in which we hold less than a majority voting interest but over which we have the ability to exercise significant influence are accounted for using the equity method. We account for our operations in the Slovak Republic in this manner.

IV (a) Net Revenues comparative for 2004 - 2002

	Consolidated Net Revenues For the Years Ended December 31, (US $000's)					
	2004	**2003**	***Movement***	**2003**	**2002**	***Movement***
Croatia	$ 9,757	$ -	*$ 9,757*	$ -	$ -	*$ -*
Romania	73,843	51,177	*22,666*	51,177	33,547	*17,630*
Slovenia	45,388	37,168	*8,220*	37,168	33,864	*3,304*
Ukraine	53,351	36,633	*16,718*	36,633	31,732	*4,901*
Total Consolidated Net Revenues	**$ 182,339**	**$ 124,978**	***$ 57,361***	**$ 124,978**	**$ 99,143**	***$ 25,835***

Our consolidated net revenues increased by 46% in 2004 over 2003 due to:

- US$ 9.8 million of net revenues from our Croatian operations following the acquisition in July 2004 as described above in "Analysis of Segment Results";

- A 44% increase in the net revenues of our Romanian operations as described above in "Analysis of Segment Results";

- A 22% increase in the net revenues of Slovenian operations as described above in “Analysis of Segment Results"; and

- A 46% increase in the net revenues of our Ukrainian operations as described above in “Analysis of Segment Results".

Our consolidated net revenues increased by 26% in 2003 over 2002 due to a:

- 53% increase in the net revenues of our Romanian operations as described above in "Analysis of Segment Results";

- 10% increase in the net revenues of Slovenian operations as described above in “Analysis of Segment Results"; and

- 15% increase in the net revenues of our Ukrainian operations as described above in "Analysis of Segment Results".

IV (b) Station Operating Costs and Expenses comparative for 2004 - 2002

	Consolidated Station Operating Costs and Expenses For the Years Ended December 31, (US $000's)					
	2004	**2003**	***Movement***	**2003**	**2002**	***Movement***
Croatia	$ 10,163	$ -	*$ 10,163*	$ -	$ -	*$ -*
Romania	45,244	36,329	*8,915*	36,329	27,001	*9,328*
Slovenia	23,388	21,862	*1,526*	21,862	20,926	*936*
Ukraine	33,276	24,440	*8,836*	24,440	19,680	*4,760*
Total Consolidated Station Operating Costs and Expenses	**$ 112,071**	**$ 82,631**	***$ 29,440***	**$ 82,631**	**$ 67,607**	***$ 15,024***

Total consolidated station operating costs and expenses (including amortization of programming rights and depreciation of fixed assets and other intangibles) increased by 36% in 2004 compared to 2003 primarily due to:

- US$ 10.2 million of station operating costs and expenses relating to our Croatian operations, acquired on July 16, 2004;

- A 25% increase in the station operating costs and expenses of our Romanian operations. Programming amortization increased by US$ 5.8 million due to increases in the price of acquired programming, scheduling for extra hours of programming following the launch of PRO CINEMA, and a US$ 3.2 million increase in production expenses; and

- A 36% increase in the station operating costs and expenses of our Ukrainian operations. Programming amortization increased by US$ 3.0 million and production expenses increased by US$ 2.7 million due to a combination of extra hours in the programming schedule from September 2004 and increases in the prices of Russian programming. Salaries and benefits increased by US$ 1.6 million, a large portion of which were staff bonuses. Transmission costs and business taxes increased by US$ 1.4 million and US$ 0.9 million respectively.

Total station operating costs and expenses (including amortization of program rights and depreciation of fixed assets and other intangibles) increased by 22% in 2003 compared to 2002 primarily due to a:

- 35% increase in the station operating costs and expenses of our Romanian operations, including an increase in programming amortization by US$ 4.6 million due to increased investment in programming, including sports programming that was previously acquired pursuant to a related party barter agreement, and a US$ 5.5 million increase in salaries costs due to: (i) a change in domestic legislation effective in January 2003 which increased employers' liability for social security charges; (ii) salary increases that had been deferred for two years; and (iii) bonus incentive payments reflecting outstanding performance; and

- 24% increase in the station operating costs and expenses of our Ukrainian operations, including an increase in programming amortization by US$ 5.2 million primarily as a result of investment in additional Russian programming, the price of which increased by approximately 40% year on year.

IV (c) Station Selling, General and Administrative Expenses comparative for 2004 - 2002

Consolidated Station Selling, General and Administrative Expenses
For the Years Ended December 31, (US $000's)

	2004	**2003**	***Movement***	**2003**	**2002**	***Movement***
Croatia	$ 4,524	$ -	*$ 4,524*	$ -	$ -	*$ -*
Romania	6,442	5,503	*939*	5,503	5,125	*378*
Slovenia	4,577	3,518	*1,059*	3,518	2,939	*579*
Ukraine	6,569	5,224	*1,345*	5,224	6,192	*(968)*
Total Consolidated Station Selling, General and Administrative Expenses	**$ 22,112**	**$ 14,245**	***$ 7,867***	**$ 14,245**	**$ 14,256**	***$ (11)***

Total consolidated station selling, general and administrative expenses increased by 55% in 2004 compared to 2003 primarily due to :

- US$ 4.5 million of station selling, general and administrative expenses from our newly acquired Croatian operations;

- A 17% increase in the station selling, general and administrative expenses of our Romanian operations. This increase is primarily due to a lower release of bad debt provision compared to 2003 and an increase in marketing and research expenses;

- A 30% increase in the station selling, general and administrative expenses of our Slovenian operations due to increased marketing and research expenses; and

- A 26% increase in the station selling, general and administrative expenses of our Ukrainian operations due to an increase in operational taxes and additional market research to support our successful tender for the license to broadcast an additional nine hours per day.

Station selling, general and administrative expenses decreased by $ 0.01 million in 2003 compared to 2002 primarily due to a :

- 7% increase in the station selling, general and administrative expenses of our Romanian operations. This increase is primarily due to an increase in consulting services off-set by a decrease in our bad debt provision; and

- 20% increase in the station selling, general and administrative expenses of our Slovenian operations due to the weakening of the US dollar. In local currency terms, costs increased by 3%;

off-set by a

- 16% decrease in the station selling, general and administrative expenses of our Ukrainian operations. This decrease is primarily due to a charge in 2002 for withholding tax and a reclassification to production costs.

IV (d) Consolidated results excluding net revenues, station operating costs and expenses and station selling, general and administrative expenses for 2004 - 2002

	For the Years Ended December 31, (US $000's)					
	2004	**2003**	***Movement***	**2003**	**2002**	***Movement***
Corporate operating costs (including non-cash stock based compensation)	29,185	32,512	*(3,327)*	32,512	15,814	*16,698*
Amortization of intangibles	231	-	*231*	-	-	-
Interest income	4,318	5,507	*(1,189)*	5,507	1,841	*3,666*
Interest expense	(1,203)	(12,010)	*10,807*	(12,010)	(17,453)	*5,443*
Foreign currency exchange gain/(loss), net	(574)	(10,023)	*9,449*	(10,023)	(10,247)	*224*
Other income/(expense)	(698)	(2,458)	*1,760*	(2,458)	1,738	*(4,196)*
Change in fair value of derivative	-	-	-	-	1,108	*(1,108)*
Loss on write down of investment	-	-	-	-	(2,685)	*2,685*
Provision for income taxes	(11,089)	(3,760)	*(7,329)*	(3,760)	(3,746)	*(14)*
Minority interest in (income)/loss of consolidated subsidiaries	(4,106)	(676)	*(3,430)*	(676)	(576)	*(100)*
Equity in income/(loss) of unconsolidated affiliates	10,619	3,629	*6,990*	3,629	3,448	*181*
Discontinued operations	2,524	370,213	*(367,689)*	370,213	10,922	*359,291*

Corporate operating costs (including non-cash stock based compensation) for 2004, 2003 and 2002 were as follows:

	For the Years Ended December 31, (US $000's)					
	2004	**2003**	***Movement***	**2003**	**2002**	***Movement***
Corporate operating costs(excluding non-cash stock based compensation and satellite costs)	$ 19,083	$ 16,006	*3,077*	$ 16,006	$ 11,937	*$ 4,069*
Satellite costs	-	3,297	*(3,297)*	3,297	123	*3,174*
Corporate operating costs (excluding non-cash stock based compensation)	**$ 19,083**	**$ 19,303**	***(220)***	**$ 19,303**	**$ 12,060**	***$ 7,243***
Non-cash stock based compensation	10,102	13,209	*(3,107)*	13,209	3,754	*9,455*
Corporate operating costs (including non-cash stock based compensation)	**$ 29,185**	**$ 32,512**	***(3,327)***	**$ 32,512**	**$ 15,814**	***$ 16,698***

- The increase in corporate costs (excluding non-cash based stock based compensation) in 2004 compared to 2003 was influenced by a 10% strengthening of the British pound (the currency in which most of our corporate expenses are denominated) against the US dollar. We estimate this added approximately US$ 1.0 million to corporate operating costs in the period. The main operating cost changes were:

1. An increase in corporate operating costs of US$ 3.1 million principally due to:

- an increase in staff related costs caused in part by an increase in corporate staff from 20 to 27 (including three staff primarily focused on internal audit work related to Sarbanes-Oxley requirements);

- an increase in travel expenses as a result of implementation of Sarbanes-Oxley certification requirements in respect of internal controls and travel related to business development and station visits;
- an increase in press and public relations expenses due to the acquisition of our Croatian operations and the TV Nova (Czech Republic) Acquisition in the Czech Republic as well as costs associated with our celebration of the 10th anniversary of our listing on NASDAQ; and
- increased business development expenses incurred in researching potential acquisition targets;

partly off-set by

- decreases in legal fees following the successful resolution of our arbitration in the Czech Republic and by a reduction in insurance costs.

2. Additionally, a charge of US$ 3.3 million was recognized in 2003 relating to the termination of our remaining corporate satellite contracts. No such charge was recognized in 2004.

- The increase in 2003 compared to 2002 is primarily due to the costs set out below and was further influenced by an 8% strengthening of the British pound (the currency in which most of our corporate expenses are denominated) against the US dollar. We estimate this added approximately US$ 0.7 million to corporate operating costs in the period. The main cost changes were:

1. An increase in corporate operating costs of US$ 4.1 million principally due to:

- an increase in staff-related costs due to an increase in the number of corporate staff from 18 to 20;
- an increase in travel expenses as a result of station visits and business development related travel; and
- an increase in legal and professional fees of US$ 2.5 million arising primarily from the implementation of Sarbanes-Oxley requirements, including additional audit, audit related and legal costs in respect of compliance, and recruitment costs, including CEO and CFO recruitment.

2. Additionally, a charge of US$ 3.3 million was recognized in 2003 relating to the termination of our remaining corporate satellite contracts.

Non-cash stock-based compensation costs increased in 2004 over 2003 and 2003 over 2002 primarily due to an increase in the charge in respect of options awarded in prior periods which are accounted for under FIN44. This charge is driven by the movement in the price of our stock during the periods. Our stock price per share increased by 125% in 2004 over 2003 and 201% in 2003 over 2002. (For further discussion, see Part II, Item 8, Note 13, “Stock Option Plans”).

Amortization of intangibles for 2004 was US$ 0.2 million. This represents the charge for the period following the purchase price allocation of our increased investment in our Romanian operations. (For further discussion, see Part II, Item 8, Note 8, "Goodwill and Intangible Assets"). There was no charge in 2003 or 2002 as a result of our adoption of FAS 142 “Goodwill and Intangible Assets”. We have performed impairment reviews on our intangible assets, which have indefinite lives, on an annual basis and believe that they were not impaired in 2004, 2003 or 2002.

Interest income decreased by US$ 1.2 million in 2004 compared to 2003 primarily as a result of a higher average cash balance in 2003 compared to 2004 and investments in short-term securities. Interest income increased by US$ 3.7 million in 2003 compared to 2002 primarily as a result of US$ 4.1 million of interest income resulting from the investment of our US$ 358.6 million UNCITRAL Award in May 2003 in short-term securities.

Interest expense decreased by US$ 10.8 million in 2004 compared to 2003 and by US$ 5.4 million in 2003 compared to 2002 primarily as a result of the repayment of all outstanding corporate debt between May and August 2003: our US$ Senior Notes (US$ 100 million) and Euro Senior Notes (Euro 71.6 million, approximately US$ 96.8 million); our outstanding debt and accrued interest with GoldenTree Asset Management in the sum of US$ 15.3 million; and our outstanding debt and accrued interest to Czech Sporitelna Bank for a sum of CZK 253.3 million (approximately US$

11.3 million).

Foreign currency loss: The foreign currency exchange loss in 2004 of US$ 0.6 million compared to US$ 10.0 million in 2003 was primarily the result of the impact of the Euro strengthening by 6% against the US dollar in 2004. This affected the Euro denominated portion of our Senior Notes which were retired in August 2003.

The foreign currency exchange losses in 2003 and 2002 are a result of a significant weakening of the US dollar during 2003 against the Euro and the Czech koruna. This weakening affected the Euro denominated portion of our Senior Notes obligations and the outstanding Czech koruna denominated debt. The Euro denominated Senior Notes and the Czech koruna denominated debt were retired in August 2003 and May 2003, respectively, when the US dollar was particularly weak against these currencies.

Other income/(expense) was an expense of US$ 0.7 million in 2004 primarily as a result of a US$ 0.6 million charge in relation to the put option regarding our Slovenian operations (for further discussion, see Part II, Item 8, Note 14, "Commitments and Contingencies") as well as penalties on withholding tax, partially off-set by a write back of tax provisions no longer required.

Other income/(expense) was an expense of US$ 2.5 million in 2003 compared to an income of US$ 1.7 million in 2002 that resulted from capital debt costs being written off following the repurchase and early redemption of our Senior Notes in 2003.

Change in fair value of derivative: In November 2001, we entered into a “swaption” agreement with the Royal Bank of Scotland which was cancelled in the second quarter 2002. The net change in fair value of derivative of US$ 1.1 million is the net result of the cancellation. No such fair valuation was recorded in 2003.

Loss on write down of investment arose in 2002 because we wrote down our investment in STS by US$ 2.7 million in connection with our acquiring an ownership interest of 34% in Markiza.

Provision for income taxes: Provision for income taxes was US$ 11.1 million in 2004, US$ 3.8 million in 2003 and US$ 3.7 million in 2002. The increase in 2004 is primarily due to our operations having higher taxable profits.

Minority interest in income of consolidated subsidiaries: Minority interest in the income of consolidated subsidiaries was US$ 4.1 million in 2004 compared to US$ 0.7 million in 2003 and US$ 0.6 million in 2002. Under US GAAP the controlling shareholder normally consolidates all losses on the basis that other shareholders cannot be compelled to and are not expected to be able to fund the company’s losses. A cash contribution of US$ 1.3 million in 2002 by the minority shareholders of MPI has allowed us to recoup a like amount of previously recognized losses. Other small movements reflect changes in the minority interest in other group companies.

Equity in income of unconsolidated affiliates: As explained in Part I, Item 1, “Business” some of our broadcasting licenses are held by unconsolidated affiliates over which we have minority blocking rights but not majority control. These affiliates are accounted for using the equity method.

Equity in income of unconsolidated affiliates was US$ 10.6 million for 2004 compared to US$ 3.6 million for 2003 and US$ 3.4 million for 2002 as detailed below:

	For the Years Ended December 31, (US $000's)					
	2004	**2003**	***Movement***	**2003**	**2002**	***Movement***
Slovak Republic operations	$ 10,382	$ 4,521	*$ 5,861*	$ 4,521	$ 4,169	*$ 352*
Romanian operations	237	(215)	*452*	(215)	(1,611)	*1,396*
Slovenian operations	-	(677)	*677*	(677)	890	*(1,567)*
Equity in income of unconsolidated affiliates	**$ 10,619**	**$ 3,629**	***$ 6,990***	**$ 3,629**	**$ 3,448**	***$ 181***

Discontinued operations: The amounts charged to the consolidated income statement in respect of discontinued operations are as follows:

	For the Years Ended December 31, (US $000's)					
	2004	**2003**	***Movement***	**2003**	**2002**	***Movement***
Czech Republic						
Gain/(loss) on disposal of discontinued operations	$ 146	$ 384,213	*(384,067)*	$ 384,213	$ 11,922	*$ 372,291*
Tax on disposal of discontinued operations	2,378	(14,000)	*16,378*	(14,000)	(1,000)	*(13,000)*
Discontinued operations	**$ 2,524**	**$ 370,213**	***(367,689)***	**$ 370,213**	**$ 10,922**	***$ 359,291***

Czech Republic

On June 19, 2003, our Board of Directors decided to withdraw from operations in the Czech Republic. On October 23, 2003 we sold our 93.2% participation interest in CNTS, our Czech operating company, for US$ 53.2 million.

The revenues and expenses of the Czech operations and the award income and related legal expenses have therefore all been treated as discontinued operations for the year 2004 and the prior year comparatives have been reclassified.

For additional information, see Part II, Item 8, Note 22, "Discontinued Operations".

IV (e) Consolidated balance sheet as at December 31, 2004 compared to December 31, 2003

Following the acquisition of Nova TV (Croatia) and OK in Croatia and with respect to our consolidated balance as at December 31, 2004, our consolidated current assets increased by US$ 8.7 million, our consolidated non-current assets increased by US$ 12.8 million, our consolidated current liabilities increased by US$ 18.7 million (US$ 17.0 million of which is included in accounts payable and accrued liabilities) and our consolidated non-current liabilities increased by US$ 2.0 million. In addition to this we have recorded US$ 31.4 million of goodwill and US$ 6.4 million of deferred consideration in our consolidated balance sheet as at December 31, 2004 (for further information, see Part II, Item 8, Note 9, "Acquisitions and Disposals").

Our current income taxes payable have decreased US$ 8.3 million primarily as a result of our US$ 9.0 million payment to the Dutch Tax Authorities in February 2004 (for further information, see Part II, Item 8, Note 14, "Commitments and Contingencies"). As at December 31, 2004 we have recorded a US$ 7.1 million deferred tax liability (US$ 6.2 million in non-current liabilities and US$ 0.9 million in current liabilities) as a result of the impact of applying SFAS 109, "Accounting for Income Taxes" to intangibles recognized in the period following our fair value exercise in respect of recent acquisitions. As at December 31, 2004 we have also recorded US$ 10.8 million of acquisition costs in relation to the TV Nova (Czech Republic) Acquisition (for further information, see Part II, Item 8, Note 17, "Acquisition Costs").

V. Liquidity and Capital Resources

Summary

As at December 31, 2004, we had US$ 152.6 million of cash and cash equivalents compared to US$ 192.2 million as at December 31, 2003. The principal reasons for the decrease of US$ 39.6 million are as follows:

- US$ 20.3 million payments in connection with the acquisition of an additional 14% interest in our Romanian operations (for further information, see Part II, Item 8, Note 9, "Acquisitions and Disposals");

- US$ 19.0 million payments in connection with the first payment for our acquisition of Nova TV (Croatia) and a further US$ 10.3 million reclassified to restricted cash, representing money held in escrow as the maximum amount payable in respect of the remaining 25% of the acquisition price of Nova TV (Croatia) (for further information, see Part II, Item 8, Note 9, "Acquisitions and Disposals"); and

- US$ 11.0 million payments to the Dutch tax authorities (see Part II, Item 8, Note 14, "Commitments and Contingencies");

offset by

- A US$ 20.3 million receipt on July 14, 2004 pursuant to our sale of CNTS in October 2003 (for further information, see Part II, Item 8, Note 7, "Other Receivable").

We believe that our current cash resources are sufficient to allow us to continue operating for at least the next 12 months and we do not anticipate additional cash requirements in the near future subject to the matters disclosed under "Contractual Cash Obligations" and "Cash Outlook", below.

Contractual Cash Obligations

Our future contractual obligations as at December 31, 2004 are as follows:

Contractual Obligations	Payments due by period (US$ 000's)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt	$ 21,018	$ 2,921	$ 13,662	$ 4,114	$ 321
Capital Lease Obligations	1,316	464	428	272	152
Operating Leases	6,829	1,783	3,011	1,641	394
Unconditional Purchase Obligations	19,423	18,865	425	106	27
Other Long-Term Obligations	9,296	2,083	4,165	3,048	-
Total Contractual Obligations	**$ 57,882**	**$ 26,116**	**$ 21,691**	**$ 9,181**	**$ 894**

As at December 31, 2004, we had the following debt:

(1) A facility of up to Euro 8.0 million (approximately US$ 10.8 million) pursuant to a loan agreement among Pro Plus, Bank Austria Creditanstalt d.d. ("BACA") and Nova Ljubljanska banka d.d. which matures in February 2009. As at December 31, 2004 Euro 6.5 million (approximately US$ 8.8 million) (December 31, 2003: Euro 8.0 million, approximately US$ 10.1 million) was drawn by our Slovenian operating company under these agreements. This secured loan bears a variable interest rate of the European Inter-Banking Official Rate ("EURIBOR") 6 month rate plus 3.0% (EURIBOR - 6 month as at December 31, 2004 was 2.1%). As at December 31, 2004 a rate of 5.1%

applied to this loan. This loan facility is secured by the real property, fixed assets and receivables of Pro Plus, which as at December 31, 2004 have a carrying amount of approximately US$ 25.4 million. Principal payments of Euro 1.5 million (approximately US$ 2.0 million) were made on these loans in 2004.

(2) A loan of Sk187 million (approximately US$ 6.6 million) (December 31, 2003: Sk187 million, approximately US$ 5.7 million) from our non-consolidated affiliate, STS. This loan bears a variable interest rate of the Bratislava Inter Bank Official Rate ("BRIBOR") 3 month rate plus 2.2% (BRIBOR - 3 month as at December 31, 2004 was 4.3%). The loan is due to be repaid in full on December 1, 2005. No principal payments were made on this loan in 2004.
(3) A total of Euro 1.0 million (approximately US$ 1.3 million) was drawn down on three loan agreements our Croatian operations have with Hypo Alpe-Adria-Bank d.d. These loans bear a variable interest rate of the EURIBOR 3 month rate plus 2.5%. As at December 31, 2004 a rate of 4.65% applied to these loans. These loan facilities are secured by the real property and fixed assets of OK, which as at December 31, 2004 have a carrying amount of approximately US$ 1.8 million. Principal payments of Euro 0.1 million (approximately US$ 0.1 million) were made on these loans in 2004.
(4) An amount of Euro 0.03 million (approximately US$ 0.03 million) was drawn down on a fourth loan agreement our Croatian operations have with Hypo Alpe-Adria-Bank d.d. This loan bears a fixed interest rate of 7.25%.
(5) Euro 0.2 million (approximately US$ 0.3 million) was drawn down by our Croatian operations under a loan agreement with BKS Bank fur Karnten and Steiermark AG. This loan bears a variable interest rate of the EURIBOR 3 month rate plus 3.0%. As at December 31, 2004 a rate of 5.15% applied to this loan. Principal payments of Euro 0.1 million (approximately US$ 0.1 million) were made on these loans in 2004.

In addition to the above, one of our non-consolidated entities had the following loan:
(1) On July 24, 2002 STS, a 49% owned affiliate, obtained from Vseobecna uverova banka, a.s. ("VUB") a mid-term facility of SKK 100 million (US$ 3.5 million). This facility matures in December 2005, and bears a variable interest rate of the BRIBOR 3 month rate plus 1.7% (BRIBOR - 3 month as at December 31, 2004 was 4.3%) and is secured by a pledge of certain fixed and current assets. The nominal value of receivables under pledge according to the contract is US$ 2.5 million.

As at December 31, 2004, we had programming rights commitments (included within "Unconditional Purchase Obligations" in the chart above) of US$ 18.1 million in respect of future programming which includes contracts signed with license periods starting after December 31, 2004 (2003: US$ 8.2 million).

Included in Other Long-Term Obligations are our commitments to the Dutch tax authorities (see Part II, Item 8, Note 14, "Commitments and Contingencies").

See also Part II, Item 8, Note 26 "Subsequent Events" for information relating to our obligations under the Framework Agreement for the TV Nova (Czech Republic) Acquisition.

Sources and Uses of Cash

Our ongoing source of cash in the operating stations is primarily the receipt of payments from advertisers and advertising agencies. This may be supplemented from time to time by local borrowing. Surplus cash generated in this manner, after funding the ongoing station operations, may be remitted to us, or to other shareholders where appropriate. Surplus cash is remitted to us in the form of debt interest payments and capital repayments, dividends, and other distributions and loans from our subsidiaries and equity accounted investments.

The laws under which our operating companies are organized provide generally that dividends may be declared by the partners or shareholders out of yearly profits subject to the maintenance of registered capital, required reserves and after the recovery of accumulated losses. In the case of our Dutch and Netherlands Antilles subsidiaries, our voting power is sufficient to compel the making of distributions.

In the case of Nova TV (Croatia), distributions may be paid from net profits subject to a reserve of 5% of annual profits until the aggregate reserves equal 5% of the registered capital of Nova TV (Croatia). In the case of Pro TV, distributions may be paid from the profits of Pro TV subject to a reserve of 5% of annual profits until the aggregate reserves equal 20% of Pro TV's registered capital. A majority vote is required in order for Pro TV to make distributions and we have sufficient voting power to compel distributions of dividends. In the case of STS, distributions may be paid from net profits subject to an initial reserve requirement of 10% of net profits until the reserve fund equals 5% of registered capital. Subsequently, the reserve requirement is equal to 5% of net profits until the reserve fund equals 10% of registered capital. We cannot compel the distributions of dividends by STS. In the case of Pro Plus, distributions may be paid from the profits of Pro Plus, subject to a reserve equal to 10% of registered capital being established from accumulated profits. We have a sufficient majority to compel distributions of dividends from Pro Plus. In the case of Innova and IMS, distributions may be paid from their profits and there is no reserve requirement for either company. Our voting power in Innova and IMS is sufficient to compel the distribution of dividends.

STS has made dividend distributions to us in 2003 and 2004; Pro Plus has made dividend distributions to us in 2004.

As at December 31, 2004 and 2003 the operations had the following unsecured balances owing to their respective holding companies:

Country			**As at December 31, (US $ 000's)**		
			2004		**2003**
Croatia		$	11,087	$	-
Romania	(1)		37,109		37,756
Slovak Republic			-		350
Slovenia			1,590		77
Ukraine			13,459		16,243
Total		$	63,245	$	54,426

(1) In 2003, our Romanian balances were restructured to facilitate repatriation of certain amounts provided to our Romanian operations. This had the effect of reducing the receivable by an amount of approximately US$ 6 million that will be recovered through interest charges over the remaining term.

Prior to making investments in associated companies, borrowing or repayment of third party overdraft or debt, or payments to us in excess of current year recharges, our continuing consolidated operating stations generated cash of US$ 9.0 million in 2004 compared to US$ 18.4 million in 2003. The decrease in net cash paid to us is primarily due to negative cash flows arising out of our new Croatian operations in 2004 and higher capital investment and income tax payments. STS, our equity accounted affiliate, generated cash of US$ 6.8 million in 2004 (2003: US$ 7.0 million).

Cash Outlook

Our future cash needs will depend on our overall financial performance, the completion of the TV Nova (Czech Republic) Acquisition as well as any future investment and development decisions. We anticipate completing the TV Nova (Czech Republic) Acquisition, which will include closing a transaction for external financing that will be required to fund this acquisition, during the first half of 2005. We believe that, taken together, our current cash balances, the proposed external financing, internally generated cash flow and local financing of broadcast operations should result in us having adequate cash resources to meet our debt service and other financial obligations for the next 12 months.

In July 2004 we acquired Nova TV (Croatia). We are also planning on further investment in our Croatian operations. We anticipate that we can increase our audience share by acquiring higher quality programming and making additional strategic investments in local productions as well as by limited capital investment in order to extend our technical reach. We expect total investment to be in excess of US$ 15 million.

On December 13, 2004 we entered into a definitive agreement with PPF to acquire an 85% ownership interest in the TV Nova (Czech Republic) Group in the Czech Republic. We expect the closing of the acquisition of the TV Nova (Czech Republic) Group to occur during the second quarter of 2005. On February 24, 2005, we entered into the Krsak Agreement, which provides for our acquiring the 16.67% interest of Mr. Krsak in CET 21. We expect the transfer of the Krsak Interest to us to occur during the third quarter of 2005.

The aggregate purchase price for the TV Nova (Czech Republic) Acquisition and the 16.67% interest of Mr. Krsak in CET 21 is estimated to be approximately US$ 642 million, consisting of US$ 529 million in cash and the issuance of 3.5 million shares of our Class A Common Stock to PPF. The purchase price is subject to adjustments for changes in the debt and working capital levels of the TV Nova (Czech Republic) Group between the signing date and the closing date of the TV Nova (Czech Republic) Acquisition. See "Risk Factors" and "Operations by Country, Expected Acquisitions" in Part I, Item 1. Following the completion of the TV Nova (Czech Republic) Acquisition and the transfer of Mr. Krsak's interest in CET 21 to us, we will have an attributable interest of at least 85% in the economics of the TV Nova (Czech Republic) Group.

We have a call right on the remaining 15% interest in the TV Nova (Czech Republic) Group held by PPF that is exercisable at any time after the closing date of the TV Nova (Czech Republic) Acquisition. The call price is capped and will not exceed 25% of the adjusted purchase price for the TV Nova (Czech Republic) Acquisition, subject to certain adjustments and other terms. It is estimated that the call price will be approximately US$ 200 million. PPF has a right to put to us its 15% interest in the TV Nova (Czech Republic) Group, exercisable from the first anniversary of the closing date of the TV Nova (Czech Republic) Acquisition for an exercise price that is the lesser of (i) 15% of the independently appraised value of the TV Nova (Czech Republic) business at the time of the exercise of the put and (ii) 15% of the adjusted purchase price of the TV Nova (Czech Republic) Acquisition, subject to certain adjustments and other terms.

The closing of the TV Nova (Czech Republic) Acquisition is subject to the satisfaction of a number of conditions, including receipt of an approval from the Office for the Protection of Economic Competition of the Czech Republic. We have received this approval with effect from February 3, 2005. In the event the conditions to the completion of the TV Nova (Czech Republic) Acquisition are not satisfied by October 1, 2005 or waived, the Framework Agreement will terminate. Both we and PPF are subject to a payment of a fee of US$ 25.0 million if either side fails to satisfy the conditions to closing as defined in the Framework Agreement.

The Krsak Agreement is also subject to a number of conditions, including the consent of the Council of the Czech Republic for Radio and Television Broadcasting, and the consent of the general meeting of CET 21 to the transfer of Mr. Krsak's interest to us and the withdrawal of all outstanding legal proceedings by Mr. Krsak relating to the TV Nova (Czech Republic) business. A failure by one of the parties to fulfill conditions under the Krsak Agreement may result in penalty payments being assessed against such party or may allow the other party to terminate the Agreement. In addition, the failure to obtain third-party consents within the prescribed time periods may result in the termination of the Krsak Agreement.

External financing of approximately US$ 450 million will be required to fund the TV Nova (Czech Republic) Acquisition. We have received a commitment from a consortium of banks to provide a bridge loan of US$ 450 million. Financing of approximately US$ 200 million will be required to fund the exercise price of the PPF Call. We intend to secure permanent financing through a public or private offering of debt or equity. The bridge facility will be secured and contain restrictive covenants. If we are unable to obtain permanent financing and draw down on the bridge facility, the interest rate will increase each quarter beginning six months from the initial drawdown date and significant penalty conditions would be incurred in the event the bridge loan is not repaid within one year.

The completion of the TV Nova (Czech Republic) Acquisition, the purchase of the Krsak Interest and the exercise of the PPF Call and the related financings will increase our leverage and we will have significant debt service obligations. In addition, the terms of our indebtedness will restrict the manner in which our business is conducted, including the incurrence of additional indebtedness, the making of investments, the payment of dividends or the making of other distributions, entering into certain affiliate transactions and the sale of assets.

With the drawdown of any bridge facility or the completion of a public or private offering of equity or debt in connection with the completion of the TV Nova (Czech Republic) Acquisition or, if exercised, the PPF Call, we would continue to expect that cash balances, internally generated cash flow and local financing of broadcast operations should result in us having adequate cash resources to meet our debt service and other financial obligations for the next 12 months.

Tax Inspections

Pro Plus has been the subject of an income tax inspection by the Republic of Slovenia tax authorities for the years 1995 to 1998. As a result of these inspections the Slovenian tax authorities had levied an assessment seeking unpaid income taxes, customs duties and interest charges of SIT 1,073,000,000 (approximately US$ 6.1 million). The Slovenian authorities have asserted that capital contributions and loans made by us in the years 1995 and 1996 to Pro Plus should be extraordinary revenue to Pro Plus. On this basis, the Slovenian authorities claim that Pro Plus made a profit in 1995 and 1996 for which it owes income taxes and interest. Additionally, the Slovenian tax authorities claim that the fixed assets imported as capital contributions were subject to customs duties which were not paid. On February 9, 2001, the Slovenian tax authorities approved the cash capital contributions for 1995 and 1996. This has reduced the assessment to SIT 636,800,000 (approximately US$ 3.6 million). The matter has been submitted to the Administrative Court of Ljubljana for a hearing, although currently no date is set for the hearing. The tax authorities have agreed not to take any action until a decision is issued by the court.

Off-Balance Sheet Arrangements

None.

VI. Critical Accounting Policies and Estimates

Our accounting policies affecting our financial condition and results of operations are more fully described in Note 2 to our consolidated financial statements that are included in Part II, Item 8 of this Form 10-K. The preparation of these financial statements requires us to make judgments in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Program Rights Cost - Program Rights Costs consists of programming acquired from third parties and programming produced locally and forms an important component of our station broadcasting schedules. These Program Rights Costs are amortized on a systematic basis over their expected useful lives. During 2004 we initiated a review of our program rights cost policy. Effective from October 1, 2004 we changed our amortization policy. The policy was changed after a comprehensive examination of past periods ratings allocation to both first and second runs. In the first 3 quarters the film licenses were amortized 90% after the first run and 10% after the second run. Series were amortized 100% after the first run in proportion to the numbers of shows. In the last quarter, after the change, both films and series are amortized 65% after the first run and 35% after the second run. The impact of the change is a lower amortization charge of approximately US$ 3.0 million for the year 2004.

Valuation of Goodwill and Other Intangible Assets - We have acquired significant intangible assets that are valued and recorded. Intangible assets include goodwill, broadcast license costs license acquisition costs and trademarks, all of which are not amortized under FAS No.142. We assess the carrying value of these assets on an annual basis, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Other than our annual review, factors we consider important, which could trigger an impairment review are: under-performance of projected results, changes in the manner of utilization of the asset, and negative market conditions or economic trends.

Our annual assessment of the carrying value of an intangible asset not subject to amortization is based on discounted future cash flows. When an impairment review is undertaken, whether it be our annual assessment or if events or changes in circumstances indicate such carrying value may not be recoverable, certain variables are utilized in determining cash flows: discount rates, terminal values, the number of years on which to base the cash flow projections as well as the assumptions and estimates used to determine the cash inflows and outflows. We believe that our assumptions are appropriate.

We have, in addition, acquired intangible assets that are subject to amortization during 2004. These consist of customer relationships and were valued as part of the increase in our ownership of our Romanian operations. We determined these customer relationships to have a finite life and will be amortizing them over 8 years. An impairment of an intangible asset, subject to amortization, may occur if events or changes in circumstances indicate that such carrying value may not be recoverable in accordance with FAS No. 144.

Bad Debt Provision - We maintain a bad debt provision for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate additional allowances may be required in future periods. We periodically review the accounts receivable balances and our historical bad debt, customer concentrations and customer creditworthiness when evaluating the adequacy of our provision.

Deferred Tax - We recognize deferred tax assets if it is probable that sufficient taxable income will be available in future periods against which the temporary differences and unused tax losses can be utilized. We have considered future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognized.

VII. Related party matters

Overview

There is a limited local market for many specialist television services in the countries in which we operate, many of which are provided by parties known to be connected to our local shareholders. As stated in FAS 57 “Related Party Disclosures” transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. We will continue to review all of these arrangements.

We consider related parties to be those shareholders who have direct control and/or influence and other parties that can significantly influence management; a "connected" party is one in which we are aware of a family or business connection to a shareholder.

Related Party Loans

A table of outstanding loans and advances to related parties in all countries in which we operate is shown below

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	As at December 31, (US$ 000's)			
	2004		2003	
Consolidated Balance Sheet Items - Current Assets				
Loans to related parties				
Boris Fuchsmann	$	300	$	1,200
Inter Media		-		1,302
Media Pro Pictures		-		1,347
	$	**300**	**$**	**3,849**
Consolidated Balance Sheet Items - Non-Current Assets				
Loans to related parties				
Boris Fuchsmann	**$**	**2,525**	**$**	**1,883**

We received payments against our related party loans during 2004, such that the current portion of the loans reduced to US$ 0.3 million at December 31, 2004 from US$ 3.8 million at December 31, 2003. Non-current loans to related parties increased in the year to US$ 2.5 million at December 31, 2004 from US$ 1.9 million at December 31, 2003. This reflects a movement of balances from current loans to non-current loans.

Croatia

We have no related party transactions in Croatia.

Romania

We and Mr. Sarbu are shareholders in MPI , Pro TV and Radio Pro. Our Cooperation Agreement with Mr. Sarbu requires that related party transactions be approved by a majority vote of the shareholders. The approval process for related party transactions was exercised verbally for the period from 1997 to late 2001. Beginning in 2002 formal, written records have been required and reviews of related party transactions have been performed. Approval of these has been made at local board and shareholder meetings.

Mr. Sarbu, the General Director and minority shareholder in our Romanian operations, has extensive business interests in Romania, particularly in the media sector. Due to the limited local market for many specialist television services in Romania, companies related or connected to Mr. Sarbu were often the sole or primary supplier of the services that MPI required, and much of the Romanian business was developed based on services supplied by Mr. Sarbu's companies.

Following a review of related party transactions in 2002, the shareholders of MPI decided to institute reviews of related party transactions, bring services in-house where possible and place additional controls over the remaining related party transactions.

Description of related party transactions in Romania

In 1995 we loaned Inter Media SRL US$ 1.3 million to purchase an interest in the building in which MPI operates. In addition to this, there was a loan due that has been guaranteed by Mr. Sarbu and one of his companies, Media Pro Pictures for US$ 1.0 million. On March 29, 2004, we acquired an additional 14% share in each of our consolidated subsidiaries MPI and Pro TV from Rootland Trading Limited, which is controlled by Mr. Sarbu, for purchase consideration of US$ 20.3 million (see Part II, Item 8, Note 9 "Acquisitions and Disposals"). The consideration for the acquisition consisted of US$ 16.9 million cash and the settlement of both the above loans plus all outstanding interest.

The total purchases from companies related or connected with Mr. Sarbu in 2004 were approximately US$ 6.9 million (2003 : US$ 6.6 million, 2002 : US$ 4.4 million). These were mainly for various production and administrative related services. The total sales to companies related or connected with Mr. Sarbu in 2004 were approximately US$ 0.1 million (2003 : US$ 0.9 million, 2002 : US$ 1.0 million). At December 31, 2004, companies connected to Mr. Sarbu had an outstanding balance due to us of US$ 0.6 million (2003 : US$ 0.9 million). At December 31, 2004, companies related to Mr. Sarbu had an outstanding balance due to us of US$ 0.4 million (2003 : US$ 0.9 million). At December 31, 2004, companies related to Mr. Sarbu had an outstanding balance due to them of US$ 0.6 million (2003 : US$ 0.4 million).

We signed a Put Option Agreement with Mr. Sarbu in July 2004 that grants him the right to sell us 5% of his shareholding in MPI and Pro TV between March 1, 2006 and February 28, 2009 and his remaining shareholding for a twenty-year period thereafter. The put price will be determined in each instance by an independent valuation and is subject to a floor price. Following our purchase of a 2% interest in MPI and Pro TV from Mr. Sarbu, he will be allowed under the Put Option Agreement to put to us 3% of his shareholding between March 1, 2006 and February 28, 2009 and his remaining shareholding for a twenty-year period thereafter. Following an amendment to the Put Option Agreement entered into on March 3, 2005, Mr. Sarbu may put to us 3% of his shareholding in MPI and Pro TV between March 1, 2006 and February 28, 2009.

Slovenia

In connection with the restructuring of our Slovenian operations, we have entered into a put/call arrangement with the general director of Pro Plus, Marijan Jurenec, who owns the remaining 3.15% voting and profits interests of Pro Plus (the operating company). Under the terms of the agreement, Mr. Jurenec generally has the right to put his interest to us from December 31, 2004 until January 30, 2006 at a price that consists of a fixed component and a variable component based on station Segment EBITDA. We have the right to call the interest held by Mr. Jurenec at any time until December 31, 2006 at a price that is the same as the put price until January 30, 2006 and of approximately Euro 5.4 million (approximately US$ 7.3 million) thereafter until December 31, 2006, when the call expires.

Slovak Republic

Our operating company in the Slovak Republic, STS, has loaned us Sk187 million (approximately US$ 6.6 million). The loan is repayable by us on December 1, 2005 and bears interest at a rate of 3 month BRIBOR+2.2% (BRIBOR - 3 month as at December 31, 2004 was 4.3%), which rate we believe is comparable to independently negotiated third party rates. Outstanding interest due to STS at December 31, 2003 was US$ 1.1 million.

STS has a number of contracts with companies connected to Jan Kovacik, a shareholder in Markiza, and indirectly STS, for the provision of television programs. Many of these contracts are for the production of programs that require specialist studios and specific broadcast rights. STS also sold advertising time through an advertising agency controlled by Jan Kovacik under an agreement which terminated on November 30, 2004. The total 2004 advertising sales of STS placed through Mr. Kovacik’s advertising agency were US$ 1.9 million (2003: US$ 2.5 million, 2002: US$ 2.1 million), and the total amount due to STS from this agency at December 31, 2004 was US$ 0.4 million (2003 : US$ 2.4 million).

We have received contractual management fees from STS since 1998. The value of these fees was US$ 0.4 million, US$ 0.4 million and US$ 0.7 million 2004, 2003 and 2002, respectively. In 2003, the other local shareholders suggested that they were also entitled to fees for their services to STS. Consequently, we made a provision of US$ 0.7 million in our consolidated statement of operations (representing our 70% share of a potential US$ 1.1 million charge against STS). During 2004, this issue was resolved and our 2004 results include a write-back of the provision taken in 2003.

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Ukraine

We contract with Contact Film Studios for the production of certain television programs. This is a company connected to Boris Fuchsmann, the 40% shareholder and joint Managing Director of Innova, which is one of the Ukraine operating companies. Our total purchases from Contact Film Studios in 2004 were US$ 0.1 million (2003: US$ 0.1 million, 2002: US$ nil million). This amount is included in prepaid programming as at December 31, 2004.

In 1998 we made a loan to Mr. Fuchsmann with a total balance outstanding at December 31, 2004 of US$ 2.8 million (2003: US$ 3.1 million). The interest rate on this loan is US$ 3 month LIBOR+3%, subject to a minimum of 5% and has a final due date of November 2006.

Alexander Rodnyansky, the former general director and current Honorary President of Studio 1+1, continues as the 70% shareholder in the license company. Mr. Rodnyansky is also the general director of the Russian broadcaster CTC based in Moscow. Studio 1+1 conducts regular co-production business with CTC and plans to continue such commercial co-operation for future projects. Our total purchases from CTC in 2004 were US$ 0.1 million (2003: US$ 0.4 million, 2002: US$ 0.1 million).

We acquire legal and consulting services from LLC Legal Company Varlamov and Partners, headed by the deputy general director of Studio 1+1. Total amount of services rendered by the company in 2004 was US$ 0.2 million.

We contract with Vabank for provision of the banking services. This bank is connected to the minority shareholder and joint Managing Director of Innova Boris Fuchsmann through his presence on the bank’s Supervisory Board. Our balance on the current account with Va bank was US$ 1.2 million as at December 31, 2004.

Innova Marketing is a company wholly owned and headed by Boris Fuchsmann, the 40% shareholder and joint Managing Director of Innova. Innova Marketing renders consulting services to Innova The amount of such services provided in 2004 was US$ 0.2 million.

Corporate

On May 27, 2003 we paid US$ 4.7 million to Ronald S. Lauder, our non-executive Chairman and controlling shareholder, reimbursing costs previously incurred by him in pursuing his Czech Republic arbitration. The payment was approved unanimously by our independent directors following a review of the ways in which the Lauder arbitration contributed to our success in the UNCITRAL Arbitration against the Czech Republic.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Central European Media Enterprises Ltd.
By: /s/ Wallace Macmillan
Wallace Macmillan
Vice President - Finance
(Principal Financial Officer and Accounting Officer)

April 1, 2005