CENTRAL EUROPEAN MEDIA ENTERPRISES LTD
Form 10-K/A
March 15, 2006

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, 2005

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:
CLASS A COMMON STOCK, $0.08 PAR VALUE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2005 (based on the closing sale price of $48.38 of the registrant's Common Stock, as reported by the Nasdaq Exchange on such date) was approximately US$ 1.5 billion.

Number of shares of Class A Common Stock outstanding as of March 6, 2006 : 31,057,994

Number of shares of Class B Common Stock outstanding as of March 6, 2006 : 6,966,533

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 2, 2006.

We are filing this Amendment No. 1:

- To include Form 10-K, Part III information that we previously incorporated by reference to the Proxy Statement for our Annual General Meeting of Shareholders;

- To modify in Item 8. Financial Statements and Supplementary Data, the following:

(a) Footnote 1 to the financial statements of Slovenska televizna spolocnost s.r.o. and the report of Deloitte Audit s.r.o. with respect thereto to reflect the extension of the broadcast license of Markiza-Slovakia, spol. s.r.o.;

(b) The unaudited pro-forma data for the years ended December 31, 2004 and 2005 appearing in Note 3, "Acquisitions and Disposals" to our consolidated Financial Statements under "Czech Republic - Acquisition - TV Nova".

No other information in Item 8. Financial Statements and Supplementary Data has been amended from that appearing in our Form 10-K as originally filed on March 2, 2006.

We have not otherwise 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 2, 2006 filing date, and except for the additions and modifications referred to in the preceding paragraph, it continues to speak as of March 2, 2006.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(Financial Statements and Supplementary data begin on the following page.)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Central European Media Enterprises Ltd.

We have audited the accompanying consolidated balance sheets of Central European Media Enterprises Ltd. and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the consolidated financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Central European Media Enterprises Ltd. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP
London, United Kingdom
February 28, 2006

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED BALANCE SHEETS
(US$ 000's)

	December 31, 2005	December 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	$ 71,658	$ 152,568
Restricted cash (Note 7)	34,172	15,574
Accounts receivable (Note 8)	97,396	45,170
Income taxes receivable	9,930	90
Program rights	34,914	22,055
Other current assets (Note 9)	38,856	29,592
Total current assets	**286,926**	**265,049**
Non-current assets		
Investments (Note 6)	23,936	28,558
Acquisition costs (Notes 3 and 21)	5,118	10,770
Property, plant and equipment (Note 10)	58,897	31,548
Program rights	33,081	18,299
Goodwill (Note 4)	746,583	59,092
Broadcast licenses (Note 4)	171,591	14,575
Other intangible assets (Note 4)	47,658	12,756
Other non-current assets (Note 9)	15,060	3,992
Total non-current assets	**1,101,924**	**179,590**
Total assets	**$ 1,388,850**	**$ 444,639**

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

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED BALANCE SHEETS (continued)
(US$ 000's)

	December 31, 2005	December 31, 2004
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	$ 84,849	$ 67,042
Duties and other taxes payable	27,654	20,243
Income taxes payable (Note 14)	21,894	4,658
Credit facilities and obligations under capital leases (Note 12)	43,566	10,472
Deferred consideration - Croatia (Note 3)	3,591	6,384
Deferred consideration - Czech Republic (Note 3)	24,402	-
Deferred tax (Note 14)	1,005	946
Total current liabilities	**206,961**	**109,745**
Non-current liabilities		
Credit facilities and obligations under capital leases (Note 12)	4,740	8,898
Senior Notes (Note 5)	436,424	-
Income taxes payable (Note 14)	681	3,120
Deferred tax (Note 14)	42,149	6,213
Other non-current liabilities	4,105	734
Total non-current liabilities	**488,099**	**18,965**
Commitments and contingencies (Note 19)		
Minority interests in consolidated subsidiaries	**13,237**	**4,861**
SHAREHOLDERS' EQUITY (Note 13):		
Nil shares of Preferred Stock of $0.08 each (2004 - nil)	-	-
31,032,994 shares of Class A Common Stock of $0.08 each (2004 - 21,049,400)	2,482	1,684
6,966,533 shares of Class B Common Stock of $0.08 each (2004 - 7,334,768)	558	587
Additional paid-in capital	746,880	387,305
Accumulated deficit	(44,973)	(87,468)
Accumulated other comprehensive income / (loss)	(24,394)	8,960
Total shareholders' equity	**680,553**	**311,068**
Total liabilities and shareholders' equity	**$ 1,388,850**	**$ 444,639**

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

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(US$ 000's, except share and per share data)

	For the Years Ended December 31,		
	2005	**2004**	**2003**
Net revenues	**$ 400,978**	**$ 182,339**	**$ 124,978**
Operating costs	65,138	33,615	26,608
Cost of programming	148,837	71,793	50,747
Station selling, general and administrative expenses	46,382	22,112	14,245
Depreciation of station property, plant & equipment	16,367	6,429	5,276
Amortization of broadcast licenses and other intangibles (Note 4)	11,180	465	-
Corporate operating costs	25,374	29,185	32,512
Impairment charge (Note 4)	35,331	-	-
Total operating expenses	**348,609**	**163,599**	**129,388**
Operating income/(loss)	**52,369**	**18,740**	**(4,410)**
Interest income	4,124	4,318	5,507
Interest expense	(29,387)	(1,203)	(12,010)
Foreign currency exchange gain/(loss), net	37,968	(574)	(10,023)
Other expense	(4,705)	(698)	(2,458)
Income/(loss) before provision for income taxes, minority interest, equity in income of unconsolidated affiliates and discontinued operations	**60,369**	**20,583**	**(23,394)**
Provision for income taxes (Note 14)	(16,691)	(11,089)	(3,760)
Income/(loss) before minority interest, equity in income of unconsolidated affiliates and discontinued operations	**43,678**	**9,494**	**(27,154)**
Minority interest in income of consolidated subsidiaries	(8,908)	(4,106)	(676)
Equity in income of unconsolidated affiliates (Note 6)	8,238	10,619	3,629
Net income/(loss) from continuing operations	**43,008**	**16,007**	**(24,201)**
Discontinued operations (Note 18):			
Pre-tax income from discontinued operations (Czech Republic)	164	146	384,213
Tax on disposal of discontinued operations (Czech Republic)	(677)	2,378	(14,000)
Net income/(loss) from discontinued operations	**(513)**	**2,524**	**370,213**
Net income	**$ 42,495**	**$ 18,531**	**$ 346,012**
Currency translation adjustment, net	(33,354)	4,228	10,056
Total comprehensive income	**$ 9,141**	**$ 22,759**	**$ 356,068**

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

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (continued)
(US$ 000's, except share and per share data)

	For the Years Ended December 31, 2005	2004	2003
PER SHARE DATA (Note 16):			
Net income/(loss) per share:			
Continuing operations - Basic	$ 1.24	$ 0.57	$ (0.91)
Continuing operations - Diluted	1.21	0.55	(0.91)
Discontinued operations - Basic	(0.01)	0.09	13.97
Discontinued operations - Diluted	(0.01)	0.09	13.97
Net income - Basic	1.23	0.66	13.06
Net income - Diluted	$ 1.20	$ 0.64	$ 13.06
Weighted average common shares used in computing per share amounts (000s):			
Basic	34,664	27,871	26,492
Diluted	35,430	29,100	26,492

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

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(US$ 000's)

	Class A Common Stock		Class B Common Stock				Accumulated	
	Number of shares	Par value	Number of shares	Par value	Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income/(Loss)	Total Shareholders' Equity/ (Deficit)
BALANCE, December 31, 2002	**18,523,768**	**$ 1,482**	**7,934,768**	**$ 635**	**$ 359,342**	**$ (452,011)**	**$ (5,324)**	**$ (95,876)**
Stock-based Compensation	-	-	-	-	13,209	-	-	13,209
Stock options exercised	145,998	12	-	-	111	-	-	123
Conversion of Class B to Class A Common Stock	600,000	48	(600,000)	(48)	-	-	-	-
Net income	-	-	-	-	-	346,012	-	346,012
Currency translation adjustment	-	-	-	-	-	-	10,056	10,056
BALANCE, December 31, 2003	**19,269,766**	**$ 1,542**	**7,334,768**	**$ 587**	**$ 372,662**	**$ (105,999)**	**$ 4,732**	**$ 273,524**
Stock-based Compensation	-	-	-	-	10,102	-	-	10,102
Stock options exercised	1,083,634	87	-	-	2,853	-	-	2,940
Warrants exercised	696,000	55	-	-	1,688	-	-	1,743
Net income	-	-	-	-	-	18,531	-	18,531
Currency translation adjustment	-	-	-	-	-	-	4,228	4,228
BALANCE, December 31, 2004	**21,049,400**	**$ 1,684**	**7,334,768**	**$ 587**	**$ 387,305**	**$ (87,468)**	**$ 8,960**	**$ 311,068**
Stock-based Compensation	-	-	-	-	2,954	-	-	2,954
Shares issued to PPF	3,500,000	280	-	-	120,603	-	-	120,883
Shares issued, net of fees	5,405,000	432	-	-	230,172	-	-	230,604
Stock options exercised	710,359	57	-	-	5,846	-	-	5,903
Conversion of Class B to Class A	368,235	29	(368,235)	(29)	-	-	-	-

Common Stock								
Net income	-	-	-	-	-	42,495	-	42,495
Currency translation adjustment	-	-	-	-	-	-	(33,354)	(33,354)
BALANCE, December 31, 2005	**31,032,994**	**$ 2,482**	**6,966,533**	**$ 558**	**$ 746,880**	**$ (44,973)**	**$ (24,394)**	**$ 680,553**

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

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US$ 000's)

	For the Years Ended December 31,		
	2005	**2004**	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 42,495**	**$ 18,531**	**$ 346,012**
Adjustments to reconcile net income to net cash generated from/(used in) operating activities:			
(Income)/loss from discontinued operations (Note 18)	513	(2,524)	(370,213)
Equity in income of unconsolidated affiliates, net of dividends received	3,454	(4,340)	(243)
Depreciation and amortization	110,846	49,357	38,037
Impairment charge (Note 4)	35,331	-	-
Interest receivable	(185)	(340)	(344)
Loss on disposal of fixed assets	685	18	-
Stock-based compensation (Note 15)	2,954	10,102	13,209
Minority interest in income of consolidated subsidiaries	8,908	4,106	676
Foreign currency exchange (gain)/loss, net	(37,968)	574	10,023
Net change in (net of effects of acquisitions and disposals of businesses):			
Accounts receivable	1,693	(9,100)	(3,547)
Program rights costs	(110,364)	(45,446)	(33,049)
Other assets	12,174	(4,572)	1,246
Settlement liability (Note 11)	(41,606)	-	-
Other accounts payable and accrued liabilities	(13,642)	(13,611)	(7,642)
Income and other taxes payable	(11,744)	(340)	(1,615)
Net cash generated from/(used in) continuing operating activities	**3,544**	**2,415**	**(7,450)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net change in restricted cash	(19,521)	(10,145)	1,769
Purchase of property, plant and equipment	(26,548)	(10,808)	(7,811)
Proceeds from disposal of property, plant and equipment	125	72	-
Investments in subsidiaries and unconsolidated affiliates	(35,305)	(35,800)	(8)
Partial consideration for acquisition of TV Nova (Czech Republic) group	(218,054)	-	-
Proceeds from partial disposal of investment	-	42	-
Repayment of loans and advances to related parties	500	400	-
License costs, other assets and intangible assets	-	(770)	(6,060)
Net cash used in continuing investing activities	**(298,803)**	**(57,009)**	**(12,110)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance/(repurchase) of Senior Notes	465,120	-	(183,739)

Proceeds from other credit facilities	65,902	-	-
Payment of credit facilities and capital leases	(41,243)	(2,275)	(17,905)
Proceeds from/(repayment) of loans from unconsolidated affiliates	(5,827)	-	2,450
Repayment of notes for acquisition of TV Nova (Czech Republic) group	(491,703)	-	-
Repayment of liabilities on acquisition of Galaxie Sport	(3,000)	-	-
Issuance of Class A Common Stock	236,507	4,161	123
Dividends paid to minority shareholders	(397)	-	-
Repayment of other non-current liabilities	-	-	(400)
Net cash received from/(used in) financing activities	**225,359**	**1,886**	**(199,471)**
NET CASH RECEIVED FROM/(USED IN) DISCONTINUED OPERATIONS-OPERATING (Revised - See Note 2)	(2,000)	(9,463)	343,358
NET CASH RECEIVED FROM DISCONTINUED OPERATIONS-INVESTING (Revised - See Note 2)	-	20,349	15,000
Impact of exchange rate fluctuations on cash	**(9,010)**	**2,144**	**1,146**
Net increase/(decrease) in cash and cash equivalents	(80,910)	(39,678)	140,473
CASH AND CASH EQUIVALENTS, beginning of year	**152,568**	**192,246**	**51,773**
CASH AND CASH EQUIVALENTS, end of year	**$ 71,658**	**$ 152,568**	**$ 192,246**

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

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(US$ 000's)

	For the Years Ended December 31,					
		2005		2004		2003
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Cash paid for interest	$	19,402	$	581	$	16,658
Cash paid for income taxes (net of refunds)	$	10,066	$	18,920	$	4,938
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:						
Exchange of 3.5 million shares of Class A Common Stock (Note 3)	$	120,883	$	-	$	-
Notes taken out for acquisition of TV Nova (Czech Republic) group (Note 3)	$	491,703	$	-	$	-
Exchange of Other receivable (Note 3)	$	18,541	$	-	$	-
Purchase of Krsak interest financed with payable (Note 3)	$	24,683	$	-	$	-
Purchase of share of Romania operations through settlement of loans receivable (Note 3)	$	-	$	3,400	$	-
Acquisition of property, plant and equipment under capital lease	$	4,967	$	333	$	156

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

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US$ 000's, except share data)

1. ORGANIZATION AND BUSINESS

Central European Media Enterprises Ltd., a Bermuda corporation, was formed in June 1994. Our assets are held through a series of Dutch and Netherlands Antilles holding companies. We invest in, develop and operate national and regional commercial television stations and channels in Central and Eastern Europe. At December 31, 2005, we have operations in Croatia, the Czech Republic, Romania, the Slovak Republic, Slovenia and Ukraine.

Our principal subsidiaries and equity-accounted affiliates as at December 31, 2005 were:

Company Name	Voting Interest	Jurisdiction of Organization	Subsidiary / Equity-Accounted Affiliate (1)
CME Media Investments s.r.o.	100%	Czech Republic	Subsidiary
Vilja a.s. ("Vilja")	100%	Czech Republic	Subsidiary
CET 21 s.r.o. ("CET 21")	96.5%	Czech Republic	Subsidiary
CME Media Services s.r.o. ("CME Media Services")	100%	Czech Republic	Subsidiary (2)
ERIKA a.s.	100%	Czech Republic	Subsidiary
Media Capitol, a.s.	100%	Czech Republic	Subsidiary
NOVA Consulting, a.s.	100%	Czech Republic	Subsidiary
HARTIC, a.s.	100%	Czech Republic	Subsidiary
Galaxie Sport s.r.o. ("Galaxie Sport")	100%	Czech Republic	Subsidiary
Plejada a.s.	96.5%	Czech Republic	Subsidiary (in liquidation)
Media Pro International S.A. ("MPI")	85%	Romania	Subsidiary
Media Vision S.R.L. ("Media Vision")	70%	Romania	Subsidiary
MPI Romania B.V.	85%	Netherlands	Subsidiary
Pro TV S.A. ("Pro TV")	85%	Romania	Subsidiary
Radio Pro S.R.L ("Radio Pro")	20%	Romania	Equity-Accounted Affiliate
International Media Services Ltd. ("IMS")	60%	Bermuda	Subsidiary
Innova Film GmbH ("Innova")	60%	Germany	Subsidiary
Enterprise "Inter-Media" ("Inter-Media")	60%	Ukraine	Subsidiary
TV Media Planet Ltd	60%	Cyprus	Subsidiary
Broadcasting Company "Studio 1+1" LLC ("Studio 1+1")	18%	Ukraine	Consolidated Variable Interest Entity (3)
Ukraine Media Services LLC	99%	Ukraine	Subsidiary
Slovenska Televizna Spolocnost s.r.o. ("STS")	49%	Slovak Republic	Equity-Accounted Affiliate (4)
Markiza-Slovakia s.r.o. ("Markiza")	34%	Slovak Republic	Equity-Accounted Affiliate (4)
Gamatex s.r.o.	49%	Slovak Republic	Equity-Accounted Affiliate (4)

ADAM a.s.	49%	Slovak Republic	Equity-Accounted Affiliate (4)

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US$ 000's, except share data)

Company Name	Voting Interest	Jurisdiction of Organization	Subsidiary / Equity-Accounted Affiliate (1)
MM TV 1 d.o.o.	100%	Slovenia	Subsidiary
Produkcija Plus d.o.o. ("Pro Plus")	100%	Slovenia	Subsidiary
POP TV d.o.o. ("Pop TV")	100%	Slovenia	Subsidiary
Kanal A d.o.o. ("Kanal A")	100%	Slovenia	Subsidiary
Super Plus Holding d.d.	100%	Slovenia	Subsidiary (in liquidation)
MTC Holding d.o.o.	24%	Slovenia	Equity-Accounted Affiliate
Nova TV d.d. ("Nova TV Croatia")	100%	Croatia	Subsidiary
Operativna Kompanija d.o.o. ("OK")	100%	Croatia	Subsidiary
Media House d.o.o.	100%	Croatia	Subsidiary
CME Media Enterprises B.V.	100%	Netherlands	Subsidiary
CME Czech Republic B.V.	100%	Netherlands	Subsidiary
CME Czech Republic II B.V.	100%	Netherlands	Subsidiary
CME Germany B.V.	100%	Netherlands	Subsidiary
CME Hungary B.V.	100%	Netherlands	Subsidiary
CME Poland B.V.	100%	Netherlands	Subsidiary
CME Romania B.V.	100%	Netherlands	Subsidiary
CME Ukraine Holding GmbH	100%	Austria	Subsidiary
CME Germany GmbH	100%	Germany	Subsidiary (in liquidation)
CME Cyprus Holding Ltd	100%	Cyprus	Subsidiary
CME Development Corporation	100%	USA	Subsidiary
Central European Media Enterprises N.V.	100%	Netherlands Antilles	Subsidiary
Central European Media Enterprises II B.V.	100%	Netherlands Antilles	Subsidiary

(1) All subsidiaries have been consolidated in our Consolidated Financial Statements. All equity-accounted affiliates have been accounted for using the equity method.

(2) Ceska Produkcni 2000 a.s. and Mag Media 99 a.s. were merged into CME Media Services s.r.o. on December 31, 2005.

(3) For further information, see Note 2, "Summary of Significant Accounting Policies".

(4) On January 23, 2006, we acquired 100% of A.R.J. a.s., thereby increasing our effective voting interest in STS to 89.8% and in Markiza to 80%. From January 23, 2006 we consolidate these entities. See Note 21, "Subsequent Events".

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US$ 000's, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The significant accounting policies are summarized as follows:

Basis of Presentation

The consolidated financial statements include the accounts of Central European Media Enterprises Ltd. and our subsidiaries, after the elimination of intercompany accounts and transactions. We consolidate the financial statements of entities in which we hold at least 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 FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN 46 (R)"). 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. Other investments are accounted for using the cost method.

As we are the primary beneficiary related to the rights and obligations of Studio 1+1, we consolidate Studio 1+1 in accordance with FIN 46(R). Studio 1+1 is a license and broadcasting company within our Ukrainian operations and trades with the other companies within the group.

The following table summarizes Consolidated Balance Sheet and Consolidated Statement of Operations information that we consolidate with regard to Studio 1+1:

	December 31, 2005	December 31, 2004
Balance Sheet:		
Current assets	$ 18,475	$ 10,711
Non-current assets	1,315	1,822
Current liabilities	(9,678)	(10,689)
Non-current liabilities	(106)	-
Minority interest	(4,002)	(738)
Net Assets	**$ 6,004**	**$ 1,106**

Statement of Operations:	For the Year Ended December 31, 2005	For the Year Ended December 31, 2004
Net revenues	$ 62,586	$ 43,903
Operating income	12,401	6,001
Net income	$ 5,423	$ 2,985

Revenue Recognition

Revenue is recognized when there is persuasive evidence of an arrangement, delivery of products has occurred or services have been rendered, the price is fixed or determinable and collectibility is reasonably assured.

Revenues are recognized net of discounts and customer sales incentives. Our principal revenue streams and their respective accounting treatments are discussed below:

Advertising revenue

Revenues primarily result from the sale of advertising time. Television advertising revenue is recognized as the commercials are aired. In certain countries, we commit to provide advertisers with certain rating levels in connection with their advertising. Revenue is recorded net of estimated shortfalls, which are usually settled by providing the advertiser additional advertising time.

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Discounts and agency commissions are recognized at the point when the advertising is broadcast and are reflected as a reduction to gross revenue.

Cable and satellite revenues

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

Program distribution revenue

Program distribution revenue is recognized when the relevant agreement has been entered into, the product is available for delivery, collectibility of the cash is reasonably assured and all of our contractual obligations have been satisfied.

Barter transactions

Barter transactions represent advertising time exchanged for non-cash goods and/or services, such as promotional items, advertising, supplies, equipment and services. Revenue from barter transactions are recognized as income when advertisements are broadcasted. Expenses are recognized when goods or services are received or used. We record barter transactions at the fair value of goods or services received or advertising surrendered, whichever is more readily determinable. Barter revenue amounted to US$ 7.0 million, US$ 5.7 million, and US$ 0.4 million for the years ending December 31, 2005, 2004, and 2003, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less. Cash that is subject to restrictions is classified as restricted cash.

Property, Plant and Equipment

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

Asset category	**Estimated useful life**
Land	Indefinite
Buildings	25 years
Station machinery, fixtures and equipment	4 - 8 years
Other equipment	3 - 8 years
Software licenses	3 - 5 years

Construction-in-progress is not depreciated until put into use. Capital leases are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Leasehold improvements are depreciated over the shorter of the related lease term or the life of the asset. Assets to be disposed of are reported at the lower of carrying value or fair value, less costs of disposal.

Long-Lived Assets Including Intangible Assets with Finite Lives

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

In accordance with FAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“FAS 144”), we review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The carrying values of long-lived assets are considered impaired when the anticipated undiscounted cash flows from such assets are less than their carrying values. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value.

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No impairment has been recognized for any long-lived assets in 2005, 2004, or 2003.

Program Rights

Purchased program rights

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

Program rights are amortized on a systematic basis over their expected useful lives, according to the number of runs of the license. The amortization percentages are as follows:

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

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

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

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

Produced program rights

Program rights that are produced are stated at the lower of cost less accumulated amortization or fair value. The amortization charge is based on the ratio of the current period's gross revenues to estimated remaining total gross revenues from such programs. Program rights are evaluated to determine if expected revenues are sufficient to cover the unamortized portion of the program. To the extent that expected revenues are insufficient, the program rights are written down to their net realizable value.

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

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the fair value of consideration paid over the fair value of net tangible and other identifiable intangible assets acquired in a business combination. In accordance with FAS No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"), the carrying value of goodwill is evaluated for impairment on an annual basis, or

more frequently if events or changes in circumstances indicate that the asset might be impaired. We evaluate goodwill for impairment in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Potential impairment is identified when the carrying value of a reporting unit (including its goodwill), exceeds its fair value. Goodwill impairment is measured as the excess of the carrying value of goodwill over its implied fair value. In accordance with FAS 142, we have determined that our reporting units are the same as our operating segments.

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

- We intend to renew the licenses into the foreseeable future;
- We have precedents of renewals, or reasonable expectation of renewals;
- We do not expect any substantial cost to be incurred as part of a future license renewal and no costs have been incurred in the renewals to date;
- We have not experienced any historical evidence of a compelling challenge to our holding these licenses; and
- We do not foresee that the technology used to exploit these licenses will undergo significant changes in the foreseeable future.

Indefinite-lived intangible assets are not amortized, but they are evaluated for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Under FAS 142, an impairment loss is recognized if the carrying value of an indefinite-lived intangible asset exceeds its fair value.

Fair value is determined based on estimates of future cash flows discounted at appropriate rates and on publicly available information, where appropriate. In the assessment of discounted future cash flows the following data is used: management plans for a period of at least five years, a terminal value at the end of this period assuming an inflationary perpetual growth rate, and a discount rate selected with reference to the relevant cost of capital.

Income Taxes

We account for income taxes under the asset and liability method as set out in FAS No. 109, "Accounting for Income Taxes". Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more likely than not to be realized.

Foreign Currency

Translation of financial statements

Our reporting currency and functional currency is the US dollar. The financial statements of our operations whose functional currency is other than the US dollar are translated from such functional currency to US dollars at the exchange rates in effect at the balance sheet date for assets and liabilities, and at weighted average rates for the period for revenues and expenses, including gains and losses. Translational gains and losses are charged or credited to Accumulated Other Comprehensive Income/(Loss), a component of Shareholders' Equity. Translation adjustments arising from intercompany financing that is a long-term investment in nature is accounted for in a similar manner. At December 31, 2005, a translation loss of US$ 17.8 million (December 31, 2004: nil) related to intercompany financing that is a long-term investment in nature is included in Accumulated Other Comprehensive Income/(Loss).

Transactions in foreign currencies

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

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

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Leases

Leases are classified as either capital or operating. Those leases that transfer substantially all benefits and risks of ownership of the property to us are accounted for as capital leases. All other leases are accounted for as operating leases.

Capital leases are accounted for as assets and are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Commitments to repay the principal amounts arising under capital lease obligations are included in current liabilities to the extent that the amount is repayable within one year; otherwise the principal is included in non-current liabilities. The capitalized lease obligation reflects the present value of future lease payments. The financing element of the lease payments is charged to interest expense over the term of the lease.

Operating lease costs are charged to expense on a straight-line basis.

Stock-Based Compensation

Stock-based compensation costs are determined when options are issued and are measured under the fair value method as defined in FAS No. 123, "Accounting for Stock-based Compensation" ("FAS 123"). We adopted FAS 123 prospectively for employee stock option awards granted, modified, or settled beginning January 1, 2003, as contemplated by FAS No. 148, "Accounting for Stock-based Compensation - Transition & Disclosure" ("FAS 148"). In prior periods, we used the intrinsic method of accounting as defined in APB No. 25, "Accounting for Stock Issued to Employees" ("APB 25") (See Note 15, Stock-based Compensation"). Expense from stock options granted after the adoption of FAS 123 is recognized on a straight-line basis over the requisite service period of the underlying grant.

Had compensation costs for employee stock option awards granted, modified or settled prior to January 1, 2003 been determined consistent with the fair value approach required by FAS 123 for all periods presented, using the Black-Scholes option pricing model with the assumptions as estimated on the date of each grant, our net income and net income per common share would decrease to the following pro forma amounts:

		For the Years Ended December 31,					
			2005		2004		2003
Net Income	**As Reported**	**$**	**42,495**	**$**	**18,531**	**$**	**346,012**
Add: Stock-based compensation expense included in reported net income, net of related tax effects	As Reported		2,954		10,102		13,209
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	Pro Forma		(3,022)		(10,315)		(13,778)
Net Income	**Pro Forma**	**$**	**42,427**	**$**	**18,318**	**$**	**345,443**
Net Income - Basic:	As Reported	$	1.23	$	0.66	$	13.06

	Pro Forma	$	1.23	$	0.66	$	13.04
Net Income - Diluted:	As Reported	$	1.20	$	0.64	$	13.06
	Pro Forma	$	1.20	$	0.63	$	13.04

Contingencies

Contingencies are recorded in accordance with FAS No. 5, “Accounting for Contingencies” (“FAS 5”). The estimated loss from a loss contingency such as a legal proceeding or claim is recorded in the Consolidated Statement of Operations if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a loss contingency is made if there is at least a reasonable possibility that a loss has been incurred.

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Financial Instruments

Fair value of financial instruments

The carrying value of financial instruments, including cash, accounts receivable, and accounts payable and accrued liabilities, approximate their fair value due to the short-term nature of these items. The fair value of our Senior Notes is included in Note 5.

Derivative financial instruments

We use derivative financial instruments for the purpose of mitigating currency risks, which exist as part of ongoing business operations. As a policy, we do not engage in speculative or leveraged transactions, nor do we hold or issue derivative financial instruments for trading purposes.

Forward exchange contracts are used to mitigate exposures to currency fluctuations on certain short-term transactions generally denominated in currencies other than our functional currency. These contracts are marked to market at the balance sheet date, and the resultant unrealized gains and losses are recorded in the Consolidated Statement of Operations, together with realized gains and losses arising on settlement of these contracts.

Put options

Put options written on the stock of a consolidated subsidiary which do not provide net settlement are accounted for in accordance with FAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" and EITF No. 00-6 "Accounting for Freestanding Derivative Financial Instruments Indexed to, and Potentially Settled in the Stock of a Consolidated Subsidiary". Put options are recorded in the Consolidated Balance Sheet at fair value, which at December 31, 2005 is considered to be US$ nil.

Discontinued Operations

We present our results of operations, financial position and cash flows of operations that have either been sold or that meet the criteria for "held-for-sale accounting" as discontinued operations. At the time an operation qualifies for held-for-sale accounting, the operation is evaluated to determine whether or not the carrying value exceeds its fair value less cost to sell. Any loss as a result of carrying value in excess of fair value less cost to sell is recorded in the period the operation meets held-for-sale accounting. Management judgment is required to (1) assess the criteria required to meet held-for-sale accounting, and (2) estimate fair value. Changes to the operation could cause it to no longer qualify for held-for-sale accounting and changes to fair value could result in an increase or decrease to previously recognized losses.

In 2005, we have separately disclosed the operating, financing and investing portions of the cash flows attributable to discontinued operations, which in prior periods were presented as a single amount. During 2003, we disposed of our former operations in the Czech Republic; all results of this disposal have been treated as discontinued operations (see Note 18, "Discontinued Operations").

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense incurred for the years ending December 31, 2005, 2004 and 2003 totaled US$ 6.6 million, US$ 2.6 million and US$ 2.9 million, respectively.

Earnings Per Share

Basic net income per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common and dilutive potential common shares outstanding during the period.

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Reclassifications

Certain reclassifications were made to prior period amounts to conform to current period presentation.

Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued FAS No. 154, "Accounting for Changes and Error Corrections" ("FAS 154"), which replaces APB Opinion No. 20 "Accounting Changes" ("APB 20"), and FAS No. 3, "Reporting Accounting Changes in Interim Financial Statements", and changes the requirements for the accounting for and reporting of a change in accounting principle. APB 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. FAS 154 requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings for that period rather than being reported in the income statement. We will adopt the provisions of FAS 154 on January 1, 2006. The adoption of FAS 154 is not expected to have a material impact on our financial position or results of operations.

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB statement No. 123R, "Share-Based Payment" ("FAS 123R"), a revision of FASB statement No. 123, "Accounting for Stock-Based Compensation", which addresses financial accounting and reporting for costs associated with stock-based compensation. FAS 123R addresses all forms of share-based payment awards, including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. In March 2005, the Staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ("SAB 107") which provides guidance in the implementation of FAS 123R. We will adopt the new accounting provisions on January 1, 2006. The adoption of FAS 123R and SAB 107 are not expected to have a material impact on our financial position or results of operations.

3. ACQUISITIONS AND DISPOSALS

Czech Republic

Acquisition - TV Nova

On May 2, 2005, we acquired 85% of the interest of PPF (Cyprus) Ltd ("PPF") in the TV Nova (Czech Republic) group. Consideration for this acquisition was approximately US$ 630.3 million, including the incurrence of US$ 491.7 million of interim indebtedness to PPF (which was repaid in cash on May 5, 2005), the issuance of 3.5 million unregistered shares of our Class A Common Stock (US$ 120.9 million) and forgiveness of a US$ 18.5 million balance categorized as "Other Receivable" within "Other Current Assets" in our Consolidated Balance Sheet as at December 31, 2004. The 3.5 million shares of Class A Common Stock issued were valued at US$ 34.538 per share, which was determined as the average of our share price over a reasonable period of time before and after the terms of the acquisition were agreed and announced. The final purchase price was reduced by US$ 0.7 million following a post-completion audit for changes in the level of working capital and indebtedness from the time we entered into a framework agreement with PPF on December 13, 2004 to May 2, 2005.

On May 27, 2005, we acquired from Peter Krsak his 16.67% interest in CET 21, which holds the national terrestrial broadcast license for TV NOVA in the Czech Republic, for CZK 1.2 billion (approximately US$ 49.4 million at the date of acquisition). The purchase price was payable in two installments: one half of the consideration was paid on May 27, 2005 and the second installment of CZK 0.6 billion (approximately US$ 24.4 million) will be paid on the earlier of July 15, 2006 or the date on which we are registered with the Czech commercial register as the owner of 16.67% of CET 21. This installment is classified in our Consolidated Balance Sheet as restricted cash and deferred consideration as at December 31, 2005.

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Following the exercise of our call option, we acquired from PPF its remaining 15% interest in the TV Nova (Czech Republic) group for cash consideration of approximately US$ 216.4 million on May 31, 2005.

As a result of these transactions, we have acquired a 100% interest in CME Media Services, which provides services related to programming, production and advertising for the TV NOVA (Czech Republic) channel and a 100% interest in Vilja a.s., which owns a 52.075% interest in CET 21. When this interest is aggregated with the purchase of the Krsak interest, we own 68.745% of CET 21. Our voting and economic interest in CET 21 is 96.50% because CET 21 itself holds an undistributed 28.755% interest that is not entitled to voting rights or dividends.

The remaining minority interests in CET 21 are currently held by Ceska Sporitelna a.s. (1.25%) and CEDC GmbH (1.25%). Subject to the consent of the Czech Media Council, the interests of Ceska Sporitelna and CEDC will be transferred to the TV Nova (Czech Republic) group for nominal consideration.
We completed a fair value exercise to allocate the purchase price to the acquired assets and liabilities, and identified separately identifiable intangible assets. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

		Fair Value on Acquisition
Cash	$	35,592
Receivables		56,832
Property, plant and equipment		17,379
Program library		26,937
Intangible assets subject to amortization (1)		178,054
Intangible assets not subject to amortization (2)		17,979
Goodwill		723,503
Other assets		23,562
Liabilities		(122,249)
Deferred tax liability		(45,933)
Minority interest		(2,200)
Total purchaseprice (3)	**$**	**909,456**

(1) The intangible assets subject to amortization comprise approximately US$ 11.9 million in customer relationships, which are being amortized over five to fourteen years (weighted average: 12.4 years), US$ 0.6 million of customer backlog (fully amortized in 2005) and approximately US$ 165.6 million relating to the acquired television broadcast license, which is being amortized over twelve years.

(2) Intangible assets not subject to amortization relate to the 'TV NOVA' trade name.

(3) Total purchase price includes US$ 13.3 million of capitalized acquisition costs.

As of December 31, 2004 we had accrued US$ 10.8 million of acquisition costs (principally fees relating to legal and accounting diligence and mergers and acquisitions advisory services) in relation to the acquisition of the TV Nova (Czech Republic) group. As of December 31, 2005, all acquisition costs have been charged to goodwill following the acquisition of the TV Nova (Czech Republic) group.

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Our Consolidated Statement of Operations reflects the increased interest expense and amortization charges resulting from the acquisition of 85% of the TV Nova (Czech Republic) group on May 2, 2005, the Krsak interest on May 27, 2005 and 15% of the TV Nova (Czech Republic) group on May 31, 2005. On an unaudited pro-forma basis, assuming that these acquisitions had occurred at the beginning of 2005 or 2004, our Consolidated Statements of Operations would have been as follows:

Pro-forma (unaudited)	**For the Years Ended December 31,**			
		2005		**2004**
Net revenues	$	483,102	$	390,139
Net income from continuing operations (as restated)		60,839		36,153
Net income (as restated)		60,326		38,677
Per Share Data:				
Net income - Basic (as restated)	$	1.60	$	1.05
Net income - Diluted (as restated)	$	1.57	$	1.02

The pro-forma net income for each period presented reflects all costs relating to the Senior Notes issued to finance the acquisition of the TV Nova (Czech Republic) group and the Krsak interest. The earnings per share calculation reflects the increase in the number of shares issued relating to these acquisitions.

The primary reason for the purchase of the TV Nova (Czech Republic) group and the main factor that contributed to a purchase price that results in the recognition of goodwill is the opportunity for us to secure a significant broadcasting asset at a favorable valuation. Adding the leading broadcaster of one of the larger Central and East European markets to our portfolio of stations and channels has doubled our size and substantially enhanced our cash-flows, confirming our position as the dominant broadcaster in the region. Ownership of a significant asset such as the TV Nova (Czech Republic) group creates a solid base for further expansion when opportunities arise.

Acquisition - Galaxie Sport

On September 1, 2005, CP 2000 (which was subsequently merged into CME Media Services) acquired 100% of Galaxie Sport s.r.o. from PPF for consideration of CZK 49.5 million (approximately US$ 2.1 million at the time of acquisition) and the settlement of shareholder loans of CZK 69.2 million (approximately US$ 3.0 million at the time of acquisition). Galaxie Sport holds a satellite and cable broadcasting license in the Czech Republic and the Slovak Republic for the sports cable channel GALAXIE SPORT.

We completed a fair value exercise to allocate the purchase price to the acquired assets and liabilities, and identified separately identifiable intangible assets. In accordance with FAS No. 141, "Business Combinations ("FAS 141"), we allocated US$ 0.4 million of the purchase price to trademarks, which were assigned an indefinite life, and recognized a deferred tax liability arising from this asset. After allocating the purchase price to all acquired assets, liabilities and intangible assets, US$ 3.8 million of goodwill remained.

Romania

Acquisition of additional interest - MPI and Pro TV

On March 29, 2004, we acquired a 14% voting and economic interest in each of our consolidated subsidiaries MPI and Pro TV from Rootland Trading Limited for purchase consideration of US$ 20.3 million. Rootland Trading Limited is controlled by Adrian Sarbu, the General Director of our Romanian operations. This acquisition brought our total voting interest and share of profits to 80% in both companies. The consideration for the acquisition consisted of US$ 16.9 million cash and the settlement of loans receivable from companies controlled by Mr. Sarbu that he had personally guaranteed (Inter-Media srl: US$ 1.8 million and Media Pro Pictures: US$ 1.6 million). The purchase price was agreed based on a multiple of MPI's and Pro TV's projected future earnings. In accordance with FAS 141, we allocated US$ 3.7 million to broadcast licenses, US$ 5.5 million to trademarks and US$ 2.0 million to customer relationships. We recognized a corresponding deferred tax liability on the tax basis difference arising from these assets. Both trademarks and broadcast licenses were assigned an indefinite life, while customer relationships were deemed to have an economic useful life of, and are being amortized on a straight-line basis over, eight years. An amount of US$ 8.8 million was recognized as goodwill.

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On February 28, 2005, we acquired from Mr. Sarbu a 2% voting and economic interest in MPI and Pro TV for aggregate consideration of US$ 5.0 million. Following this transaction we owned a voting and economic interest in MPI and Pro TV of 82%. The purchase price was agreed based on a multiple of MPI and Pro TV's earnings. In accordance with FAS 141, we allocated US$ 1.2 million to broadcast licenses, US$ 0.9 million to trademarks and US$ 0.2 million to customer relationships. We recognized a corresponding deferred tax liability on the tax basis difference arising from these assets. Both trademarks and broadcast licenses were assigned an indefinite life, while customer relationships were deemed to have a remaining economic useful life of, and are being amortized on a straight-line basis over, eight years. An amount of US$ 2.9 million was recognized as goodwill.

On July 29, 2005, we acquired from Mr. Sarbu a 3% voting and economic interest in MPI and Pro TV for aggregate consideration of US$ 15.0 million. Following this transaction we held a voting and economic interest in MPI and Pro TV of 85%. The purchase price was finalized during July 2005 based on a multiple of MPI and Pro TV's future earnings. In accordance with FAS 141, we have allocated US$ 3.0 million of the purchase price to broadcast licenses, US$ 2.8 million to trademarks and US$ 2.3 million to customer relationships. We have recognized a corresponding deferred tax liability on the tax basis difference arising from these assets. Both trademarks and broadcast licenses have been assigned an indefinite life, while customer relationships are deemed to have a remaining economic useful life of, and are amortized on a straight-line basis over, eight years. An amount of US$ 8.0 million was recognized as goodwill.

On February 17, 2006, we purchased an additional 5% of Pro TV, MPI and Media Vision from Mr. Sarbu for consideration of US$ 27.2 million (for further information see Note 21, "Subsequent Events"). We now own a 90% voting and economic interest in Pro TV and MPI and a 75% voting and economic interest in Media Vision. Mr. Sarbu has the right to sell his remaining 10% shareholding in Pro TV and MPI to us under a put option agreement entered into in July 2004 at a price to be determined by an independent valuation, subject to a floor price of US$ 1.45 million for each 1% interest sold. This put is exercisable from March 1, 2009 for a twenty-year period thereafter. As at December 31, 2005, we consider the fair value of the put option to approximate to nil.

Disposal of Interest in Radio Pro

Following our acquisition of an additional 14% interest in MPI and Pro TV on March 29, 2004, we sold a 24% holding in Radio Pro to Mr. Sarbu for consideration of US$ 0.04 million to comply with Romanian Media Council regulations. This decreased our holding in Radio Pro from 44% to 20% and resulted in a loss on disposal of US$ 0.02 million.

Croatia

Acquisition - Nova TV

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) on July 16, 2004. The purchase price is payable in three installments. Euro 15.6 million (approximately US$ 19.0 million at the time of payment) was paid at closing on the basis of an estimated purchase price. Euro 1.7 million (approximately US$ 2.1 million at the time of payment) was paid on February 9, 2005 following the determination of the final purchase price. Approximately Euro 3.1 million (approximately US$ 3.6 million) of the total purchase price is being held in escrow and is classified at December 31, 2005 in our Consolidated

Balance Sheet as restricted cash, with a corresponding liability recorded as deferred consideration. This amount will be held in escrow until the date on which any claims by us in excess of such amount relating to breaches of representation and warranty or covenant provisions contained in the acquisition agreement are resolved or settled.

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In May 2005, we completed a fair value exercise and allocated the purchase price to the acquired assets and liabilities. This fair value exercise included identifying separately identifiable intangible assets. As a result, we allocated US$ 18.7 million of the purchase price to broadcast licenses and US$ 7.4 million to trademarks, both of which had been preliminarily allocated to goodwill net of taxes at December 31, 2004. We recognized a deferred tax liability arising from these assets. Both trademarks and broadcast licenses were assigned an indefinite life. After allocating the purchase price to all acquired assets, liabilities and intangible assets, US$ 10.4 million of goodwill remained.

During the second quarter of 2005 we performed a strategic assessment of Nova TV (Croatia). As a result of this new strategy, requiring cash flows significantly different from those previously forecast, we recognized an impairment charge of US$ 18.6 million relating to the broadcast license, US$ 7.0 million relating to trademarks and US$ 9.7 million relating to goodwill. For further information, see Note 4, "Goodwill and Intangible Assets".

Slovenia

Acquisition of additional interest - Pro Plus

On June 24, 2005, we acquired from Marijan Jurenec, director of our Adriatic regional operations, his remaining 3.15% interest in Pro Plus for Euro 4.7 million (approximately US$ 5.7 million at the date of acquisition). The purchase price was determined with reference to the put option agreement we entered into with Mr. Jurenec in January 2003. Following this transaction we own a voting and economic interest in Pro Plus of 100%. We allocated US$ 2.5 million of the purchase price to broadcast licenses and US$ 0.5 million to trademarks. We recognized a corresponding deferred tax liability of US$ 0.7 million on the tax basis difference arising from these assets. Both trademarks and broadcast licenses were assigned an indefinite life. An amount of US$ 2.3 million was recognized as goodwill.

At December 31, 2004, we had recognized a fair value of the option of US$ 0.6 million as a liability in our Consolidated Balance Sheet.

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4. GOODWILL AND INTANGIBLE ASSETS

Our goodwill and intangible asset additions are the result of acquisitions in Croatia, the Czech Republic, Romania, Slovenia and Ukraine (see Note 3, "Acquisitions and Disposals"). No goodwill is expected to be deductible for tax purposes.

Goodwill:

Goodwill by operating segment as at December 31, 2005, 2004, and 2003 is summarized as follows:

	Slovenia	Ukraine	Romania	Croatia	Czech Republic	Total
Balance, December 31, 2003	**$ 13,725**	**$ 4,096**	**$ -**	**$ -**	**$ -**	**$ 17,821**
Additions	-	-	8,826	29,260	-	38,086
Foreign currency movements	999	-	-	2,186	-	3,185
Balance, December 31, 2004	**$ 14,724**	**$ 4,096**	**$ 8,826**	**$ 31,446**	**$ -**	**$ 59,092**
Additions	2,300	-	10,928	-	727,282	740,510
Allocation (1)	-	-	-	(18,817)	-	(18,817)
Impairment charge	-	-	-	(9,706)	-	(9,706)
Foreign currency movements	(1,936)	-	-	(2,228)	(20,332)	(24,496)
Balance, December 31, 2005	**$ 15,088**	**$ 4,096**	**$ 19,754**	**$ 695**	**$ 706,950**	**$ 746,583**

(1) We acquired our Croatian operations in July 2004. At December 31, 2004 we had not completed our purchase price allocation, and the excess of the purchase price over the net book value was preliminarily allocated to goodwill. After we completed our fair value exercise in 2005, part of this balance was allocated to other asset and liability accounts.

Broadcast licenses:

The net book value of our broadcast licenses as at December 31, 2005, 2004, and 2003 is summarized as follows:

	Indefinite-lived broadcast licenses	Amortized broadcast licenses	Total
Balance, December 31, 2003	**$ 6,420**	**$ 655**	**$ 7,075**
Additions	6,552	784	7,336
Amortization	-	(234)	(234)
Foreign currency movements	428	(30)	398

Balance, December 31, 2004	**$ 13,400**	**$ 1,175**	**$ 14,575**
Additions	6,639	165,576	172,215
Allocation (1)	18,654	-	18,654
Amortization	-	(9,316)	(9,316)
Impairment charge	(18,604)	-	(18,604)
Foreign currency movements	(1,153)	(4,780)	(5,933)
Balance, December 31, 2005	**$ 18,936**	**$ 152,655**	**$ 171,591**

(1) We acquired our Croatian operations in July 2004. At December 31, 2004 we had not completed our purchase price allocation, and the excess of the purchase price over the net book value was preliminarily allocated to goodwill. After we completed our fair value exercise in 2005, part of this balance was allocated to other asset and liability accounts (including the broadcast license).

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With the exception of our broadcast licenses in the Czech Republic and Ukraine, our broadcast licenses primarily have indefinite lives and are subject to annual impairment reviews. The licenses in Ukraine have economic useful lives of and are amortized on a straight-line basis over seven and ten years. The license in the Czech Republic has an economic useful life of, and is amortized on a straight-line basis over, twelve years.

The gross value and accumulated amortization of amortized broadcast licenses was as follows at December 31, 2005 and 2004:

	December 31, 2005	December 31, 2004
Gross value	$ 163,628	$ 2,753
Accumulated amortization	(10,973)	(1,578)
Total net book value	**$ 152,655**	**$ 1,175**

Other intangible assets:

The net book value of our other intangible assets as at December 31, 2005, 2004, and 2003 is summarized as follows:

	Trademarks	Customer relationships	Total
Balance, December 31, 2003	**$ 2,479**	**$ -**	**$ 2,479**
Additions	7,816	2,468	10,284
Amortization	-	(231)	(231)
Foreign currency movements	224	-	224
Balance, December 31, 2004	**$ 10,519**	**$ 2,237**	**$ 12,756**
Additions/Allocations (1)	30,015	14,921	44,936
Amortization	-	(1,864)	(1,864)
Impairment charge	(7,021)	-	(7,021)
Foreign currency movements	(953)	(196)	(1,149)
Balance, December 31, 2005	**$ 32,560**	**$ 15,098**	**$ 47,658**

(1) We acquired our Croatian operations in July 2004. At December 31, 2004 we had not completed our purchase price allocation, and the excess of the purchase price over the net book value was preliminarily allocated to goodwill. After we completed our fair value exercise in 2005, part of this balance was allocated to other asset and liability accounts (including the broadcast license).

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Customer relationships are deemed to have an economic useful life of and are amortized on a straight-line basis over between five and fourteen years. Trademarks have an indefinite life.

The gross value and accumulated amortization of customer relationships was as follows at December 31, 2005 and 2004:

	December 31, 2005	December 31, 2004
Gross value	$ 17,038	$ 2,468
Accumulated amortization	(1,940)	(231)
Total net book value	**$ 15,098**	**$ 2,237**

The estimated total annual amortization expense for our existing amortized broadcast licenses and customer relationships will be approximately US$ 16.0 million for 2006 and for each of the years 2007 - 2010.

Impairment

In connection with our on-going review of our Croatian operations and following a strategic assessment of the performance of Nova TV (Croatia), we modified our strategy for Croatia in late June 2005. This new strategy requires higher current expenditures than had been planned prior to the strategic assessment in order to secure our audience and market share targets. At the end of the second quarter of 2005, we performed an analysis of our Croatian business to determine if it was impaired, given that the new strategy results in cash flows that differ significantly from those previously forecast. As a result of our analysis, we recognized an impairment charge of US$ 18.6 million relating to the broadcast license, US$ 7.0 million relating to trademarks and US$ 9.7 million relating to goodwill. Included in provision for income taxes is a US$ 5.1 million credit representing a release of deferred tax relating to the impairment charge on the license and trademark. A further impairment charge relating to other Long-Lived assets was not deemed necessary under the requirements of FAS 144. For purposes of the impairment assessment, the fair value of the trademark was determined using the royalty relief method and the fair value of the broadcast license was determined using the build-out method. The royalty relief method measures the after-tax royalties saved by owning the intangible assets; the build-out method assumes that the business begins holding only the license and a plan must build up the assets and workforce needed to run the business.

We completed our annual assessment of the carrying value of goodwill in the fourth quarter of 2005 and determined that no further impairment charges were required.

5. SENIOR NOTES

Our Senior Notes consist of the following:

	Carrying value		Fair value	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004

Euro 245 million 8.25% Senior Notes	$	288,984	$	-	$	323,737	$	-
Euro 125 million floating rate Senior Notes		147,440		-		156,324		-
	$	**436,424**	**$**	**-**	**$**	**480,061**	**$**	**-**

On May 5, 2005, we issued Senior Notes in the aggregate principal amount of Euro 370 million consisting of Euro 245 million of 8.25% Senior Notes due May 2012 and Euro 125 million of floating rate Senior Notes due May 2012, which bear interest at six-month Euro Inter-Bank Offered Rate ("EURIBOR") plus 5.5% (8.0% at December 31, 2005). Interest is payable semi-annually in arrears on each May 15 and November 15, commencing November 15, 2005. The fair value of the Senior Notes as at December 31, 2005 was calculated by multiplying the outstanding debt by the traded market price.

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The Senior Notes are secured senior obligations and rank pari passu with all existing and future senior indebtedness and are effectively subordinated to all existing and future indebtedness of our subsidiaries. The amounts outstanding are guaranteed by certain of our subsidiaries and are secured by a pledge of shares of those subsidiaries and an assignment of certain contractual rights. The terms of our indebtedness 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.

In the event that (A) there is a change in control by which (i) any party other than our present shareholders becomes the beneficial owner of more than 35% of our total voting power; (ii) we agree to sell substantially all of our operating assets; or (iii) there is a change in the composition of a majority of our Board of Directors; and (B) on the 60th day following any such change of control the rating of the Senior Notes is either withdrawn or downgraded from the rating in effect prior to the announcement of such change of control, we can be required to repurchase the Senior Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Notes plus accrued and unpaid interest to the date of purchase.

The Senior Notes are redeemable at our option, in whole or in part, at the redemption prices set forth below:

From:	Euro 245 million 8.25% Senior Notes Redemption Price	From:	Euro 125 million floating rate Senior Notes Redemption Price
May 15, 2009 to May 14, 2010	104.125%	May 15, 2007 to May 14, 2008	102.000%
May 15, 2010 to May 14, 2011	102.063%	May 15, 2008 to May 14, 2009	101.000%
May 15, 2011 and thereafter	100.000%	May 15, 2009 and thereafter	100.000%

In addition, at any time prior to May 15, 2008, we may redeem up to 35% of the fixed rate notes with the proceeds of any public equity offering at a price of 108.250% of the principal amount of such notes, plus accrued and unpaid interest, if any, to the redemption date.

In addition, prior to May 15, 2009, we may redeem all or a part of the fixed rate notes at a redemption price equal to 100% of the principal amount of such notes, plus a "make-whole" premium and accrued and unpaid interest to the redemption date.

Certain derivative instruments, including redemption call options and change of control and asset disposition put options, have been identified as being embedded in the Senior Notes but as they are considered clearly and closely related to the Senior Notes, they are not accounted for separately.

6. INVESTMENTS

We hold the following investments in unconsolidated affiliates:

	December 31,	December 31,

	Voting interest		2005		2004
STS	49%	$	23,886	$	28,506
Other	Various		50		52
		$	**23,936**	**$**	**28,558**

Our share of income from Unconsolidated Affiliates in respect of STS (MARKIZA TV) was US$ 8.2 million, US$ 10.4 million, and US$ 4.5 million for the years ended December 31, 2005, 2004, and 2003, respectively. In the years ended December 31, 2005, 2004 and 2003 we received dividends of US$ 11.7 million, US$ 6.3 million, and US$ 3.1 million, respectively, from STS (MARKIZA TV).

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The following is a summary of significant balance sheet and income statement items of STS (MARKIZA TV) at December 31, 2005 and 2004, and for the years ending December 31, 2005, 2004 and 2003:

	STS (MARKIZA TV)	
	December 31, 2005	**December 31, 2004**
Current assets	$ 23,261	$ 25,548
Non-current assets	18,612	16,919
Current liabilities	(12,673)	(15,445)
Non-current liabilities	(125)	(149)
Minority interest	(635)	(371)
Net Assets	**$ 28,440**	**$ 26,502**

	STS (MARKIZA TV) For the Years Ended December 31,		
	2005	**2004**	**2003**
Net revenues	$ 64,266	$ 61,576	$ 50,814
Operating income	14,641	15,790	10,579
Net income	11,771	13,868	8,523
Currency translation adjustment	$ (3,226)	$ 4,760	$ 5,315

Included in our accumulated deficit at December 31, 2005 is approximately US$ 3.1 million of undistributed earnings of STS (Markiza TV).

7. RESTRICTED CASH

Restricted cash consists of the following at December 31, 2005 and 2004:

	December 31, 2005	**December 31, 2004**
Czech Republic (Note 3)	$ 24,554	$ -
Croatia (Note 3)	3,640	10,348
Directors' and officers' insurance	5,285	5,226
Other	693	-
Total	**$ 34,172**	**$ 15,574**

8. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2005 and 2004:

	December 31, 2005	**December 31, 2004**
Trading:		
Third-party customers	$ 103,921	$ 49,813

Less: allowance for bad debts and credit notes		(8,612)		(5,661)
Related parties		2,034		757
Less: allowance for bad debts and credit notes		(265)		(189)
Total trading	**$**	**97,078**	**$**	**44,720**

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Other:				
Third-party customers	$	257	$	18
Less: allowance for bad debts and credit notes		(83)		-
Related parties		434		722
Less: allowance for bad debts and credit notes		(290)		(290)
Total other	**$**	**318**	**$**	**450**
Total accounts receivable	**$**	**97,396**	**$**	**45,170**

Bad debt expense for the years ending December 31, 2005, 2004 and 2003 was US$ 1.8 million, US$ 0.3 million, and US$ (0.4) million, respectively.

9. OTHER ASSETS

Other current and non-current assets consist of the following at December 31, 2005 and 2004:

		December 31, 2005		**December 31, 2004**
Current:				
Prepaid programming	$	17,534	$	2,837
Other prepaid expenses		6,009		6,189
Other receivable		-		18,368
Deferred tax		3,025		760
VAT recoverable		7,888		664
Loan to related party (Note 20)		600		300
Capitalized debt costs		2,250		-
Assets held-for-sale		341		-
Other		1,209		474
Total other current assets	**$**	**38,856**	**$**	**29,592**
Non-current:				
Capitalized debt costs	$	11,618	$	-
Loan to related party (Note 20)		1,910		2,525
Deferred tax		779		31
Other		753		1,436
Total other non-current assets	**$**	**15,060**	**$**	**3,992**

The increases in other current and non-current assets relate primarily to our acquisition of the TV Nova (Czech Republic) group in May 2005.

Capitalized debt costs primarily comprise the costs incurred in connection with the issuance of our Senior Notes in May 2005 (see Note 5, "Senior Notes"), and are being amortized over the term of the Senior Notes using the effective interest method. The assets held-for-sale relate to land and buildings in our Croatian operations. The other receivable relates to a balance due to us from PPF at December 31, 2004 in respect of the sale in 2003 of our participation in CNTS, our former Czech operating company. Forgiveness of this receivable constituted part of the consideration paid

for our acquisition of the TV Nova (Czech Republic) group (see Note 3, “Acquisitions and Disposals, Czech Republic””).

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10. PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment consists of the following:

		December 31, 2005		December 31, 2004
Land and buildings	$	17,548	$	13,076
Station machinery, fixtures and equipment		72,017		62,117
Other equipment		20,447		10,363
Software licenses		8,360		5,028
Construction in progress		5,180		4,846
Total cost		**123,552**		**95,430**
Less: Accumulated depreciation		(64,655)		(63,882)
Total net book value	**$**	**58,897**	**$**	**31,548**
Assets held under capital leases (included in the above)				
Land and buildings	$	4,980	$	983
Station machinery, fixtures and equipment		1,434		393
Total cost		**6,414**		**1,376**
Less: Accumulated depreciation		(1,167)		(463)
Net book value	**$**	**5,247**	**$**	**913**

For further information on capital leases, see Note 12, "Credit Facilities and Obligations under Capital Leases".

The increases in property, plant and equipment relate primarily to our acquisition of the TV Nova (Czech Republic) group in May 2005.

Depreciation expense for the years ending December 31, 2005, 2004 and 2003 was US$ 16.7 million, US$ 6.4 million, and US$ 5.4 million, respectively. This includes corporate depreciation expense for the years ending December 31, 2005, 2004 and 2003 of US$ 0.4 million, US$ 0.1 million and US$ 0.1 million, respectively, which are included in corporate operating costs.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

		December 31, 2005		December 31, 2004
Accounts payable	$	21,533	$	16,642
Programming liabilities		18,891		22,156
Settlement liability		10,007		-
Accrued interest payable		4,483		-
Deferred income		7,202		5,631

Accrued wages		9,402		6,027
Other accrued liabilities		13,331		16,586
	$	**84,849**	**$**	**67,042**

The increases in the above accounts relate primarily to our acquisition of the TV Nova (Czech Republic) group in May 2005.

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The settlement liability represents an amount owed by CET 21 under a settlement agreement among CET 21, Ceska nezavisla televizni spolecnost ("CNTS") and the PPF Group dated December 19, 2003 following a mediation. This liability was assumed as part of the TV Nova (Czech Republic) group acquisition (see Note 3, "Acquisitions and Disposals, Czech Republic").

The accrued interest payable balance relates primarily to interest calculated on our Senior Notes (see Note 5, "Senior Notes").

12. CREDIT FACILITIES AND OBLIGATIONS UNDER CAPITAL LEASES

Group loan obligations and overdraft facilities consist of the following:

			December 31, 2005		December 31, 2004
Credit facilities:					
CME Media Enterprises B.V.	(a)	$	-	$	7,687
Croatian operations	(b) - (d)		1,135		1,668
Czech Republic operations	(e) - (f)		42,703		-
Slovenian operations	(g) - (h)		-		8,903
Total credit facilities		**$**	**43,838**	**$**	**18,258**
Capital leases					
Croatian operations, net of interest		$	132	$	381
Czech operations, net of interest			6		-
Romanian operations, net of interest			290		44
Slovenian operations, net of interest			4,040		628
Ukrainian operations			-		59
Total capital leases		**$**	**4,468**	**$**	**1,112**
Total credit facilities and capital leases		**$**	**48,306**	**$**	**19,370**
Less current maturities			**(43,566)**		**(10,472)**
Total non-current maturities		**$**	**4,740**	**$**	**8,898**

CME Media Enterprises B.V.

(a) On December 1, 2005 CME Media Enterprises B.V. repaid STS, our equity-accounted affiliate in the Slovak Republic, SKK 228 million (approximately US$ 7.1 million at the date of repayment) in settlement of the principal and interest due on a loan that had been advanced to us in 2002 and 2003. The loan bore interest at a rate of three-month Bratislava Inter-Bank Offered Rate ("BRIBOR") plus 2.2%.

Croatia

(b) A total of Euro 0.8 million (approximately US$ 0.9 million) was drawn down on three agreements our Croatian operations have with Hypo Alpe-Adria-Bank d.d. These loans bear a variable interest rate of the European Inter Bank Official Rate ("EURIBOR") three-month rate plus 2.5% and are repayable in quarterly installments until April 1, 2011. As at December 31, 2005, a rate of 4.75% applied to these loans. These loans are secured by the real property and fixed assets of OK, which as at December 31, 2005 have a carrying amount of approximately US$ 0.3 million.

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(c) An amount of Euro 0.01 million (approximately US$ 0.01 million) was drawn down on an agreement our Croatian operations have with Hypo Alpe-Adria-Bank d.d. This loan bears a fixed interest rate of 7.25% and is repayable on July 31, 2006.

(d) Euro 0.2 million (approximately US$ 0.2 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 EURIBOR three-month rate plus 3.0% and is repayable on October 1, 2006. As at December 31, 2005 a rate of 5.25% applied to this loan.

Czech Republic

(e) CZK 800 million (approximately US$ 32.5 million) was drawn by CET 21 under a four-year credit facility of CZK 1.2 billion (approximately US$ 48.8 million) with Ceska Sporitelna, a.s. ("CS"). The amount drawn bears interest at three-month Prague Inter-Bank Offered Rate ("PRIBOR") plus 1.95% (three-month PRIBOR at December 31, 2005 was 2.17%). This facility is secured by a guarantee of CME Media Services and a pledge of receivables under a factoring agreement between CME Media Services and Factoring Ceska Sporitelna, a.s., a subsidiary of CS. Following the merger of CET 21 with CME Media Services, scheduled for 2006, this loan will be renegotiated.

(f) CZK 250 million (approximately US$ 10.2 million) has been drawn by CET 21 and CME Media Services under a working capital facility agreement with CS which expires on October 31, 2006 and bears interest at the three-month PRIBOR rate plus 1.65% (three-month PRIBOR at December 31, 2005 was 2.17%). This working capital facility is secured by a pledge of receivables under the factoring agreement between CME Media Services and Factoring Ceska Sporitelna.

Slovenia

(g) On July 29, 2005, Pro Plus entered into a revolving facility agreement for up to Euro 37.5 million (approximately US$ 44.2 million) in aggregate principal amount with ING Bank N.V., Nova Ljubljanska Banka d.d., Ljubljana and Bank Austria Creditanstalt d.d., Ljubljana. The facility availability amortizes by 10% each year for four years commencing one year after signing, with 60% repayable after five years. This facility is secured by a pledge of the bank accounts of Pro Plus, the assignment of certain receivables, a pledge of our interest in Pro Plus and a guarantee of our wholly-owned subsidiary CME Media Enterprises B.V. Loans drawn under this facility will bear interest initially at EURIBOR plus 3.6%. The applicable margin may be reduced (by increments of 0.5% to a minimum of 2.1%) if Pro Plus exceeds certain benchmarks for the ratio of net debt to broadcasting cash flow. As at December 31, 2005, the balance on this revolving facility is nil.

(h) In December 2002, Pro Plus entered into a loan agreement for a facility of up to Euro 8.0 million (approximately US$ 10.8 million) with Bank Austria Creditanstalt d.d. and Nova Ljubljanska banka d.d. maturing in February 2009. This loan bore a variable interest rate of the six-month EURIBOR plus 3.0% and was retired on August 16, 2005.

Total Group

At December 31, 2005, the maturity of our debt (including our Senior Notes) is as follows:

2006	$	43,081

2007		155
2008		162
2009		170
2010		178
2011 and thereafter		436,516
Total	**$**	**480,262**

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Capital Lease Commitments

We lease certain of our office and broadcast facilities as well as machinery and equipment under various leasing arrangements. The future minimum lease payments from continuing operations, by year and in the aggregate, under capital leases with initial or remaining non-cancelable lease terms in excess of one year, consisted of the following at December 31, 2005:

2006	$	694
2007		658
2008		460
2009		465
2010		465
2011 and thereafter		3,164
		5,906
Less: amount representing interest		(1,438)
Present value of net minimum lease payments	**$**	**4,468**

13. SHAREHOLDERS' EQUITY

Preferred Stock

5,000,000 shares of Preferred Stock, with a $0.08 par value, were authorized as at December 31, 2005 and 2004. None were issued and outstanding as at December 31, 2005 and 2004.

Class A and B Common Stock

100,000,000 shares of Class A Common Stock and 15,000,000 shares of Class B Common Stock were authorized as at December 31, 2005 and 2004. The rights of the holders of Class A Common Stock and Class B Common Stock are identical except for voting rights. The shares of Class A Common Stock are entitled to one vote per share and the shares of Class B Common Stock are entitled to ten votes per share. Class B Common Stock is convertible into Class A Common Stock for no additional consideration on a one-for-one basis. Holders of each class of shares are entitled to receive dividends and upon liquidation or dissolution are entitled to receive all assets available for distribution to shareholders. The holders of each class have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares.

Warrants

As a result of a transaction in 2002 with GoldenTree Asset Management LLC, the resale of shares issuable on exercise of warrants to purchase 696,000 shares of Class A Common Stock with an exercise price of US$ 2.504 was registered with the SEC on February 4, 2004 and the warrants were exercised on February 19, 2004. We received US$ 1.7 million on exercise and the stock issued is included in our 31,032,994 shares of Class A Common Stock outstanding as at December 31, 2005.

Two-for-One Stock Splits:

On December 16, 2002 a duly authorized committee of the Board of Directors of Central European Media Enterprises Ltd. approved a two-for-one stock split by way of the issue of one pari-passu bonus share in respect of each share of Class A or Class B Common Stock. This applied to stockholders as at the record date of December 30, 2002 and the additional share was distributed on January 10, 2003.

On October 14, 2003 a duly authorized committee of the Board of Directors of Central European Media Enterprises Ltd. approved a two-for-one stock split by way of the issue of one pari-passu bonus share in respect of each share of Class A or Class B Common Stock. This applied to stockholders as at the record date of October 27, 2003 and the additional share was distributed on November 5, 2003.

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The two-for-one stock splits: (i) had no effect on the par value of our Class A and Class B Common Stock; (ii) increased the value of the authorized share capital of our Class A Common Stock from US$ 373,395 to US$ 1,486,168; and (iii) increased the value of the authorized share capital of our Class B Common Stock from US$ 158,695 to US$ 634,782.

On December 29, 2003, 600,000 shares of Class B Common Stock owned by RSL Capital LLC, a company wholly owned by Ronald S. Lauder, were converted into 600,000 shares of Class A Common Stock (par value of US$ 48,000), which decreased Class B Common Stock to US$ 586,782.

On December 9, 2005, EL/RSLG Media Inc. converted 306,000 shares of Class B Common Stock and on December 15, 2005 Ronald Lauder converted 62,235 shares of Class B Common Stock into a total of 368,235 shares of Class A Common Stock (par value of US$ 29,459), which decreased Class B Common Stock to US$ 557,323.

All share and per share information in the financial statements have been retroactively adjusted to reflect these two-for-one stock splits.

14. INCOME TAXES

As our investments are predominantly owned by Dutch holding companies, the components of the provision for income taxes and of the income / (loss) from continuing operations before provision for income taxes have been analyzed between their Netherlands and non-Netherlands components. Similarly the Dutch corporate income tax rate has been used in the reconciliation of income taxes.

Income/(loss) before provision for income taxes, minority interest, equity in income of unconsolidated affiliates and discontinued operations:

The Netherlands and non-Netherlands components of income/(loss) from continuing operations before income taxes are:

	For the Years Ended December 31,		
	2005	**2004**	**2003**
Domestic	$ (2,270)	$ 5,127	$ (39,207)
Foreign	62,639	15,456	15,813
	$ 60,369	**$ 20,583**	**$ (23,394)**

Total tax charge for the years ended December 31, 2005, 2004 and 2003 was allocated as follows:

	For the Years Ended December 31,		
	2005	**2004**	**2003**
Income tax expense from continuing operations	$ 16,691	$ 11,089	$ 3,760
Income tax expense/(benefit) from discontinued operations	677	(2,378)	14,000
	(3,266)	-	-

Currency translation adjustment in accumulated other comprehensive loss						
Total tax charge	**$**	**14,102**	**$**	**8,711**	**$**	**17,760**

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Income Tax Provision:

The Netherlands and non-Netherlands components of the provision for income taxes from continuing operations consists of:

	For the Years Ended December 31,		
	2005	**2004**	**2003**
Current Income tax expense:			
Domestic	$ 186	$ 2,104	$ 911
Foreign	25,512	9,047	3,386
	$ 25,698	**$ 11,151**	**$ 4,297**
Deferred tax benefit:			
Domestic	$ (1,467)	$ -	$ -
Foreign	(7,540)	(62)	(537)
	$ (9,007)	**$ (62)**	**$ (537)**
Provision for income taxes	**$ 16,691**	**$ 11,089**	**$ 3,760**

Reconciliation of Effective Income Tax Rate:

The following is a reconciliation of income taxes, calculated at statutory Netherlands rates, to the income tax provision included in the accompanying Consolidated Statements of Operations for the years ended December 31, 2005, 2004 and 2003:

	For the Years Ended December 31,		
	2005	**2004**	**2003**
Income taxes at Netherlands rates (2005: 31.5%; 2004, 2003: 34.5%)	$ 19,015	$ 7,101	$ (8,071)
Jurisdictional differences in tax rates	(15,685)	393	6,141
Tax effect of Croatian goodwill impairment	1,983	-	-
Tax effect of other permanent differences	4,867	6,186	1,667
Effect of change in tax rates	620	(858)	68
Change in valuation allowance	5,115	(1,366)	3,192
Other	776	(367)	763
Provision for income taxes	**$ 16,691**	**$ 11,089**	**$ 3,760**

The amount included in 2005 for jurisdictional differences in tax rates includes US$ 13.1 million relating to profits arising in Bermuda, which are not subject to tax.

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Components of Deferred Tax Assets and Liabilities:

The following table shows the significant components included in deferred income taxes as at December 31, 2005 and 2004:

		December 31, 2005		December 31, 2004
Assets:				
Tax benefit of loss carry-forwards and other tax credits	$	17,748	$	9,242
Programming rights		1,220		-
Property, plant and equipment		527		127
Accrued expense		2,807		1,285
Other		722		299
Gross deferred tax assets		**23,024**		**10,953**
Valuation allowance		(11,934)		(8,011)
Net deferred tax assets	**$**	**11,090**	**$**	**2,942**
Liabilities:				
Broadcast licenses, trademarks and customer relationships	$	(42,674)	$	(4,406)
Property, plant and equipment		(4,057)		-
Investment write-off		-		(1,763)
Undistributed reserves not permanently reinvested		(1,944)		(2,437)
Temporary difference due to timing		(1,765)		(704)
Total deferred tax liabilities	**$**	**(50,440)**	**$**	**(9,310)**
Net deferred income tax liability	**$**	**(39,350)**	**$**	**(6,368)**

Deferred tax is recognized on the Consolidated Balance Sheet as follows:

		December 31, 2005		December 31, 2004
Current deferred tax assets	$	3,025	$	760
Non-current deferred tax assets		779		31
	$	3,804	$	791
Current deferred tax liabilities		(1,005)		(946)
Non-current deferred tax liabilities		(42,149)		(6,213)
	$	(43,154)	$	(7,159)
Net deferred income tax liability	**$**	**(39,350)**	**$**	**(6,368)**

The increase in the deferred tax liability in respect of broadcast licenses, trademarks and customer relationships relates primarily to our acquisition of the TV Nova (Czech Republic) group in May 2005.

We provided a valuation allowance against potential deferred tax assets of US$ 11.9 million and US$ 8.0 million as at December 31, 2005 and 2004, respectively, since it has been determined by management based on the weight of all available evidence that it is more likely than not that the benefits associated with these assets will not be realized. Of the valuation allowance recorded at December 31, 2005, US$ 0.9 million would reverse through equity and US$ 0.8 million would reverse through goodwill.

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During 2005, we had the following movements on valuation allowances:

Balance at December 31, 2004	**$**	**8,011**
Companies acquired		1,045
Charged to costs and expenses		5,115
Charged to other accounts		(1,230)
Foreign exchange		(1,007)
Balance at December 31, 2005	**$**	**11,934**

As of December 31, 2005 we have operating loss carry-forwards that will expire in the following periods:

Year		Total		Netherlands		Austria		Croatia		Czech Republic		Slovenia
2006	$	9,007	$	-	$	-	$	-	$	-	$	9,007
2007		938		-		-		-		-		938
2008		150		-		-		-		18		132
2009		12,506		-		-		11,288		1,218		-
2010		42,735		-		-		18,089		24,646		-
Indefinite		11,689		4,956		6,733		-		-		-
	$	**77,025**	**$**	**4,956**	**$**	**6,733**	**$**	**29,377**	**$**	**25,882**	**$**	**10,077**

The losses are subject to examination by the tax authorities and to restriction on their utilization. In particular the losses can only be utilized against profits arising in the legal entity in which the losses arose. We have provided 100% valuation allowances against the operating loss carry-forwards arising in Austria, Croatia and Slovenia as we consider it more likely than not that we will fail to utilize these losses.

We have not provided income taxes or withholding taxes on US$ 119.0 million (2004: US$ 80.0 million) of cumulative undistributed earnings of our subsidiaries and affiliates as these earnings are either permanently reinvested in the companies concerned or can be recovered tax-free. It is not practicable to estimate the amount of taxes that might be payable on the distribution of these earnings.

15. STOCK-BASED COMPENSATION

The charge for stock-based compensation in our Consolidated Statements of Operations is as follows:

	For the Years Ended December 31,					
		2005		2004		2003
Stock-based compensation charged under FIN 44	$	745	$	8,977	$	12,948
Stock-based compensation charged under FAS 123		2,209		1,125		261
Total stock-based compensation	**$**	**2,954**	**$**	**10,102**	**$**	**13,209**

Stock-based compensation under FIN 44

For certain options issued in 2000, our stock-based compensation charge is calculated according to FASB Interpretation 44, "Accounting for Certain Transactions involving Stock Compensation" ("FIN 44"). This requires that compensation costs for modified awards are adjusted for increases and decreases in the intrinsic value in subsequent periods until that award is exercised, forfeited or expires unexercised, subject to a minimum of the original intrinsic value at the original measurement date. The last of these options were exercised on May 11, 2005.

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For the year ending December 31, 2005, there were net charges of US$ 0.7 million in respect of variable plan accounting, a result of an increase in our stock price from US$ 38.92 per share on December 31, 2004 to US$ 41.88 on May 11, 2005. For the years ending December 31, 2004 and 2003, there were charges of US$ 9.0 million and US$ 12.9 million, respectively.

Stock-based compensation under FAS 123

Under the provisions of FAS 123, the fair value of stock options is estimated on the grant date using the Black-Scholes option-pricing model and recognized ratably over the vesting period. The weighted average assumptions used in the Black-Scholes model for grants made in the years ending December 31, 2005, 2004 and 2003 were as follows:

	For the Years Ended December 31,		
	2005	**2004**	**2003**
Risk-free interest rate	4.00%	3.50%	1.90%
Expected term (years)	6.25	6.00	6.00
Expected volatility	50.56%	51.50%	56.66%
Dividend yield	0%	0%	0%
Weighted-average fair value	$ 26.29	$ 12.51	$ 5.71

The following table summarizes information about stock option activity during 2005, 2004, and 2003:

	2005		**2004**		**2003**	
	Shares	**Weighted Average Exercise Price (US$)**	**Shares**	**Weighted Average Exercise Price (US$)**	**Shares**	**Weighted Average Exercise Price (US$)**
Outstanding at beginning of year	**1,705,017**	**$ 12.89**	**2,527,717**	**$ 7.10**	**2,503,715**	**$ 6.40**
Awards granted	194,500	49.23	419,500	23.84	252,000	10.64
Awards exercised	(685,359)	8.08	(1,083,634)	2.74	(145,998)	0.83
Awards forfeited	(95,883)	11.90	(158,566)	19.11	(82,000)	7.83
Outstanding at end of year	**1,118,275**	**$ 22.23**	**1,705,017**	**$ 12.89**	**2,527,717**	**$ 7.10**

In addition to the amounts shown above, 25,000 options for shares of Class A Common Stock granted to a former director in August 1995 outside of our stock option plans were exercised in 2005.

The following table summarizes information about stock options outstanding at December 31, 2005:

	Outstanding options			Exercisable	
Range of exercise	**Shares**	**Average remaining**	**Weighted average**	**Shares**	**Weighted average**

prices		**contractual life (years)**		**exercise price (US$)**			**exercise price (US$)**
$1.00-9.99	182,000	6.20	$	1.94	152,400	$	1.99
$10.00-19.99	374,400	7.73		15.03	139,300		13.62
$20.00-29.99	275,000	4.47		22.78	184,300		22.87
$30.00-39.99	92,375	8.92		32.95	21,600		32.93
$40.00-49.99	122,000	9.42		44.61	-		-
$50.00-59.99	72,500	10.00		57.00	-		-
Total	**1,118,275**	**7.11**	**$**	**22.23**	**497,600**	**$**	**14.31**

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16. EARNINGS PER SHARE

The components of basic and diluted earnings per share are as follows:

	For the Years Ended December 31,		
	2005	**2004**	**2003**
Net income available for common shareholders	**$ 42,495**	**$ 18,531**	**$ 346,012**
Weighted average outstanding shares of common stock (000's)	**34,664**	**27,871**	**26,492**
Dilutive effect of employee stock options (000's)	766	1,229	-
Common stock and common stock equivalents	**35,430**	**29,100**	**26,492**
Earnings per share:			
Basic	$ 1.23	$ 0.66	$ 13.06
Diluted	$ 1.20	$ 0.64	$ 13.06

At December 31, 2005, 194,500 stock options were antidilutive to income from continuing operations and excluded from the calculation of earnings per share. These may become dilutive in the future.

17. SEGMENT DATA

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 business segments are comprised of Croatia, the Czech Republic, Romania, the Slovak Republic, Slovenia and Ukraine.

We evaluate the performance of our business segments based on Segment Net Revenues and Segment EBITDA. Segment Net Revenues and Segment EBITDA include STS and Markiza (our operating and license company affiliates in the Slovak Republic) for the year ended December 31, 2005 and STS, Markiza and Radio Pro in Romania for the year ended December 31, 2004. These entities are not consolidated under US GAAP.

We acquired our Croatian operations on July 16, 2004; therefore, comparable 2004 financial information is included from the date of acquisition only. We acquired our Czech operations on May 2, 2005; therefore, 2005 results are from the date of acquisition. We do not include any detailed year-on-year comparisons of financial results for our Croatian operations and qualified limited comparisons for our Czech operations.

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.

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

- expenses presented as corporate operating costs in our Consolidated Statements of Operations;

- foreign currency exchange gains and losses; and
- certain unusual or infrequent items (e.g., extraordinary gains and losses, impairments on assets or investments).

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EBITDA is not a term defined under US GAAP and Segment EBITDA may not be comparable to similar measures reported by other companies. Non-GAAP measures should be evaluated in conjunction with, and are not a substitute for, US GAAP financial measures.

We believe Segment EBITDA is useful to investors because it provides a more meaningful representation of our performance as it excludes certain items that either do not impact our cash flows or the operating results of our stations. Segment EBITDA is also used as a component in determining management bonuses.

Below are tables showing our Segment Net Revenues, Segment EBITDA, segment depreciation and segment asset information by operation, including a reconciliation of these amounts to our consolidated US GAAP results for the years ending December 31, 2005, 2004 and 2003 for P&L data and as at December 31, 2005 and 2004 for balance sheet data:

SEGMENT FINANCIAL INFORMATION
For the Years Ended December 31,

	Segment Net Revenues (1)			Segment EBITDA		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
Country						
Croatia (NOVA TV)	$ 22,030	$ 9,757	$ -	$ (15,866)	$ (3,756)	$ -
Czech Republic (TV NOVA, GALAXIE SPORT)	154,010	-	-	71,544	-	-
Romania (2)	103,321	76,463	51,177	43,803	25,198	12,206
Slovak Republic (MARKIZA TV)	64,266	61,576	50,814	17,240	18,975	11,657
Slovenia (POP TV and KANAL A)	48,770	45,388	37,168	19,337	19,077	13,173
Ukraine (STUDIO 1+1)	72,847	53,351	36,633	21,803	14,729	7,999
Total Segment Data	**$ 465,244**	**$ 246,535**	**$ 175,792**	**$ 157,861**	**$ 74,223**	**$ 45,035**
Reconciliation to Consolidated Statement of Operations and Comprehensive Income:						
Consolidated Net Revenues / Income/(loss) before provision for income taxes, minority interest, equity in income of unconsolidated affiliates and discontinued operations	**$ 400,978**	**$ 182,339**	**$ 124,978**	**$ 60,369**	**$ 20,583**	**$ (23,394)**
Corporate operating costs	-	-	-	25,374	29,185	32,512
Impairment charge	-	-	-	35,331	-	-

Unconsolidated equity affiliates (3)		64,266		64,196		50,814		17,240		19,404		11,657
Depreciation of station property, plant & equipment		-		-		-		16,367		6,429		5,276
Amortization of broadcast licenses and other intangibles								11,180		465		-
Interest income		-		-		-		(4,124)		(4,318)		(5,507)
Interest expense		-		-		-		29,387		1,203		12,010
Foreign currency exchange (gain)/loss, net		-		-		-		(37,968)		574		10,023
Other expense		-		-		-		4,705		698		2,458
Total Segment Data	**$**	**465,244**	**$**	**246,535**	**$**	**175,792**	**$**	**157,861**	**$**	**74,223**	**$**	**45,035**

(1) All net revenues are derived from external customers. There are no inter-segmental revenues.

(2) Romanian networks are PRO TV, PRO CINEMA, ACASA and PRO TV INTERNATIONAL for the year ended December 31, 2005 and PRO TV, PRO CINEMA, ACASA, PRO TV INTERNATIONAL, PRO FM and INFOPRO for the years ended December 31, 2004 and 2003.

(3) Unconsolidated equity affiliates are STS and Markiza in the Slovak Republic and Radio Pro in Romania.

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	For the Years Ended December 31,		
Depreciation of station property, plant & equipment and amortization of broadcast licenses and other intangibles:	**2005**	**2004**	**2003**
Croatia	$ 2,951	$ 1,173	$ -
Czech Republic	15,960	-	-
Romania	3,829	2,843	3,144
Slovak Republic	2,599	1,735	1,805
Slovenia	2,947	1,654	1,385
Ukraine	1,860	1,224	747
Total	**$ 30,146**	**$ 8,629**	**$ 7,081**
Reconciliation to Consolidated Statement of Operations:			
Unconsolidated equity affiliates	(2,599)	(1,735)	(1,805)
Total consolidated depreciation and amortization	**27,547**	**6,894**	**5,276**
Represented as follows:			
Depreciation of station property, plant & equipment	16,367	6,429	5,276
Amortization of broadcast licenses and other intangibles	11,180	465	-

	As at December 31,	
Total assets (1):	**2005**	**2004**
Croatia	$ 25,017	$ 52,905
Czech Republic	1,018,253	-
Romania	123,699	79,622
Slovak Republic	41,873	42,467
Slovenia	62,926	64,044
Ukraine	49,438	32,706
Total segment assets	**$ 1,321,206**	**$ 271,744**
Reconciliation to Consolidated Balance Sheet:		
Unconsolidated equity affiliates	(41,873)	(42,467)
Corporate	109,517	215,362
Total assets	**$ 1,388,850**	**$ 444,639**

(1) Segment assets exclude any inter-company investments, loans, payables and receivables.

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		As at December 31,		
Long-lived assets (1):		**2005**		**2004**
Croatia	$	6,264	$	6,775
Czech Republic		16,027		-
Romania		13,154		9,081
Slovak Republic		14,245		12,818
Slovenia		15,523		11,834
Ukraine		7,127		3,153
Total long-lived assets	**$**	**72,340**	**$**	**43,661**
Reconciliation to Consolidated Balance Sheet:				
Unconsolidated equity affiliates		(14,245)		(12,818)
Corporate		802		705
Total Long-lived assets	**$**	**58,897**	**$**	**31,548**

(1) Reflects property, plant and equipment

We do not rely on any single major customer or group of major customers. No customer accounts for more than 10% of revenue.

18. DISCONTINUED OPERATIONS

		For the Years Ended December 31,				
		2005		**2004**		**2003**
Net revenues of discontinued operation	$	-	$	-	$	109
Expenses of discontinued operation		-		-		(1,197)
Gain on disposal of CNTS		-		-		41,421
Arbitration related proceeds		-		-		358,635
Arbitration related costs		164		146		(14,796)
Other income of discontinued operation		-		-		41
Income on disposal of discontinued operations		**164**		**146**		**384,213**
Tax on disposal of discontinued operations		(677)		2,378		(14,000)
Net income/(loss) from discontinued operations	**$**	**(513)**	**$**	**2,524**	**$**	**370,213**

On May 19, 2003, we received US$ 358.6 million from the Czech Republic in final settlement of our UNCITRAL arbitration in respect of our former operations in the Czech Republic.

On June 19, 2003, our Board of Directors decided to withdraw from operations in the Czech Republic. The revenues and expenses of our former Czech operations and the award income and related legal expenses have therefore all been accounted for as discontinued operations for the year 2003.

In 2003, we incurred US$ 14.8 million of arbitration related costs (primarily legal costs) relating to the arbitration proceedings against the Czech Republic and to the ICC arbitration against Dr Zelezny.

On October 23, 2003 we sold our 93.2% participation interest in CNTS, our former Czech operating company, to PPF for US$ 53.2 million.

The first installment of US$ 7.5 million was received on October 8, 2003, the second US$ 7.5 million installment was received on October 23, 2003 and the third US$ 20.3 million installment was received on July 14, 2004. The remainder of the sales price was offset against our payment obligations to PPF in connection with the acquisition of the TV Nova (Czech Republic) group.

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On February 9, 2004 we entered into an agreement with the Dutch tax authorities to settle all tax liabilities outstanding for the years up to and including 2003, including receipts in respect of our 2003 award in the arbitration against the Czech Republic for a payment of US$ 9.0 million. We expect to continue to pay tax in the Netherlands of between US$ 1.0 and US$ 2.5 million for the foreseeable future and therefore have also agreed to a minimum payment of US$ 2.0 million per year for the years 2004 - 2008 and US$ 1.0 million for 2009.

We have re-evaluated our forecasts of our Dutch tax liabilities based on our inter company loans and at December 31, 2005 have provided US$ 2.1 million (US$ 0.7 million in non-current liabilities and US$ 1.4 million in current liabilities) in respect of the additional tax which is required to be paid should our taxable income fall below the minimum amount agreed with the Dutch tax authorities over the next four years. As of December 31, 2004, we had provided US$ 3.5 million (US$ 3.1 million in non-current liabilities and US$ 0.4 million in current liabilities). In our Consolidated Statement of Operations, we recognized a charge of US$ 0.7 in 2005, a benefit of US$ 2.4 million in 2004 and a charge of US$ 14.0 million in 2003.

The settlement with the Dutch tax authorities also provides that if any decision is issued at any time prior to December 31, 2008 exempting awards under Bilateral Investment Treaties from taxation in the Netherlands, we will be allowed to use any resulting losses, which could be up to US$ 195.0 million, to offset other income within the applicable carry forward rules. This would not reduce the minimum amount of tax agreed payable under the settlement agreement. At this time there is no indication that the Dutch tax authorities will issue such a decision.

19. COMMITMENTS AND CONTINGENCIES

Commitments

a) Station Programming Rights Agreements

At December 31, 2005 and 2004, we had the following commitments in respect of future programming, including contracts signed with license periods starting after the balance sheet date:

		As at December 31,		
		2005		**2004**
Croatia	$	3,014	$	4,632
Czech Republic		22,812		-
Romania		14,073		9,114
Slovenia		3,080		445
Ukraine		8,864		3,862
Total	**$**	**51,843**	**$**	**18,053**

In addition to the amounts above, STS, our unconsolidated equity affiliate, had programming commitments of US$ 4.6 million (2004: US$ 9.1 million).

The increase above is primarily due to the acquisition of the Czech Republic operations, and also reflects our Ukrainian, Romanian and Slovenian operations entering into additional contracts with programming providers.

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b) Operating Lease Commitments

For the fiscal years ended December 31, 2005, 2004, and 2003 we incurred aggregate rent on all facilities of US$ 5.9 million, US$ 1.6 million, and US$ 0.8 million. Future minimum operating lease payments at December 31, 2005 for non-cancelable operating leases with remaining terms in excess of one year (net of amounts to be recharged to third parties) are payable as follows:

		December 31, 2005
2005	$	7,841
2006		5,733
2007		2,320
2008		1,456
2009		1,326
2010 and thereafter		1,530
Total	**$**	**20,206**

c) Acquisition of minority shareholdings

On February 17, 2006, we purchased an additional 5% of Pro TV, MPI and Media Vision from Mr. Sarbu for consideration of US$ 27.2 million (for further information, see Note 21, "Subsequent Events"). We now own a 90% voting and economic interest in Pro TV and MPI and a 75% voting and economic interest in Media Vision. Mr. Sarbu has the right to sell his remaining 10% shareholding in Pro TV and MPI to us under a put option agreement entered into in July 2004 at a put price that will be determined by an independent valuation and is subject to a floor price of US$ 1.45 million for each 1% interest sold. This put is exercisable from March 1, 2009 for a twenty-year period thereafter. As at December 31, 2005, we consider the fair value of the put option to approximate to nil.

d) Other

Dutch tax

On February 9, 2004 we entered into an agreement with the Dutch tax authorities to settle all tax liabilities outstanding for the period through 2003, including receipts in respect of our 2003 award in the arbitration against the Czech Republic, for a payment of US$ 9.0 million. We expected to continue to pay tax in the Netherlands of between US$ 1.0 and US$ 2.5 million for the foreseeable future and therefore also agreed to a minimum tax payable of US$ 2.0 million per year for the years 2004 - 2008 and US$ 1.0 million for 2009. Should the Dutch Ministry of Finance later rule that arbitration awards such as the one we received are not taxable, we will be entitled to claim a tax loss, which can be offset against other taxable income but will not reduce our minimum payment commitments.

As at December 31, 2005 we provided US$ 2.1 million (US$ 0.7 million in non-current liabilities and US$ 1.4 million in current liabilities) (as at December 31, 2004: US$ 3.5 million (US$ 3.1 million in non-current liabilities and US$ 0.4 million in current liabilities)) of tax in the Netherlands as the difference between our obligation under this agreement and our estimate of tax in the Netherlands that may fall due over this period from business operations, based on current business structures and economic conditions, and charged US$ 0.7 million through discontinued operations in our Consolidated Statement of Operations for the year ended December 31, 2005.

Czech Republic - Guarantee and Factoring of Trade Receivables

CET 21 and CME Media Services have a working capital credit facility of CZK 250 million (approximately US$ 10.2 million) with Ceska Sporitelna, a.s. This facility is secured by a pledge of receivables under the factoring agreement between CME Media Services and Factoring Ceska Sporitelna.

The sale of the receivables is accounted for as a secured borrowing under FASB Statement No. 140, *'Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities',* with the proceeds received recorded in the Consolidated Balance Sheet as a liability and included in current credit facilities and obligations under capital leases. The corresponding receivables are a part of accounts receivable, as the risks of ownership remain with CME Media Services.

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During the period May 2, 2005 to December 31, 2005, no trade receivables were sold by Mag Media (which was merged into CME Media Services on December 31, 2005). As at December 31, 2005, CME Media Services had a 'nil' current credit facilities balance in relation to the sale of trade receivables and CZK 250 million (approximately US$ 10.2 million) has been drawn under the working capital facility.

Contingencies

a) Litigation

We are, from time to time, a party to litigation that arises in the normal course of our business operations. Other than those claims discussed below, we are not presently a party to any such litigation which could reasonably be expected to have a material adverse effect on our business or operations. Unless otherwise disclosed, no provision has been made against any potential losses that could arise.

We present below a summary of our more significant proceedings by country.

Croatia

On October 29, 2004, OK filed suit against Global Communications d.o.o. claiming approximately HRK 53 million (approximately US$ 8.6 million) in damages. Global Communications is a company controlled by Ivan Caleta, who had previously operated Nova TV (Croatia) through OK. Global Communications, together with GRP Media d.o.o., another company controlled by Mr. Caleta, had provided certain goods and services to OK and Nova TV (Croatia) in exchange for advertising time. Global Communications and GRP Media were functionally managing the advertising inventory of Nova TV (Croatia). On December 31, 2003, Global Communications entered into an agreement by which OK acknowledged that Global Communications was entitled to approximately 375,000 seconds of advertising time for goods and services previously provided. Following our acquisition of Nova TV (Croatia) and OK in July 2004, OK concluded that Global Communications had used all of its seconds by June 2004 based on a substantial discrepancy discovered between the utilization of advertising time recorded by Global Communications and that recorded by AGB Puls, an independent television audience measurement service operating in Croatia. In the course of its investigation of the usage of seconds by Global Communications, OK discovered that computer records of advertising seconds kept for OK may have been altered. OK brought a suit to recover amounts for advertising time used by Global Communications in excess of the 375,000 seconds agreed. Global Communications filed a counterclaim in January 2005 for HRK 68 million (approximately US$ 11.0 million), claiming that the AGB data is unreliable and that it is entitled to additional seconds under the previous agreement. We do not believe that these counterclaims will prevail.

Czech Republic

Claims Relating to the Vilja Shareholding in CET 21

On May 20, 2002, Vilja, now our wholly-owned subsidiary, acquired its ownership interest in CET 21 from Messrs. Alan, Huncik and Venclik. On July 19, 2002, Peter Krsak, a shareholder of CET 21, filed a claim with the City Court in Prague challenging a number of CET 21 shareholder resolutions adopted by written consent (the "Krsak 2002 Petition"). In relevant part, his complaint included challenges to (1) a decision of the CET 21 shareholders of April 22, 2002 to approve the transfer by Messrs. Alan and Venclik of their ownership interests in CET 21 to Vilja and (2) a written resolution of the CET 21 shareholders on the redistribution of a 60% interest in CET 21 then held by the

company itself. This 60% interest had previously been held by Vladimir Zelezny, who had been forced to relinquish it in an enforcement proceeding against him following his default on a judgment adverse to him in another proceeding. These claims, in effect, constituted a challenge to the ownership by Vilja of a 52.075% ownership interest in CET 21.

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On June 18, 2003, before the City Court had issued a decision in the Krsak 2002 Petition, CET 21 petitioned the City Court to approve, among other things, the registration of Vilja in the commercial register maintained by the City Court (the "Commercial Register") as the owner of 52.075% of CET 21 (the "CET 21 Petition").

On February 24, 2005 we entered into the Agreement on the Settlement of Disputes and Transfer of Ownership Interest with Peter Krsak (the "Krsak Agreement"). The Krsak Agreement provides that Mr. Krsak will file petitions to withdraw all of his claims in respect of the TV Nova (Czech Republic) group following the satisfaction of specified conditions precedent. Those conditions were satisfied in April 2005 and Mr. Krsak filed the necessary petitions in May 2005. The City Court in Prague accepted a petition to withdraw the Krsak 2002 Petition on May 24, 2005 and issued a resolution confirming that the proceedings in respect of the Krsak 2002 Petition have been terminated. This decision has become final.

In connection with an extraordinary appeal filed by Mr. Krsak on August 8, 2003 the Commercial Register file of CET 21 was lodged with the Supreme Court. Pursuant to the Krsak Agreement, Mr. Krsak filed a petition on May 31, 2005 to withdraw this claim, and the court has confirmed that the proceedings in respect of this claim have been terminated. The Commercial Register file of CET 21 was returned to the City Court in Prague as a result of the termination of the proceedings before the Supreme Court. On October 14, 2005, the City Court in Prague confirmed the registration of Vilja in the Commercial Register as the owner of 52.075% of CET 21. The decision became final on December 17, 2005.

Disposition of the CET 21 Interest Held by CET 21

Following an enforcement proceeding against Vladimir Zelezny in another matter, his 60% interest passed to CET 21. The CET 21 shareholder resolution based on a proposal dated July 4, 2002 provided for the redistribution of this 60% interest among Vilja, Krsak, CEDC and CS, the four remaining shareholders of CET 21. Only Vilja elected to participate in the redistribution of that interest; it acquired its pro rata portion of the 60% interest and thereby increased its ownership in CET 21 to 52.075% (from a 20.83% interest of an aggregate 40% interest then held by the four remaining shareholders). Neither Mr. Krsak, who previously held a 16.67% interest in CET 21, or CS or CEDC, which each holds a 1.25% interest, participated in the redistribution. As a result, their pro rated portions of the 60% interest (equal to an aggregate 28.755% interest in CET 21) continue to be held by CET 21 itself. The preliminary injunction which had previously prohibited the disposition of this 28.755% interest ceased to exist as a result of termination of one of the lawsuits previously launched by Mr. Krsak. On October 14, 2005, the City Court in Prague confirmed the registration of CET 21 in the Commercial Register as the owner of this 28.755% interest. The decision became final on December 17, 2005.

Claims brought by Alan, Huncik, Venclik and Gal

On May 7, 2003, Messrs. Alan, Huncik, Venclik and Gal, former shareholders of CET 21, filed a claim against Krsak, Zelezny, CET 21, CEDC and CS with the City Court in Prague. The substance of this challenge concerns the basis on which Zelezny purported to increase his ownership interest in CET 21 to 60% in 1997. The claim was withdrawn by Messrs. Alan, Huncik, Venclik and Gal on November 18, 2005. Subsequently, the proceedings were terminated by a court resolution dated November 25, 2005.

Claims Relating to the Interests of CS and CEDC in CET 21

On April 2, 2003, CS entered into an agreement with Vilja to transfer its 1.25% interest in CET 21 to Vilja. This transfer was approved by a resolution of the CET 21 shareholders adopted by written consent on May 16, 2003. Mr. Krsak filed a petition against CET 21 in the City Court in Prague on August 8, 2003 to declare the shareholders resolution invalid. Pursuant to the Krsak Agreement, Mr. Krsak filed a petition in May 2005 with the High Court in Prague to withdraw this claim. The High Court in Prague decided on June 22, 2005 to return the file to the City Court in Prague for a formal decision on the withdrawal of the claim and termination of the proceeding. On January 11, 2006, the City Court in Prague issued a resolution confirming that the proceedings in respect of this petition have been terminated. This decision has become final.

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CET 21 adopted a shareholder resolution by written consent on January 5, 2004 to approve the transfer of the 1.25% interest of CEDC in CET 21 to PPF. Mr. Krsak filed a petition against CET 21 in the City Court in Prague on February 3, 2004 to declare this shareholders resolution invalid. Pursuant to the Krsak Agreement, Mr. Krsak filed a petition in May 2005 with the High Court in Prague to withdraw this claim. The High Court in Prague issued a resolution on August 1, 2005 confirming that the proceedings in respect of this petition have been terminated. This decision has become final.

The consent of the Czech Media Council to the transfer of each of these 1.25% interests, which is necessary for such transfers to become effective, has been requested but has not yet been issued.

Other Claims

On January 25, 2005, Mr. Krsak filed on his own behalf and on behalf of CET 21 an action in the City Court in Prague against twenty-five parties, including PPF and its affiliates, CP 2000, Vilja, and certain former and current members of management. In his filing, Mr. Krsak claimed damages to himself in the amount of approximately CZK 1.25 billion (approximately US$ 50.9 million) and on behalf of CET 21 in the amount of approximately CZK 7.5 billion (approximately US$ 305.7 million). The substance of this claim is that various entities and persons controlling CET 21 caused CET 21 damage by entering into agreements on disadvantageous terms with service companies related to such controlling person (such as CP 2000 and Mag Media, which have subsequently been merged into CME Media Services).

Pursuant to the Krsak Agreement, Mr. Krsak filed a petition to withdraw this claim in May 2005 with the City Court in Prague. The City Court in Prague accepted this petition on May 31, 2005 and issued a resolution confirming that the proceedings have been terminated. This decision has not yet become final.

In December 2002, the Czech Republic Union of Authors ("OSA"), a collective administrator of copyright, filed an action against CET 21, claiming payment of CZK 46.8 million (approximately US$ 1.9 million) plus interest for alleged unauthorized use of works from the OSA library. CET 21 had been attempting to negotiate a revised pricing structure with OSA since 2002 and paying advances on the licensing fee to OSA on an estimated basis pending final agreement of the amounts payable. At a hearing on September 19, 2005, the Municipal Court in Prague upheld OSA's claim. On December 21, 2005, CET 21 entered into a settlement agreement with OSA to pay CZK 39.6 million (approximately US$ 1.6 million) as full payment for all amounts claimed by OSA for the period from 2002 through 2005. CET 21 also entered into a contract with OSA to fix payments for the period from 2006 through 2008.

Antimonopoly Office

Following an investigation that the Office for the Protection of Economic Competition of the Czech Republic began conducting during the fourth quarter of 2005 regarding potential infringements of Czech antimonopoly legislation in respect of the sale of advertising on the TV NOVA channel from 2004, CET 21 has, without acknowledging any infringements alleged by the Antimonopoly Office, agreed to make certain undertakings in respect of the sale of advertising on TV NOVA. Upon acceptance of these undertakings by the Antimonopoly Office and subject to observance of them, the investigation will be terminated.

Romania

There are no significant outstanding legal actions that relate to our business in Romania.

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Slovenia

On November 20, 2002, we received notice of a claim filed by Mrs. Zdenka Meglic, the founder and a former shareholder of MMTV 1 d.o.o (MMTV), against MMTV, a subsidiary of CME Media Enterprises BV. In her claim against MMTV, Mrs. Meglic is seeking an amount equal to SIT 190 million (approximately US$ 1.0 million) for repayment of monies advanced to MMTV from 1992 to 1994 (in the amount of approximately SIT 29 million (approximately US$ 0.1 million)) plus accrued interest. On September 9, 2004, the court of first instance found against MMTV and issued a judgment requiring MMTV to pay SIT 190 million (approximately US$ 1.0 million) plus interest as well as costs. On September 24, 2004, MMTV filed an appeal against the judgment. On December 15, 2004, the appellate court vacated the judgment of the lower court and returned the case for further proceedings. We do not believe that Mrs. Meglic will prevail and will continue to defend the claim.

Slovak Republic

There are no significant outstanding legal actions that relate to our business in the Slovak Republic.

Ukraine

On October 11, 2005, Igor Kolomoiski filed a lawsuit against Alexander Rodnyansky and Studio 1+1 in a district court in Kiev. Our Ukrainian affiliate Intermedia has been joined in the proceedings as a "third party". Mr. Kolomoiski is attempting to enforce what he alleges was a binding agreement with Mr. Rodnyansky to purchase the latter's 70% interest in Studio 1+1 for consideration of US$ 70.0 million and to transfer that interest to Mr. Kolomoiski on receipt of a prepayment of US$ 2.0 million. The lawsuit arises from abortive negotiations among Mr. Kolomoiski, Mr. Rodnyanksy and Boris Fuchsmann for the acquisition by Mr. Kolomoiski of the totality of interests in the Studio 1+1 Group held by Mr. Rodnyanksy and Mr. Fuchsmann, subject to Mr. Kolomoiski assuming all of their obligations under our existing partnership arrangements. Following a series of initial hearings, proceedings on the merits have been suspended pending the resolution of a procedural matter that has been appealed to the Supreme Court of Ukraine. This appeal is currently pending. We believe the lawsuit is without merit primarily because there was no agreement with Mr. Kolomoiski and because any transfer would, in any event, breach Intermedia's statutory and contractual consent and pre-emptive rights. In the event of an adverse outcome which results in the ownership of 70% of Studio 1+1 being transferred from Mr. Rodnyanksy to Mr. Kolomoiski pursuant to a court decision, we may not be able to secure and enforce our contractual rights to a 60% beneficial interest in Studio 1+1 or rights related to the governance of Studio 1+1 against Mr. Kolomoiski. A reduction in our right to future distributable cash from Studio 1+1 would have an adverse impact on our financial position and results of operations.

On December 23, 2005, we initiated proceedings against our partners Alexander Rodnyansky and Boris Fuchsmann in order to enforce our contractual rights and compel a restructuring of the ownership of Studio 1+1 in order to permit us to hold a 60% interest in Studio 1+1 through a subsidiary organized in Ukraine. Initiation of this proceeding followed protracted negotiations with our partners to restructure following confirmation from the Ukraine Media Council that our proposed ownership structure would not be in violation of restrictions on foreign ownership contained in the Ukraine Media Law, which restricts direct (but not indirect) investment by foreign persons in Ukrainian broadcasters to 30%. On January 12, 2006, the Ukraine parliament adopted an amended version of the Ukraine Media Law that clarifies the absence of any restriction on indirect foreign ownership of television broadcasters. This amended Ukraine Media Law is expected to come into force in March 2006. Following adoption of these amendments, our partners have confirmed they are prepared to proceed with the restructuring. Upon successful completion of the restructuring, we

will terminate the proceedings initiated in December 2005.

b) *Licenses*

Regulatory bodies in each country in which we operate control access to available frequencies through licensing regimes. We believe that the licenses for our license companies will be renewed prior to expiry. In Romania, the Slovak Republic, Slovenia and Ukraine local regulations contain a qualified presumption for extensions of broadcast licenses, according to which a broadcast license may be renewed if the licensee has operated substantially in compliance with the relevant licensing regime. To date, all expiring licenses; however, there can be no assurance that any of the licenses will be renewed upon expiration of their current terms. The failure of any such license to be renewed could adversely affect the results of our operations.

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The following summarizes the expiry dates of our licenses:

Croatia	The license of NOVA TV (Croatia) expires in April 2010.
Czech Republic	The license of TV NOVA (Czech Republic) expires in January 2017.
Romania	Licenses expire on dates ranging from July 2006 to February 2014.
Slovak Republic	The license of MARKIZA TV in the Slovak Republic expires in September 2007.
Slovenia	The licenses of both our channels in Slovenia expire in August 2012.
Ukraine	The 15-hour license of STUDIO 1+1 expires in December 2006. The license to broadcast for the remaining nine hours in off prime expires in August 2014.

c) *Restrictions on dividends from Consolidated Subsidiaries and Unconsolidated Affiliates*

Corporate law in the Central and Eastern European countries in which we have operations stipulates generally that dividends may be declared by shareholders, out of yearly profits, subject to the maintenance of registered capital and required reserves after the recovery of accumulated losses. The reserve requirement restriction generally provides that before dividends may be distributed, a portion of annual net profits (typically 5%) be allocated to a reserve, which reserve is capped at a proportion of the registered capital of a company (ranging from 5% to 25%). The restricted net assets of our consolidated subsidiaries and equity in earnings of investments accounted for under the equity method together are less than 25% of consolidated net assets as at December 31, 2005.

20. RELATED PARTY TRANSACTIONS

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 No. 57 "Related Party Disclosures" ("FAS 57") 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.

Croatia

We have no related party transactions in Croatia.

Czech Republic

We have no related party transactions in the Czech Republic.

Romania

The total purchases from companies related or connected with Adrian Sarbu in 2005 were approximately US$ 12.0 million (2004: US$ 6.9 million). The purchases were mainly for programming rights and for various technical, production and administrative related services. The total sales to companies related or connected with Adrian Sarbu in 2005 were approximately US$ 0.4 million (2004 : US$ 0.1 million). At December 31, 2005, companies connected to Mr. Sarbu had an outstanding balance due to us of US$ 1.4 million which includes a prepayment of US$ 0.6 million (2004 : US$ 0.6 million). At December 31, 2005, companies related to Mr. Sarbu had an outstanding balance due to them of US$ 0.5 million (2004 : US$ 0.6 million).

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On February 28, 2005 we acquired 2% of Pro TV and MPI from Mr. Sarbu for US$ 5.0 million and on July 29, 2005 we acquired an additional 3% of Pro TV and MPI from Mr. Sarbu for US$ 15.0 million. (see Note 3, "Acquisitions and Disposals, Romania").

On February 17, 2006, we purchased an additional 5% of Pro TV, MPI and Media Vision from Mr. Sarbu for consideration of US$ 27.2 million (see Note 21, "Subsequent Events"). We now own a 90% voting and economic interest in Pro TV and MPI and a 75% voting and economic interest in Media Vision. Mr. Sarbu has the right to sell his remaining 10% shareholding in Pro TV and MPI to us under a put option agreement entered into in July 2004 at a put price that will be determined by an independent valuation and is subject to a floor price of US$ 1.45 million for each 1% interest sold. This put is exercisable from March 1, 2009 for a twenty-year period thereafter.

We have an option to acquire a minority interest in S.C. Studiourile Media Pro S.A., a Romanian film studio company, from Mr. Sarbu at a price to be determined by an independent valuation. This option expires in May 2006, and we do not anticipate exercising this option. The fair value of this option at December 31, 2005 was US$ nil.

Slovenia

On June 24, 2005, we acquired from Marijan Jurenec, director of our Adriatic regional operations, his remaining 3.15% interest in Pro Plus for Euro 4.7 million (approximately US$ 5.7 million at the date of acquisition).

Slovak Republic

On December 1, 2005 we repaid STS, our equity-accounted affiliate in the Slovak Republic, SKK 228 million (approximately US$ 7.1 million at the date of repayment) in settlement of the principal and interest due upon a loan that had been advanced to us in 2002 and 2003. The loan bore interest at a rate of three-month BRIBOR plus 2.2%.

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. Total purchases from these companies in 2005 amounted to US$ 0.5 million (2004: US$ 0.4 million, 2003: US$ nil).

STS also sold advertising time through an advertising agency controlled by Jan Kovacik. The total 2005 advertising sales of STS placed through Mr. Kovacik's advertising agency were US$ 0.2 million (2004: US$ 1.9 million, 2003: US$ 2.5 million), and the total amount due to STS from this agency at December 31, 2005 was US$ nil (2004: US$ 0.4 million).

We have received contractual management fees from STS since 1998. The value of these fees was US$ 0.4 million in each of 2005, 2004 and 2003. 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.

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 operating companies for the Studio 1+1 Group. Our total purchases from Contact Film Studios in 2005 were US$ 0.1 million (2004: US$ 0.1 million, 2003: US$ nil million).

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In 1998 we made a loan to Mr. Fuchsmann with a total balance outstanding at December 31, 2005 of US$ 2.5 million (2004: US$ 2.8 million). The interest rate on this loan is three-month US$ LIBOR+3%, subject to a minimum of 5%.

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. Our total purchases from CTC in 2005 were US$ 0.2 million (2004: US$ 0.1 million, 2003: US$ 0.4 million).

We acquire legal and consulting services from LLC Legal Company Varlamov and Partners, headed by the Deputy General Director of Studio 1+1. The total amount of services rendered by the company in 2005 was US$ 0.3 million (2004: US$ 0.2 million).

We contract with Vabank for the provision of banking services. This is a bank connected to the minority shareholder and joint Managing Director of Innova Boris Fuchsmann through his presence on Vabank's Supervisory Board. Our deposit balance with the Vabank was US$ 5.0 million as at December 31, 2005. Commission and other expenses charged to us for banking services rendered by Vabank amount to US$ 0.1 million for the twelve months ended December 31, 2005. Income earned on funds on current account with Vabank was US$ 0.1 million.

We contract with Kino-Kolo magazine for advertising for Studio 1+1. Kino-Kolo is 75% owned by Alexander Rodnyansky, who is a 70% shareholder in the license company. Purchases of services from Kino-Kolo in 2005 amounted to US$ 0.1 million.

Innova Marketing is a company fully owned and headed by Boris Fuchsmann. Innova Marketing renders consulting services to Innova. The amount of such services provided in 2005 was US$ 0.1 million (2004: 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.

21. SUBSEQUENT EVENTS

Romania

On February 17, 2006, we purchased an additional 5% of Pro TV, MPI and Media Vision from Mr. Sarbu for consideration of US$ 27.2 million. At completion, we now own a 90% voting and economic interest in Pro TV and MPI and a 75% voting and economic interest in Media Vision.

Slovak Republic

Acquisition - A.R.J a.s.

On January 23, 2006, we completed the acquisition of a controlling interest in Markiza, the license-holding company for MARKIZA TV, by purchasing 100% of the share capital of A.R.J. a.s. ("ARJ"). ARJ owns 46% of the voting rights in Markiza.

This acquisition consisted of our acquiring a 34% interest in ARJ from Pavol Rusko for total consideration of SKK 575.0 million (approximately US$ 18.5 million at the date of acquisition) of which SKK 494.0 million (US$ 15.9 million at the date of acquisition) was paid on closing and SKK 81 million (US$ 2.6 million at the date of acquisition) is payable by May 31, 2006. In addition, we acquired the remaining 66% in ARJ from Media Partners s.r.o. and Salis s.r.o. for consideration of Euro 7.0 million (approximately US$ 8.5 million at the date of acquisition) paid on closing, and SKK 78.0 million (approximately US$ 2.5 million at the date of acquisition) payable by May 31, 2006. As part of this transaction, we are entitled to 100% of any dividend declared by STS in respect of the year ended December 31, 2005. Thereafter our economic interest in Markiza will be 80%.

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As a result of these transactions, as of January 23, 2006, we hold an 80% voting interest in Markiza (including 46% voting interest held by ARJ and 34% voting interest held by us directly) and an 89.8% voting interest in STS. In addition, we have increased our economic interest in the Slovak operations from 70% to 80%.

The remaining minority interests in Markiza are held by our partners Jan Kovacik and Milan Fil'o through Media Invest s.r.o. Markiza and STS will be consolidated from the date of acquisition of ARJ.

Ukraine

Acquisition - Ukrpromtorg 2003 LLC.

On October 28, 2005, we entered into an agreement with Dertus Finance Group Limited ("Dertus") providing for the purchase by us of a 65.5% interest in Ukrpromtorg 2003 LLC ("Ukrpromtorg"), a company that owns and operates the GRAVIS television channel and two other local channels in Ukraine, for a total investment of approximately US$ 7.0 million. The final purchase price is subject to adjustment following the completion of a closing balance sheet audit. At December 31, 2005, US$ 5.0 million of the consideration was recorded in our Consolidated Balance Sheet within Acquisition costs. The acquisition was completed on January 11, 2006.

We have an option to acquire an additional 21.5% of Ukrpromtorg from Dertus for consideration of US$ 3.2 million. This option expires on March 16, 2006.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Slovenska televizna spolocnost, s.r.o.
Bratislava, Slovak Republic

We have audited the accompanying consolidated balance sheets of Slovenska televizna spolocnost, s.r.o., and subsidiaries (the “Company”) as of December 31, 2005 and 2004 and the related consolidated statements of operations and comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Slovenska televizna spolocnost, s.r.o. and its subsidiaries as of December 31, 2005, and 2004 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Deloitte Audit s. r.o.
Bratislava, Slovak Republic
23 February 2006, except for Note 1, as which the date is 15 March 2006

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SLOVENSKA TELEVIZNA SPOLOCNOST S.R.O.
CONSOLIDATED BALANCE SHEETS
(US$ 000's)

	December 31, 2005	December 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,253	$ 4,601
Accounts receivable (Note 3)	9,452	18,043
Program rights	5,509	1,815
Other current assets (Note 4)	3,047	1,089
Total current assets	**23,261**	**25,548**
Non-current assets		
Investments	4	4
Property, plant and equipment (Note 5)	14,245	12,818
Program rights	4,156	2,722
Intangible assets (Note 6)	46	132
Deferred income tax, non-current (Note 4)	161	1,243
Total non-current assets	**18,612**	**16,919**
Total assets	**$ 41,873**	**$ 42,467**

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

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SLOVENSKA TELEVIZNA SPOLOCNOST S.R.O.
CONSOLIDATED BALANCE SHEETS (continued)
(US$ 000's)

	December 31, 2005	December 31, 2004
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Note 7)	$ 11,481	$ 10,874
Duties and other taxes payable	412	515
Income taxes payable	-	917
Credit facilities and obligations under capital leases (Note 8)	71	2,878
Other current liabilities	709	261
Total current liabilities	**12,673**	**15,445**
Non-current liabilities		
Credit facilities and obligations under capital leases (Note 8)	125	149
Total non-current liabilities	**125**	**149**
Commitments and contingencies (Note 10)		
Minority interests in consolidated subsidiaries	**635**	**371**
SHAREHOLDERS' EQUITY:		
Registered capital	6	6
Additional paid-in capital	24,242	24,242
Shareholder loans (Note 11)	-	(11,061)
Retained earnings	4,414	10,311
Accumulated other comprehensive income/ (loss)	(222)	3,004
Total shareholders' equity	**28,440**	**26,502**
Total liabilities and shareholders' equity	**$ 41,873**	**$ 42,467**

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

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SLOVENSKA TELEVIZNA SPOLOCNOST S.R.O.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(US$ 000's, except share and per share data)

	For the Years Ended December 31, 2005	2004	2003
Net revenues	**$ 64,266**	**$ 61,576**	**$ 50,814**
Operating costs	7,090	6,824	5,828
Cost of programming	22,445	20,902	19,276
Depreciation and amortization	2,599	1,735	1,805
Selling, general and administrative expenses	17,491	16,325	13,326
Total operating expenses	**49,625**	**45,786**	**40,235**
Operating income	**14,641**	**15,790**	**10,579**
Interest income	588	836	731
Interest expense	(134)	(200)	(285)
Foreign currency exchange gain/(loss), net	(258)	571	932
Other income	245	405	436
Income before provision for income taxes, and minority interest	**15,082**	**17,402**	**12,393**
Provision for income taxes (Note 9)	(3,276)	(3,511)	(3,870)
Income before minority interest	**11,806**	**13,891**	**8,523**
Minority interest in income of consolidated subsidiaries	(35)	(23)	-
Net income	**11,771**	**13,868**	**8,523**
Currency translation adjustment, net	(3,226)	4,760	5,315
Total comprehensive income	**$ 8,545**	**$ 18,628**	**$ 13,838**

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

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SLOVENSKA TELEVIZNA SPOLOCNOST, S.R.O.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(US$ 000's)

	Registered Capital	Additional Paid-In Capital	Shareholders' loans	Retained Earnings / (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
BALANCE, December 31, 2002	**$ 6**	**$ 39,326**	**$ (4,694)**	**$ (12,080)**	**$ (7,071)**	**$ 15,487**
Shareholders' loans granted	-	-	(4,298)	-	-	(4,298)
Dividend distribution	-	(4,678)	-	-	-	(4,678)
Net income	-	-	-	8,523	-	8,523
Currency translation adjustment	-	-	-	-	5,315	5,315
BALANCE, December 31, 2003	**$ 6**	**$ 34,648**	**$ (8,992)**	**$ (3,557)**	**$ (1,756)**	**$ 20,349**
Shareholders' loans granted	-	-	(2,069)	-	-	(2,069)
Dividend distribution	-	(10,406)	-	-	-	(10,406)
Net income	-	-	-	13,868	-	13,868
Currency translation adjustment	-	-	-	-	4,760	4,760
BALANCE, December 31, 2004	**$ 6**	**$ 24,242**	**$ (11,061)**	**$ 10,311**	**$ 3,004**	**$ 26,502**
Shareholders' loans repaid	-	-	11,061	-	-	11,061
Dividend distribution	-	-	-	(17,668)	-	(17,668)
Net income	-	-	-	11,771	-	11,771
Currency translation adjustment	-	-	-	-	(3,226)	(3,226)
BALANCE, December 31, 2005	**$ 6**	**$ 24,242**	**$ -**	**$ 4,414**	**$ (222)**	**$ 28,440**

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

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SLOVENSKA TELEVIZNA SPOLOCNOST, S.R.O.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US$ 000's)

	For the Years Ended December 31, 2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 11,771**	**$ 13,868**	**$ 8,523**
Adjustments to reconcile net income to net cash generated from operating activities:			
Depreciation and amortization	9,584	10,834	11,454
Receivables write-off and provision for doubtful accounts receivable	101	77	(35)
(Gain)/loss on disposal of fixed assets	(40)	(87)	2
Deferred income taxes	769	336	945
Net change in:			
Accounts receivable	6,790	(1,080)	(1,969)
Other assets	(1,131)	(3)	198
Program rights	(11,779)	(9,129)	(10,124)
Accounts payable and accrued liabilities	913	109	(1,773)
Income and other taxes payable	(1,751)	(1,744)	2,329
Other current liabilities	440	(17)	277
Net cash generated from operating activities	**15,667**	**13,164**	**9,827**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(5,283)	(2,110)	(942)
Proceeds from disposal of property, plant and equipment	54	257	27
Investments in subsidiaries and unconsolidated affiliates	-	-	(3)
Purchase of other assets and intangibles	(154)	(26)	(212)
Net cash used in investing activities	**(5,383)**	**(1,879)**	**(1,130)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from credit facilities	-	105	-
Payment of credit facilities and capital leases	(2,565)	(600)	(973)
Repayment of loans and advances to shareholders	10,104	-	-
Loans and advances to shareholders	-	(596)	(2,955)
Dividends paid	(16,647)	(10,329)	(4,205)
Net cash used in financing activities	**(9,108)**	**(11,420)**	**(8,133)**
Impact of exchange rate fluctuations on cash	**(524)**	**657**	**628**
Net increase in cash and cash equivalents	652	522	1,192
CASH AND CASH EQUIVALENTS, beginning of year	**4,601**	**4,079**	**2,887**
CASH AND CASH EQUIVALENTS, end of year	**$ 5,253**	**$ 4,601**	**$ 4,079**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			

Cash paid for interest	$	131	$	200	$	212
Cash paid for income taxes (net of refunds)	$	4,108	$	6,448	$	847

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

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1. ORGANIZATION AND BUSINESS

Slovenska televizna spolocnost, s.r.o. (STS) is a Slovak limited liability partnership (without shares), having its legal seat in Blatné 18, 900 82 Blatné, Slovak Republic. It was founded on September 28, 1995 and incorporated into the Commercial Register on October 9, 1995. The main activities of STS are:

- The broadcasting of programming (both own production and acquired); and
- The sale of advertising.

License renewal

STS operates in conjunction with Markiza Slovakia, the license holder, based on an Exclusivity agreement.

The Slovak Republic Media Council granted the license to operate the MARKIZA TV network to Markiza-Slovakia, spol. s.r.o. for a period of 12 years, expiring in September 2007. According to the Act on Broadcasting and Retransmission, a license can be extended once, for an additional 12 years by the Slovak Republic Media Council. We filed for an extension of the license on February 3, 2006 and were informed on March 10, 2006 by the Media Council that they had extended the license for an additional 12 years. We expect to receive the final official communication of the extension in the near future.

Our principal subsidiaries at December 31, 2005 were:

Company Name	Voting Interest	Jurisdiction of Organization	Subsidiary (1)
ADAM a.s.	100%	Slovakia	Subsidiary
Gamatex s.r.o.	100%	Slovakia	Subsidiary
Markiza Slovakia, spol. s.r.o. (“Markiza”)	-%	Slovakia	Consolidated Variable-Interest Entity (2)

(1) All subsidiaries have been consolidated in our Financial Statements.
(2) For further information, see Note 2, "Summary of Significant Accounting Policies".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The significant accounting policies are summarized as follows:

Basis of Presentation

The accompanying consolidated financial statements include the accounts of STS and its subsidiaries, after the elimination of inter-company accounts and transactions.

We consolidate the financial statements of entities in which we hold 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 FASB Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities” ("FIN 46(R)"). 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. Other investments are accounted for using the cost method.

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SLOVENSKA TELEVIZNA SPOLOCNOST, S.R.O.
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In accordance with FIN 46(R), we consolidate Markiza, a license holding company. This is due to the fact that Markiza's activity is in the interest of STS and an obligation exists via an Exclusivity Agreement for STS to fund Markiza through a cost plus margin reimbursement arrangement. Markiza has little activity with any third parties.

The following table summarizes balance sheet and income statement information that we consolidate with regard to Markiza. Minority interest represents the amount of statutory equity of Markiza including a part of 2004 dividend income from STS which is to be distributed 99.9% to the Slovak shareholders.

Consolidated Balance Sheet Financial Statement Caption	**As at December 31, 2005**		
	Balance prior to adjustment	**Impact of FIN 46 (R)**	**Adjusted Balance**
		(US$ 000's)	
Total current assets	$ 22,682	$ 579	$ 23,261
Total assets	41,291	582	41,873
Total current liabilities	12,726	(53)	12,673
Total non-current liabilities	125	-	125
Minority interest	-	635	635
Total shareholders' equity	**$ 28,440**	**$ -**	**$ 28,440**

Consolidated Statement of Operations Financial Statement Caption	**For the Twelve Months ended December 31, 2005**		
	Balance prior to adjustment	**Impact of FIN 46 (R)**	**Adjusted Balance**
		(US$ 000's)	
Net revenues	$ 64,266	$ -	$ 64,266
Total operating expenses	49,664	(39)	49,625
Operating income	14,602	39	14,641
Income before minority interest	11,771	35	11,806
Net income	**$ 11,771**	**$ -**	**$ 11,771**

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SLOVENSKA TELEVIZNA SPOLOCNOST, S.R.O.
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Revenue Recognition

Revenue is recognized when there is persuasive evidence of an arrangement, delivery of products has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable and collectibility is reasonably assured.

Revenues are recognized net of discounts and customer sales incentives. Our principal revenue streams and their respective accounting treatments are discussed below:

Advertising revenues

Revenues primarily result from the sale of advertising time. Television advertising revenue is recognized as the commercials are aired. In certain instances, we commit to provide advertisers with certain rating levels in connection with their advertising. Revenue is recorded net of estimated shortfalls, which are usually settled by providing the advertiser additional advertising time.

Discounts and agency commissions are recognized at the point when the advertising is broadcast and are reflected as a reduction to gross revenue.

Program distribution revenue

Program distribution revenue is recognized when the relevant agreement has been entered into, the product is available for delivery, collectibility of the cash is reasonably assured and all of our contractual obligations have been satisfied.

Barter transactions

Barter transactions represent advertising time exchanged for non-cash goods and/or services, such as promotional items, advertising, supplies, equipment and services. Revenue from barter transactions is recognized as income when advertisements are broadcasted. Expenses are recognized when goods or services are received or used. We record barter transactions at the fair value of goods or services received or advertising surrendered, whichever is more readily determinable. Barter revenue amounted to US$ 1.6 million, US$ 1.9 million, and US$ 1.7 million for the years ending December 31, 2005, 2004, and 2003, respectively.

We do not rely on any single major customer or group of customers. No customer accounts for more than 10% of revenue.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less. Cash that is restricted for use is classified as restricted cash.

Property, Plant and Equipment

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

Asset category	**Estimated useful life**
Land	Indefinite
Buildings	25 years
Station machinery, fixtures and equipment	4 - 8 years
Other equipment	3 - 8 years
Software licenses	3 - 5 years

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SLOVENSKA TELEVIZNA SPOLOCNOST, S.R.O.
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Construction-in-progress is not depreciated until put into use. Capital leases are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Leasehold improvements are depreciated over the shorter of the related lease term or the life of the asset. Assets to be disposed of are reported at the lower of carrying value or fair value, less costs of disposal.

Certain assets, such as stages and scenes, are built for specific programs or shows. The depreciation expense for the year ended December 31, 2005 related to these assets of US$ 0.7 million (2004: US$ nil , 2003: US$ nil) is included in Depreciation and amortization in the Consolidated Statement of Operations.

Long-lived Assets Including Intangible Assets with Finite Lives

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

In accordance with FAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"), we review for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The carrying values of long-lived assets are considered impaired when the anticipated undiscounted cash flows from such assets are less than their carrying values. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value.

Fair value is determined by reference to the higher of recoverable value and the discounted future cash flows that are expected to be generated based upon management's expectations of future economic and operating conditions. Recoverable value is the higher of the net selling price and value in use.

No impairment has been recognized for any long-lived assets in 2005, 2004, or 2003.

Program Rights

Purchased program rights

Purchased program rights and the related liabilities are recorded at their gross value when the license period begins and the programs are available for broadcast. Program rights are amortized on a systematic basis over their expected useful lives, according to the number of runs of the license. The amortization percentages are as follows:

	Amortization %				
Type of programming	***Run 1***	***Run 2***	***Run 3***	***Run 4***	***Run 5***
Films and series, 2 runs	65%	35%	-	-	-
Concerts, documentaries, film about film, etc.	100%	-	-	-	-

Program rights are evaluated to determine if expected revenues are sufficient to cover the unamortized portion of the program. To the extent that expected revenues are insufficient, the program rights are written down to their net realizable value. An impairment reserve of US$ nil at December 31, 2005 (2004: US$ 1.0 million) was recorded against program rights.

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

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Future program rights of US$ 4.6 million (2004: US$ 9.1 million), which were acquired in 2005 but whose license period starts after December 31, 2005, are not included in Program rights on the Consolidated Balance Sheet at December 31, 2005 (see Note 10, "Commitments and Contingencies").

Produced program rights

Program rights that are produced are stated at the lower of cost less accumulated amortization or fair value. The amortization charge is based on the ratio of the current period's gross revenues to estimated remaining total gross revenues from such programs. Program rights are evaluated to determine if expected revenues are sufficient to cover the unamortized portion of the program. To the extent that expected revenues are insufficient, the program rights are written down to their net realizable value.

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

Intangible Assets

Intangible assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the assets, which are between one and three years.

Income Taxes

We account for income taxes under the asset and liability method as set out in FAS No. 109, "Accounting for Income Taxes". Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more likely than not to be realized.

Foreign Currency

Translation of Financial Statements

Our reporting currency is the US dollar and our functional currency is the Slovak Crown (SKK). All assets and liabilities are translated into the reporting currency at the exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Net exchange gains or losses resulting from such translation are included in Other Comprehensive Income, a component of Shareholders' Equity.

Transactions in Foreign Currencies

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Main estimates include bad debts provision, amortization and creation of reserve for program rights, depreciation of assets and creation of reserve for legal claims.

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SLOVENSKA TELEVIZNA SPOLOCNOST, S.R.O.
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Leases

Leases are classified as either capital or operating. Those leases that transfer substantially all benefits and risks of ownership of the property to us are accounted for as capital leases. All other leases are accounted for as operating leases.

Capital leases are accounted for as assets and are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Commitments to repay the principal amounts arising under capital lease obligations are included in current liabilities to the extent that the amount is repayable within one year, otherwise the principal is included in non-current liabilities. The capitalized lease obligation reflects the present value of future lease payments. The financing element of the lease payments is charged to interest expense over the term of the lease.

Operating lease costs are charged to expense on a straight-line basis.

Contingencies

Contingencies are recorded in accordance with FAS No. 5, "Accounting for Contingencies" ("FAS 5"). The estimated loss from a loss contingency such as a legal proceeding or claim is recorded in the Statement of Operations and Comprehensive Income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a loss contingency is made if there is at least a reasonable possibility that a loss has been incurred.

Financial Instruments

The carrying value of financial instruments, including cash, accounts receivable, and accounts payable and accrued liabilities, approximate their fair value due to the short-term nature of these items.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense incurred for the years ending December 31, 2005, 2004, and 2003 totaled US$ 1.6 million, US$ 1.6 million, and US$ 0.8 million, respectively.

Reclassifications

Certain minor reclassifications were made to the prior period balance sheet to conform to current period classifications.

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SLOVENSKA TELEVIZNA SPOLOCNOST, S.R.O.
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(Tabular amounts in US$ 000's, except share data)

3. ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following at December 31, 2005 and 2004:

	December 31, 2005	December 31, 2004
Trading:		
Third-party customers	$ 10,936	$ 19,497
Less: allowance for bad debts and credit notes	(1,540)	(1,902)
Related parties	56	448
Total	**$ 9,452**	**$ 18,043**

Bad debt expense/(benefit) for the years ending December 31, 2005, 2004 and 2003 was US$ (0.1) million, US$ (0.1) million, and US$ 0.04 million, respectively.

4. OTHER ASSETS:

Other current and non-current assets consist of the following at December 31, 2005 and 2004:

	December 31, 2005	December 31, 2004
Current:		
Prepaid expenses and advances	$ 621	$ 590
Income tax receivable	1,084	216
VAT and other taxes receivable	854	-
Deferred income taxes	267	79
Other receivables	221	204
Total	**$ 3,047**	**$ 1,089**
Non-current:		
Deferred income taxes	$ 161	$ 1,243
Total	**$ 161**	**$ 1,243**

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SLOVENSKA TELEVIZNA SPOLOCNOST, S.R.O.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US$ 000's, except share data)

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following

	December 31, 2005	December 31, 2004
Land and buildings	$ 11,771	$ 12,910
Machinery, fixtures and equipment	19,734	17,945
Other equipment	6,963	7,186
Software	1,431	1,435
Construction in progress	111	76
Total cost	**40,010**	**39,552**
Less: Accumulated depreciation	(25,765)	(26,734)
Total net book value	**$ 14,245**	**$ 12,818**
Assets held under capital lease (included in the above):		
Other equipment	$ 429	$ 418
Total costs	**429**	**418**
Less: Accumulated depreciation	(154)	(114)
Net book value	**$ 275**	**$ 304**

For further information on capital leases, see Note 8, "Credit Facilities and Obligations under Capital Leases"

Depreciation expense for the years ending December 31, 2005, 2004 and 2003 was US$ 2.6 million US$ 1.7 million, and US$ 1.8 million, respectively.

6. INTANGIBLE ASSETS

The gross value and accumulated amortization of other intangible assets, which mainly include jingles was as follows at December 31, 2005 and 2004:

	December 31, 2005	December 31, 2004
Gross value	$ 577	$ 700
Accumulated amortization	(531)	(568)
Total net book value	**$ 46**	**$ 132**

Amortization expense for the years ending December 31, 2005, 2004 and 2003 was US$ 0.02 million, US$ 0.03 million, and US$ 0.02 million, respectively.

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SLOVENSKA TELEVIZNA SPOLOCNOST, S.R.O.
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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	December 31, 2005	December 31, 2004
Accounts payable	$ 3,312	$ 2,650
Programming liabilities	3,623	3,028
Other accrued liabilities	4,546	5,196
	$ 11,481	**$ 10,874**

8. CREDIT FACILITIES AND OBLIGATIONS UNDER CAPITAL LEASES

Group loan obligations and overdraft facilities consist of the following:

		December 31, 2005	December 31, 2004
Long-term loans	(a)	$ -	$ 2,807
Capital leases		196	220
Total		**196**	**3,027**
Less current maturities		(71)	(2,878)
Total non-current maturities		**$ 125**	**$ 149**

(a) On 24 July 2002 we obtained from Vseobecna uverova banka, a.s. a mid-term facility of SKK 100.0 million (US$ 3.5 million at December 31, 2004). Interest on this facility was 3-month BRIBOR+1.7%. The interest rate as at 31 December 2004 was 5.98%. The balance on this facility was repaid in 2005.

Capital Lease Commitments

Assets held under capital leases represent vehicles. The future minimum lease payments from continuing operations, by year and in the aggregate, under capital leases with initial or remaining non-cancellable lease terms in excess of one year, consisted of the following at December 31, 2005:

2006	$ 90
2007	81
2008	49
2009	-
2010	-
2011 and thereafter	-
Total	220
Less: amount representing interest	(24)
Present value of net minimum lease payments	**$ 196**

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SLOVENSKA TELEVIZNA SPOLOCNOST, S.R.O.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US$ 000's, except share data)

9. INCOME TAXES

Income Tax Provision:

The provision for income tax consists of:

	For the Years Ended December 31, 2005	2004	2003
Current income tax expense	$ 2,507	$ 3,175	$ 2,925
Deferred tax provision	769	336	945
Provision for income taxes	**$ 3,276**	**$ 3,511**	**$ 3,870**

Reconciliation of Effective Income Tax Rate:

The following is a reconciliation of income taxes, calculated at statutory rates in the Slovak Republic, to the income tax provision included in the accompanying Consolidated Statements of Operations for the years ended December 31, 2005, 2004 and 2003:

	For the Years Ended December 31, 2005	2004	2003
Income taxes at statutory rates (2005, 2004: 19.0%; 2003: 25.0%)	$ 2,866	$ 3,295	$ 3,098
Effect of change in tax rate	-	-	531
Tax effect of permanent differences	410	216	377
Change in valuation allowance	-	-	(136)
Provision for income taxes	**$ 3,276**	**$ 3,511**	**$ 3,870**

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SLOVENSKA TELEVIZNA SPOLOCNOST, S.R.O.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in US$ 000's, except share data)

Components of Deferred Tax Assets and Liabilities:

The following table shows the significant components included in deferred income taxes as at December 31, 2005 and 2004:

		December 31, 2005		December 31, 2004
Assets:				
Property, plant and equipment	$	40	$	185
Programs rights		281		996
Accounts receivable		113		233
Gross deferred tax assets		**434**		**1,414**
Valuation allowance		-		-
Net deferred tax assets	**$**	**434**	**$**	**1,414**
Liabilities:				
Unrealized foreign exchange, net		(6)		(83)
Other		-		(9)
Total deferred tax liabilities	**$**	**(6)**	**$**	**(92)**
Net deferred income tax assets	**$**	**428**	**$**	**1,322**

10. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

For the fiscal years ended December 31, 2005, 2004, and 2003 we incurred aggregate rent on all facilities of US$ 0.6 million, US$ 0.7 million, and US$ 0.7 million. Future minimum operating lease payments at December 31, 2005 for non-cancellable operating leases with remaining terms in excess of one year (net of amounts to be recharged to third parties) are payable as follows:

2006	$	521
2007		335
2008		-
2009		-
2010		-
2011 and thereafter		-
Total	**$**	**856**

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Future Contractual Obligations

We have the following future contractual obligations:

	Payments due by period				
	Total	**Less than 1 year**	**2 years**	**3 years**	**More than 3 years**
Unconditional purchase obligations	$ 13,170	$ 13,170	$ -	$ -	$ -
Station program rights	4,629	2,267	2,362	-	-
Other long-term obligations	5,446	5,446	-	-	-
Total	**$ 23,245**	**$ 20,883**	**$ 2,362**	**$ -**	**$ -**

Unconditional purchase obligations relates to production expenses and overall operating expenses, such as utilities, legal and other consultancy etc.

Station program rights - We have commitments for US$ 4.6 million in respect of future programming. This includes all contracts signed in 2005 with license periods starting after December 31, 2005.

Other long-term obligations include broadcast telecommunication charges, author's rights, and certain other related charges.

Legal claims

STS and Markiza Slovakia are in the normal course of business involved in litigation. The following summarizes cases where we have made a provision for contingent losses based on our assessment of each case.

The Media Council has fined us for violations during a broadcast of a reality show and a late-night series. In response to these fines, we have accrued a total of US$ 0.6 million, which represents our best estimate of the cost to settle these fines.

A remaining provision of US$ 0.3 million has been established in response to claims relating to our public affairs and news programs.

11. RELATED PARTY TRANSACTIONS

There is a limited local market for many specialist television services in the country in which we operate, many of which are provided by parties known to be connected to some of our shareholders. As stated in FAS No. 57 "Related Party Disclosures" ("FAS 57") 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.

CME

We loaned to CME, one of our shareholders, a total of SKK 187 million (approximately US$ 6.6 million at December 31, 2004). The loan had an interest rate of 3-month BRIBOR+2.2 %, a rate which we believe was comparable to independently negotiated third-party rates. This loan and related interest was repaid in full in December 2005.

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We also pay CME contractual management fees. These fees totalled US$ 0.4 million for each of the years ended December 31, 2005, 2004 and 2003.

Media Invest

We loaned to Media Invest, one of our indirect shareholders, a total of SKK 80 million (approximately US$ 2.8 million at December 31, 2004). The loan had an interest rate of 3-month BRIBOR+2.2 %, a rate which we believe was comparable to independently negotiated third-party rates. This loan and related interest was repaid in December 2005.

Forza Group

Markiza purchases several shows from the companies of the Forza Group, which are owned by one of our shareholders. Total production costs related to these shows were US$ 0.5 million, US$ 0.4 million, and US$ nil for the years ended December 31, 2005, 2004 and 2003, respectively.

We also lease technical equipment and sell advertising spots to the Forza Group. Total revenues from the Forza Group amounted to US$ 0.1 million, US$ 0.1 million, and US$ nil for the years ended December 31, 2005, 2004, and 2003.

12. RESTRICTION ON DIVIDEND DISTRIBUTION

The laws under which we 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 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. Distribution of dividends must be approved by the General Assembly.

In the Statutory accounts our equity comprises of basic capital, capital funds and profit for the year. Other capital funds represent CME investment into STS and are netted by the losses generated. All of the above funds may not be readily distributable because they are not created from profits. In the case of ultimate liquidation, if CME has not received by way of distributed profits an amount equivalent to its total capital contribution increased cumulatively by 6% for each year of operation, it shall receive such amount less the total of distributed profits received by CME.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS

Name of Director	Principal Occupation	Age	Year Became a Director
Ronald S. Lauder	Non-executive Chairman of the Board	62	1994
Michael Garin	Chief Executive Officer and Director	59	2003
Charles R. Frank, Jr.	Financial Advisor	68	2001
Herbert A. Granath	Chairman Emeritus, ESPN	77	2002
Herbert Kloiber	Chairman, Tele Muenchen Group	58	2006
Alfred W. Langer	Consultant	55	2000
Bruce Maggin	Principal, the H.A.M. Media Group, LLC	62	2002
Ann Mather	Former CFO, Pixar Animation Studios	46	2004
Eric Zinterhofer	Partner, Apollo Management, L.P.	34	2004

Ronald S. Lauder, a founder of the Company, has served as non-executive Chairman of the Board of the Company since its incorporation in 1994. Mr. Lauder is a principal shareholder and a director of The Estée Lauder Companies, Inc. ("Estée Lauder") and has served as Chairman of Estée Lauder International and Chairman of Clinique Laboratories, Inc., divisions of Estée Lauder, since returning to the private sector from government service in 1987. From 1986 until 1987, Mr. Lauder served as U.S. Ambassador to Austria. From 1983 to 1986, Mr. Lauder served as Deputy Assistant Secretary of Defense for European and NATO Affairs. He is Chairman of the Board of Trustees of the Museum of Modern Art, President of the Jewish National Fund, former Chairman of the Council of Presidents of American Jewish Organizations, a member of the Board of Governors of the Joseph H. Lauder Institute of Management and International Studies at the University of Pennsylvania and a member of the Visiting Committee of the Wharton School at the University of Pennsylvania. He received his B.S. in International Business from the Wharton School of the University of Pennsylvania.

Michael N. Garin has served as Director since December 2003 and Chief Executive Officer since February 2004. Mr. Garin currently serves as a Director and Chairman of the Audit Committee of American Media, publisher of the National Enquirer, Star, Globe and other publications; and a Director and member of the Compensation Committee of MortgageIT Holdings, Inc., a real estate investment trust and residential mortgage bank. From 2000 until January 2004, Mr. Garin served as the Chairman of Adcom Information Services, the leading U.S. cable television viewership data provider. From 1999 to 2001, Mr. Garin was President and Chief Operating Officer of Digital Convergence Corporation, an Internet technology company. In March 2002, Digital Convergence filed a voluntary petition for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. From 1988 to 1999, Mr. Garin served ING Barings

(Furman Selz) in various roles, including Executive Vice President and Member of the Management Committee. As Global Head of Media, Telecommunications and Information Services Investment Banking for Furman Selz, he was responsible for building the firm's investment banking practice in those areas. Mr. Garin was one of the founders of Lorimar Telepictures and helped run the company until it was acquired by Warner Communications in 1988. Mr. Garin received his BA degree from Harvard University and holds a Masters degree in Philosophy and the Arts.

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Charles R. Frank, Jr. has served as a Director of the Company since 2001. Mr. Frank currently serves a non-executive member of the board of Mittal Steel Galati, the Romanian subsidiary of Mittal Steel Company N.V., and of Megafon, the third largest mobile phone operator in Russia. He is a member of the investment committee of the Darby Converging Europe Mezzanine Fund. From 1997 to 2001, Mr. Frank was First Vice President and twice acting President of the European Bank for Reconstruction and Development (EBRD), which makes debt and equity investments in Central and Eastern Europe and the former Soviet Union. Mr. Frank was Managing Director of the Structured Finance Group at GE Capital (a financial services company), and Vice President of GE Capital Services from 1988 to 1997. Mr. Frank served as Chief Executive Officer of Frank and Company from 1987 to 1988, and Vice President of Salomon Brothers from 1978 until 1987. Mr. Frank has held senior academic and government positions, including Deputy Assistant Secretary of State and Chief Economist at the U.S. Department of State, Senior Fellow at the Brookings Institution, Professor of Economics and International Affairs at Princeton University, and Assistant Professor of Economics at Yale University. Mr. Frank graduated from Rensselaer Polytechnic Institute with a B.S. in mathematics and economics before completing a Ph.D. in economics at Princeton University.

Herbert A. Granath has served as a Director of the Company since January 2002. Mr. Granath is Chairman Emeritus, ESPN, a cable sports network and Senior Content Advisor to Telenet; the largest cable operator in Belgium. He is a Director of Crown Media Holdings, which owns and operates the Hallmark Channel. Mr. Granath was employed by ABC for over 35 years and was Chairman, Disney/ABC International (an international broadcasting company) from 1996 to January 1998 where he pioneered many aspects of ABC's expanding television business, including its successes in the cable and international programming arenas. He served as Chairman of the Board of ESPN for 16 years and Senior Vice President of ABC, Inc. from 1998 until 2001. He also served as Chairman of the Board of A&E, The History Channel, The Biography Channel and Lifetime Television, and was a founding partner and Board member of Eurosport, the largest cable network in Europe. He also served on the Boards of Telefunf, RTL2 and TM3 networks in Germany, SBS Broadcasting SA and TVA, the Brazilian pay-TV company. Among the awards Mr. Granath has received are two Tony awards (along with six Tony nominations), an International EMMY (Lifetime Achievement in International TV), and a U.S. EMMY (Lifetime Achievement in Sports Television). He has also been honored by the National Association of Broadcasters as a Broadcast Pioneer and receive the European Lifetime Achievement Award at the Rose d'Or Festival in Lucerne, Switzerland.

Herbert Kloiber has served as a Director of the Company since 2006. Dr. Kloiber is chairman and majority shareholder of the media conglomerate TeleMuenchen Group, which was a production company when he initially acquired it in 1977. He is also a member of the board of Bavarian Film Funding Organization in Germany and of Sun New Media Inc. in China. Dr. Kloiber also serves as Chairman of the board for CineMedia Film AG, Cinemax AG and ATV+ AG. From April 1998 until August 2005, Dr. Kloiber was a member of the board of SBS Broadcasting SA. He has received the Directorate Award of the Academy of Television Arts and Sciences, the Chevalier des Arts et Lettres, the Bavarian Order of Merit and the Grand Decoration of Honor for Services to Austria. Dr. Kloiber has a Ph.D in law from University of Vienna.

Alfred W. Langer has served as a Director of the Company since 2000. Mr. Langer currently serves as a consultant to a number of privately held, mostly German companies, engaged in the area of mergers and acquisitions, structured financing and organizational matters. Mr. Langer served as Chief Financial Officer of Solvadis AG, a German based chemical distribution and trading company, from July 2001 until June 2002. Mr. Langer served as Treasurer of Celanese AG, a German listed chemical company, from October 1999 until May 2001. From June 1997 until October 1999, Mr. Langer served as Chief Financial Officer of Celanese Corp., a U.S. chemical company. Mr. Langer served as Chief Executive Officer of Hoechst Trevira GmbH, a producer of synthetic fibers, from October 1994 until July 1997. From 1988 until September 1994, Mr. Langer served as a member of the Board of Management of Hoechst Holland N.V., a regional production and distribution company. Mr. Langer received an M.B.A. degree from the University GH Siegen.

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Bruce Maggin has served as a Director of the Company since September 2002. Mr. Maggin has served as Principal of the H.A.M Media Group, LLC, an international media investment and advisory company since 1997. He is currently executive vice president and a director of Media and Entertainment Holdings Inc. and a member of the Board of Advisors of Jump TV. From 1999 to 2002, Mr. Maggin served as the Chief Executive Officer of TDN Media, Inc., a joint venture between Thomson Multimedia, NBC Television and Gemstar-TV Guide International. TDN sells advertising on proprietary interactive television platforms. Mr. Maggin also currently is a Director and Chair of the Audit Committee of Phillips-Van Heusen Corporation. Mr. Maggin is a member of the New York State Bar. He received a BA degree from Lafayette College and JD and MBA degrees from Cornell University.

Ann Mather has served as a Director of the Company since April 2004. Ms. Mather is also Chair of the Audit Committee of Google, Inc. From 1999 to 2004, Ms. Mather was Executive Vice President, Chief Financial Officer and Secretary of Pixar Animation Studios. Prior to joining Pixar, she was Executive Vice President and Chief Financial Officer at Village Roadshow Pictures. From 1993 to 1999, Ms. Mather held various executive positions at the Walt Disney Company in Los Angeles, including Senior Vice President of Finance and Administration of its Buena Vista International Theatrical Division, where she supervised operations in Europe, Asia and Latin America as well as the start up of distribution operations in several Asian markets including China, Australia and Malaysia. From 1992 to 1993, Ms. Mather worked for Disney in Paris, France where she helped establish the international theatrical distribution arm of Disney in ten European countries. From 1991 to 1992, she was the European Controller for Alico, a division of AIG, Inc. From 1989 to 1991 she was the Director of Finance for Polo Ralph Lauren Europe's retail operations, and from 1984 to 1988, Ms. Mather was at Paramount Pictures Corporation where she held various positions in London, Amsterdam and New York. She worked for KPMG in London, England between 1981 and 1984 covering a broad range of audit, tax and consulting assignments and is a Chartered Public Accountant. She has an MA degree from Cambridge University in England.

Eric Zinterhofer has served as a Director of the Company since April 2004. Mr. Zinterhofer is a partner at Apollo Management, L.P., and has been with Apollo since 1998. From 1994 to 1996, Mr. Zinterhofer was a member of the Corporate Finance Department at Morgan Stanley Dean Witter & Co. From 1993 to 1994, Mr. Zinterhofer was a member of the Structured Equity Group at J.P. Morgan Investment Management. Mr. Zinterhofer graduated Cum Laude from the University of Pennsylvania with BA degrees in Honors Economics and European History and received his MBA from the Harvard Business School.

The Board of Directors has determined that the following members of the Board satisfy the independence requirements set forth in Rule 4200 of the National Association of Securities Dealers' listing standards: Charles Frank, Herb Granath, Herbert Kloiber, Alfred Langer, Bruce Maggin and Ann Mather.

There is no arrangement or understanding between any director and any other person pursuant to which such person was selected as a director. Directors serve until the next annual general meeting or until a successor is appointed. There is no family relationship among any directors or executive officers of the Company other than Eric Zinterhofer, who is Mr. Lauder's son-in-law.

Audit Committee

Audit Committee. The Board of Directors has an Audit Committee which is composed of Messrs. Frank and Langer (Chairman) and Ms. Mather. The current members of the Audit Committee satisfy the independence and expertise requirements set forth in the National Association of Securities Dealers' listing standards. In addition, the Board has determined that Mr. Langer, Ms. Mather and Mr. Frank qualify as "audit committee financial experts".

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EXECUTIVE OFFICERS

Set forth below is certain information describing the Company's executive officers (other than in respect of Michael Garin, who is also a director):

Robert E. Burke, age 54, has served as President and Chief Operating Officer since March 2003 and as Vice President and Chief Operating Officer of the Company since July 2001. From 1999 to 2001, Mr. Burke served as Executive Vice President of Microcast, Inc., an internet broadcasting company which filed for bankruptcy protection in the State of Delaware on or about December 1, 2000. From 1995 to 1998, Mr. Burke served as President and Chief Executive Officer of WTN, a subsidiary of ABC based in London, United Kingdom. WTN was a diversified global news and television production company and, prior to its sale, provided news, sports, entertainment, business, and corporate programming to virtually all the world's broadcasters (including all of the stations owned by the Company) via a global 24-hour satellite network. Mr. Burke was Vice President of WTN from 1984 to 1995 and previously worked as a reporter, producer, and manager for ABC News in Washington and New York from 1980 until 1984. Mr. Burke has a BA (History) from Washington University, St. Louis, Missouri.

Wallace Macmillan, age 48, was appointed Vice President - Finance and Chief Financial Officer in March 2003. Prior to joining the Company, Mr. Macmillan consulted for both Bertelsmann and EMI. From 1999 until his departure from EMI in 2001 Mr. Macmillan was involved in several major projects as VP Finance for the Recorded Music Division. Between 1997 and 1999 he was CFO for EMI's Virgin Sector and Latin American and South East Asian regions. From 1992 until 1997 he worked as Finance Director first of the Virgin and later of the EMI record companies in the UK, following the acquisition of Virgin Music Group by Thorn-EMI. Between 1990 and 1992 he was the International Financial Controller for Virgin Music Group in the UK. From 1988 to 1990 Mr. Macmillan worked as Director of Group Reporting for Bertelsmann Music Group in New York. From 1983 through 1987 he worked for the Bertelsmann Group in Germany in a variety of financial roles. Mr. Macmillan obtained his qualification as a Chartered Accountant while at Price Waterhouse from 1976 to 1983

Marina Williams, age 40, has served as Executive Vice President since November 2004. From 2003 until joining the Company, Ms. Williams served as Vice President and Managing Director of Newscorp with responsibility for the development of Fox channels in Central and Eastern Europe. From 1998 to 2003, she served as Managing Director for Central and Eastern Europe and Executive Director, TV Channels for Fox Kids Europe and was responsible for launching and managing channels and for pan-European advertising and sponsorship. From 1991 to 1998, Ms. Williams served as regional manager and later Vice President for European Business Development for Turner Broadcasting in London, England and was responsible for developing CNN and the Cartoon Network in Eastern Europe. She received an MA degree from St. Petersburg University in St. Petersburg, Russia.

There is no arrangement or understanding between any executive officer and any other person regarding selection as an executive officer. Executive officers serve pursuant to their employment agreements. (See Item 11, Executive Compensation, "Employment Agreements, Termination of Employment and Change-in-Control Arrangements".)

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ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes all plan and non-plan compensation awarded to, earned by, or paid to the Company's Chief Executive Officer, former Vice Chairman, President and Chief Operating Officer, Chief Financial Officer and Vice President - Finance, and Executive Vice President, who were the Company's only executive officers (together, the "Named Executive Officers") who either served as executive officers during, or were serving as executive officers at the end of, the fiscal year ended December 31, 2005, for services rendered in all capacities to the Company and its subsidiaries for each of the Company's last three fiscal years.

		Annual Compensation			Long-Term Compensation Awards	
Name and Principal Position	Year	Salary $	Bonus $	Other Annual Compensation $	Securities Underlying Options/SARs #	All Other Compensation $
Michael Garin	2005	625,000	950,000	--	30,000	20,019(8)
Chief Executive Officer (1)	2004	572,917	825,000	--	160,000	17,359(8)
	2003	--	--	--	--	--
Frederic T. Klinkhammer	2005	142,628	166,666	--	--	15,222(8)
Vice Chairman (2)	2004	625,000	--	--	--	19,243(8)
	2003	625,000	625,000	16,515(6)	40,000	1,017,620(9)
Robert E. Burke	2005	328,440	184,257	76,363(7)	15,000	5,913(8)
President and Chief Operating	2004	326,493	425,196	76,182(7)	--	8,439(8)
Officer (3)	2003	293,010	271,528	68,369(7)	80,000	6,703(8)
Wallace Macmillan	2005	355,596	163,482	--	10,000	4,865(8)
Chief Financial Officer and Vice	2004	326,493	195,174	--	20,000	6,884(8)
President - Finance(4)	2003	220,365	--	--	20,000	6,020(8)
Marina Williams	2005	364,933	167,674	--	15,000	5,602(8)
Executive Vice President (5)	2004	41,759	42,238	--	20,000	222(8)
	2003	--	--	--	--	--

(1) Became Chief Executive Officer on February 2, 2004.

(2) Retired on March 22, 2005 in connection with expiration of his employment agreement after having served as Vice-Chairman since February 2, 2004; previously Vice Chairman and Chief Executive Officer since March 2003 and Chief Executive Officer and President since March 1999.

(3) Became President and Chief Operating Officer in March 2003; previously Vice President and Chief Operating Officer since July 2001.
(4) Became Chief Financial Officer and Vice President - Finance in March 2003.
(5) Became Executive Vice President on November 22, 2004.
(6) Represents an expatriate premium allowance.
(7) Represents a housing allowance.
(8) Represents life and health insurance benefits paid by the Company.
(9) Long-Term Compensation included a $1,000,000 Special Long-Term Incentive Bonus that was granted to Mr. Klinkhammer pursuant to his employment agreement, which provided that if the fair market value of the Company's Class A Common Stock on December 31, 2003 was greater than $8.125 per share (the split-adjusted trading price on March 22, 1999) and the percentage increase in such share price was greater than the percentage increase in the NASDAQ composite average during the period from March 22, 1999 to December 31, 2003, he would be entitled to such bonus. In addition, he received $17,620 in life and health insurance benefits paid by the Company.

No restricted stock, stock appreciation rights or long-term incentive plan awards (all as defined in the proxy regulations of the Securities and Exchange Commission) were awarded to, earned by, or paid to the Named Executive Officers during the time periods described above.

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Option Grants In Last Fiscal Year

The following table sets forth information with respect to grants of options to purchase shares of Class A Common Stock granted to the Named Executive Officers during the fiscal year ended December 31, 2005.

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term	
Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/sh) (1)	Expiration Date (2)	5% ($)	10% ($)
Michael Garin	30,000	15.42%	$ 44.50	6/1/15	$ 948,303	$ 2,473,911
Robert E. Burke	15,000	7.71%	$ 44.50	6/1/15	$ 474,152	$ 1,236,955
Wallace Macmillan	10,000	5.14%	$ 44.50	6/1/15	$ 316,101	$ 824,637

(1) The exercise price is set by the Compensation Committee, but may be not less than the fair market value of the Common Stock on the date of grant of the option. Options for the Named Executive Officers were granted on June 2, 2005.

(2) All options granted to the Named Executive Officers will vest in four equal installments on each of the first four anniversaries of the date of grant.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information with respect to each exercise of stock options during the fiscal year ended December 31, 2005 by the Named Executive Officers and the value at December 31, 2005 of unexercised stock options held by the Named Executive Officers.

Name	**Shares Acquired On Exercise (#)**	**Value Realized ($)**	**Number of Securities Underlying Unexercised Options At Fiscal Year-end (#) Exercisable/Unexercisable**	**Value of Unexercised In-the-Money Options at Fiscal Year-End ($)(1) Exercisable/Unexercisable**
Michael Garin	0	0	40,000/150,000	$1,536,400/5,011,200
Frederic T. Klinkhammer	486,000	$20,530,912	800/13,200	$38,028/627,462
Robert E. Burke	0	0	173,600/41,400	$9,239,376/1,455,927
Wallace Macmillan	0	0	20,000/30,000	$894,171/969,929
Marina Williams	0	0	6,600/28,400	$165,600/537,340

(1) Fair market value of securities underlying the options at fiscal year end minus the exercise price of the options.
(2) On March 3, 2006 Robert E. Burke exercised 25,000 options with an exercise price of $2.138 per share, realizing a gain of $1,561,800 based upon the market price on that date of $64.61 per share.

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Compensation of Directors

The Company pays a cash fee to each of its non-employee directors (except Messrs. Lauder and Zinterhofer) of $50,000 per annum.

In addition, on the day of each annual general meeting of the Company's shareholders during the term of the Amended and Restated 1995 Stock Incentive Plan, each non-employee director of the Company (including for these purposes the Chairman) who has served as a director since the last annual general meeting of shareholders will be eligible to receive either (i)non-incentive stock options to purchase 6,000 shares of Class A Common Stock (in the case of the Chairman, Class B Common Stock if such grant is approved by the Board) or (ii) a combination of non-incentive stock options, restricted stock and restricted stock units whose aggregate value is equal to the value of 6,000 non-incentive stock options on the date of grant. Subject to that limitation on total value, the Compensation Committee has discretion to determine the components the annual automatic grant. For purposes of determining the value of non-incentive stock options to purchase 6,000 shares of Common Stock, the Compensation Committee shall calculate a U.S. dollar amount using the methodology that is employed by the Company for valuing options in its most recent annual financial statements. For purposes of determining the number of shares of any restricted stock or restricted stock units, the U.S. dollar amount allocated to such award shall be divided by the fair market value of a share of the Company's Class A Common Stock on the date of grant.

For non-employee directors, the exercise price of options will be the closing price of a share of Class A Common Stock on the date of grant (and 105% of the fair market value of a share of Class A Common Stock in the case of an option to acquire Class B Common Stock). The options will vest over a four-year period from the date of grant and will expire 10 years from the date of grant.

The Company reimburses each director for expenses in connection with attending meetings of the Board of Directors. Members of the Audit Committee are paid an additional annual cash fee of $12,000. Members of the Compensation Committee receive an additional annual cash fee of $5,000. Otherwise, no separate compensation is paid to any director for serving on committees. Directors who are also employees of the Company receive no additional compensation for service as a director.

Employment Agreements, Termination of Employment and Change-in-Control Arrangements

Michael Garin

Michael Garin, Chief Executive Officer of the Company, has an employment Agreement dated as of February 2, 2004 with a wholly-owned subsidiary of the Company. Under the employment agreement, Mr. Garin is entitled to receive an aggregate annual salary of US $625,000, which may be increased annually at the discretion of the Compensation Committee. Mr. Garin has the opportunity to earn an annual cash bonus in an amount not to exceed his annual base salary. One-half of such bonus shall be based on objective criteria and one-half shall be based on subjective criteria established by the Board. Pursuant to Mr. Garin's employment agreement, the Company is required to name Mr. Garin to its Board of Directors and the Board is required to nominate Mr. Garin for election to the Board of Directors of the Company for so long as he remains employed by the Company.

Mr. Garin's employment agreement is for a term expiring on January 31, 2008. The Company may terminate the employment agreement at any time. Upon early termination of Mr. Garin's employment agreement by the Company (other than for cause or on death or disability), Mr. Garin is entitled to seek any loss of compensation or loss of other entitlements that may be available as a matter of law.

Mr. Garin may terminate the agreement at any time on 90 days' notice without further entitlement. In the event Mr. Garin terminates his employment agreement, any options that have become exercisable as of such termination date may be exercised for a period of 90 days following such date.

Under his employment agreement, Mr. Garin has been granted an option to purchase 160,000 shares of Class A Common Stock at an exercise price of $19.49 per share. Such options become exercisable in four equal annual installments on January 31, 2005, 2006, 2007 and 2008. 80,000 options of the February 2004 grant are currently exercisable or will become exercisable within the next 60 days. Such options expire on February 1, 2014. In June 2005, the Company awarded Mr. Garin options to acquire 30,000 shares of Class A Common Stock at an exercise price of $44.50 per share. None of the options granted in June 2005 are currently exercisable. Such options expire on June 1, 2015.

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In the event the Company terminates Mr. Garin's employment agreement before the end of its term other than for cause, all such options held by Mr. Garin shall become vested and shall be exercisable for a period of 90 days from the date of such early termination.

Robert Burke

Robert Burke, President and Chief Operating Officer of the Company, has an employment agreement dated as of July 16, 2001 with a wholly-owned subsidiary of the Company. Under the employment agreement, Mr. Burke is entitled to receive an aggregate annual salary of UK £180,000, which may be increased each July at the Company's discretion. In addition, Mr. Burke was entitled to a monthly UK £3,500 allowance payable until such time as the Board of Directors of the Company approved an initial stock option grant to Mr. Burke. However, even after the initial stock option grant, the Compensation Committee agreed to continue to pay this amount to Mr. Burke. Mr. Burke has the opportunity to earn an annual cash bonus with a target amount of 33% and a maximum amount of 66% of yearly compensation, based upon the performance of the Company on a combined EBITDA basis in relation to budgeted goals. Mr. Burke's employment agreement also contains non-competition provisions applicable for a one year period following the termination of the agreement, prohibits Mr. Burke from using confidential information of the Company during the term of the employment agreement and thereafter, and specifies certain benefits and perquisites that Mr. Burke shall be entitled to receive. Mr. Burke's employment agreement is for an indefinite term. The Company can terminate the agreement upon 12 months written notice or at any time if the Company makes a lump sum payment in lieu of the 12 months notice.

In April 2002, the Company awarded to Mr. Burke options to acquire 120,000 shares of the Class A Common Stock at an exercise price of $2.138 per share. Such options are exercisable in three equal installments on each of the first three anniversaries of the date of the grant. All such options are currently exercisable and expire on April 1, 2012. In May 2003, the Company awarded Mr. Burke options to acquire 80,000 shares of Class A Common Stock of the Company at an exercise price of $10.365 per share. Such options become exercisable in three equal installments on each of the first three anniversaries of the date of the grant. 53,332 of the options granted in May 2003 are currently exercisable or will be become exercisable in the next 60 days. Such options expire on May 28, 2013. In June 2005, the Company awarded Mr. Burke options to acquire 15,000 shares of Class A Common Stock at an exercise price of $44.50 per share. None of the options granted in June 2005 are currently exercisable. Such options expire on June 1, 2015.

Wallace Macmillan

Wallace Macmillan, Chief Financial Officer and Vice President Finance of the Company has an employment agreement dated March 17, 2003 with a wholly-owned subsidiary of the Company. Under the employment agreement, Mr. Macmillan is entitled to receive an aggregate annual salary of UK 200,000, which may be increased each March at the Company's discretion. Mr. Macmillan has the opportunity to earn an annual cash bonus with a target amount of 33 % and a maximum amount of 66 % of yearly compensation, and is based upon the performance of the Company on a combined EBITDA basis in relation to budgeted goals and also on personal performance goals. Mr. Macmillan's employment agreement also contains non-competition provisions applicable for a one-year period following the termination of the agreement, prohibits Mr. Macmillan from using confidential information of the Company during the term of the employment agreement and thereafter, and specifies certain benefits and perquisites that Mr. Macmillan shall be entitled to receive. Mr. Macmillan's employment agreement is for an indefinite term. However, the Company's wholly-owned subsidiary may terminate the employment agreement upon 12 months written notice or at any time if the Company's subsidiary makes a payment in lieu of notice. Mr. Macmillan may terminate his employment at any time for good reason or with 90 days notice for any reason.

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In May 2003, the Company awarded Mr. Macmillan options to acquire 20,000 shares of Class A Common Stock of the Company at an exercise price of $10.365 per share. Such options are exercisable in three equal installments on each of the first three anniversaries of the date of the grant. 13,332 of the options granted in May 2003 are currently exercisable or will become exercisable within the next 60 days. All such options expire on May 21, 2013. In May 2004, the Company awarded Mr. Macmillan options to acquire 20,000 shares of Class A Common Stock of the Company at an exercise price of $18.93 per share. Such options become exercisable in three equal installments on each of the first three anniversaries of the date of the grant. 13,332 of the options granted in May 2004 are currently exercisable or will become exercisable within the next 60 days. Such options become exercisable in three equal installments on each of the first three anniversaries of the date of the grant. Such options expire on May 4, 2014. In June 2005, the Company awarded Mr. Macmillan options to acquire 10,000 shares of Class A Common Stock at an exercise price of $44.50 per share. None of the options granted in June 2005 are currently exercisable. Such options expire on June 1, 2015.

Marina Williams

Marina Williams, Executive Vice President of the Company, has an employment agreement dated November 22, 2004 with a wholly-owned subsidiary of the Company. Under the employment agreement, Ms. Williams is entitled to receive an aggregate annual salary of UK 200,000, which may be increased each November at the Company's discretion. Ms. Williams has the opportunity to earn an annual cash bonus for a pro rata portion of 2004 and each full year thereafter with a target amount of 33 % and a maximum amount of 66 % of yearly compensation, and is based upon the performance of the Company on a combined EBITDA basis in relation to budgeted goals and also on personal performance goals. If 85% of the budgeted goal is achieved, Ms. Williams will be eligible for a bonus of 50% of the Williams Target Amount. If EBITDA is 150% of budget, Ms. Williams be eligible for a bonus payment of up to 200% of the Williams Target Amount. Ms. Williams' employment agreement also contains non-competition provisions applicable for a one-year period following the termination of the agreement that prohibits Ms. Williams from using confidential information of the Company during the term of the employment agreement and thereafter, and specifies certain benefits and perquisites that Ms. Williams shall be entitled to receive. Ms. Williams' employment agreement is for a three-year period ending on November 21, 2007. The Company's wholly-owned subsidiary may terminate the employment agreement at any time if the Company's subsidiary makes a payment in lieu of notice. Ms. Williams may terminate her employment at any time on six months' notice for any reason.

On November 22, 2004, the Company awarded Ms. Williams options to acquire 20,000 shares of Class A Common Stock of the Company at an exercise price of $32.80 per share. Such options become exercisable in three equal installments on each of the first three anniversaries of the date of the grant. 6,666 of the options granted in November 2004 are currently exercisable or will become exercisable in the next 60 days. Such options expire on November 21, 2014. In June 2005, the Company awarded Ms. Williams options to acquire 15,000 shares of Class A Common Stock at an exercise price of $44.50 per share. None of the options granted in June 2005 are currently exercisable. Such options expire on June 1, 2015.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information as of March 6, 2006 with respect to the beneficial ownership of the Company's Class A Common Stock and Class B Common Stock and also sets forth certain information with respect to voting power and percentage of ownership as of March 6, 2006, by (i) each shareholder known by the Company to beneficially own more than 5% of any class of the Company's outstanding voting securities, (ii) each director of the Company, (iii) the Chief Executive Officer and the other named executive officers of the Company and (iv) all directors and executive officers of the Company as a group. Except as otherwise noted below, each of the shareholders

identified in the table has sole voting and investment power over the shares beneficially owned by such person.

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Name of Beneficial Owner	Beneficial Ownership of Class A Common Stock(a)		Beneficial Ownership of Class B Common Stock		Common Stock	
	Number	Percent	Number	Percent	% of Voting Power(b)	% Owner-ship(b)
Ronald S. Lauder(1)(8)	--	--	6,031,965(24)	85.02%	59.13%	15.81%
Michael N. Garin	80,000(12)	*	--	--	*	*
Charles R. Frank, Jr.	-- (13)	--	--	--	*	*
Herbert A. Granath	20,000(14)		--	--		
Frederic T. Klinkhammer(2)	664(15)	*	--	--	*	*
Herbert Kloiber(3)	--	--	--	--	*	*
Alfred W. Langer	12,400(16)	*	--	--	*	*
Bruce Maggin	10,400(17)	*	--	--	*	*
Ann Mather	4,000 (18)	--	--	--	--	--
Eric Zinterhofer	4,000(19)	--	--	--	--	--
Robert E. Burke	148,332(20)	*	--	--	*	*
Wallace Macmillan	26,664(21)	*	--	--	*	*
Marina Williams	6,666(22)					
All directors and executive officers as a group (12 persons)	313,126(23)	*	6,031,965(24)	85.02%	59.26%	16.50%
			--	--		
Leonard A. Lauder(4)(9)	--	--	721,673	10.36%	7.16%	1.90%
Federated Investors, Inc.(5)(10)	3,002,088	9.67%	--	--	2.98%	7.90%
Eric Semler(6)(11)	2,365,497	7.62%	--	--	2.35%	6.22%
			--	--		
Testora Ltd(7)	3,500,000	11.27%	--	--	3.47%	9.20%

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* Less than 1.0%

(a) Does not include 6,966,533 shares of Class A Common Stock issuable upon conversion of shares of Class B Common Stock. Shares of Class B Common Stock are convertible at any time into shares of Class A Common Stock for no additional consideration on a share-for-share basis.

(b) Represents the percentage of total voting power and the percentage ownership of the Class A Common Stock and the Class B Common Stock currently beneficially owned by each identified shareholder and all directors and executive officers as a group. The Class A Common Stock and the Class B Common Stock are the only authorized classes of the Company's capital stock with shares outstanding.

1. The address of Ronald S. Lauder is Suite 4200, 767 Fifth Avenue, New York, New York 10153.

2. Mr. Klinkhammer's term as Vice Chairman and a member of the Board of Directors ended on March 22, 2005 upon the expiration of his employment agreement.

3. Herbert G. Kloiber was appointed to the Board of Directors on February 1, 2006.

4. Information in respect of the beneficial ownership of Leonard A. Lauder (other than percentage ownership) is based upon a statement on Schedule 13D filed by him. The address of Mr. Leonard Lauder is c/o The Estée Lauder Companies Inc., 767 Fifth Avenue, New York, New York 10153.

5. Information in respect of the beneficial ownership of Federated Investors, Inc. (other than percentage ownership) is based upon a statement on Schedule 13G filed on February 14, 2005 jointly by Federated Investors, Inc., Voting Shares Irrevocable Trust, John F. Donahue, Rhodora J. Donahue and J. Christopher Donahue. The address of Federated Investors, Inc., Voting Shares Irrevocable Trust, John F. Donahue, Rhodora J. Donahue and J. Christopher Donahue is Federated Investors Tower, Pittsburgh, Pennsylvania 15222-3779.

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6. Information in respect of the beneficial ownership of Eric Semler (other than percentage ownership) is based upon a statement on Schedule 13G/A filed by him on January 18, 2006. The address of Mr. Semler is 888 Seventh Avenue, Suite 1504, New York, New York 10019.

7. Information in respect of the beneficial ownership of Testora Limited (other than percentage ownership) is based upon a statement on Schedule 13G filed by it on January 11, 2006 The address of Testora Limited is Grigori Afxentiou, 8, El.Pa. Livadioti, Flat/Office 401, P.C. 6023, Larnaca, Cyprus.

8. 57,799 of the shares of Class B Common Stock listed are owned directly by Ronald S. Lauder, 3,385,417 of the shares of Class B Common Stock are owned by RSL Investments Corporation, 1,672,500 of the shares of Class B Common Stock are owned by RSL Capital LLC and 577,788 of the shares of Class B Common Stock are owned by TV Holdings Ltd., all of which are owned by Mr. Lauder. 210,461 of the shares of Class B Common Stock are held by RAJ Family Partners L.P., which Mr. Lauder may be deemed to beneficially own. In addition, Mr. Lauder directly owns currently exercisable options to purchase 128,000 shares of Class B Common Stock.

9. 285,239 of the shares of Class B Common Stock listed are owned directly by Leonard A. Lauder and 436,434 of the shares of Class B Common Stock are held by LWG Family Partners L.P., a partnership whose managing partner is a corporation which is one-third owned by Mr. Lauder.

10. Federated Investors, Inc. (“Parent”) is the parent holding company of Federated Equity Management Company of Pennsylvania and Federated Global Investment Management Corp. (the “Investment Advisors”), which act as investment advisors to registered investment companies and separate accounts that own shares of common stock in Central European Media Enterprises, Ltd. The Investment Advisors are wholly owned subsidiaries of FII Holdings, Inc., which is a wholly owned subsidiary of Parent. All of the Parent’s outstanding voting stock is held in the Voting Shares Irrevocable Trust for which John F. Donahue, Rhodora J. Donahue and J. Christopher Donahue act as trustees. The trustees have collective voting control over the Parent and shared voting power over the shares listed.

11. Mr. Semler has sole power to vote and to dispose of these shares which consists of (i) 1,459,491 Shares held for the account of TCS Capital Investments; (ii) 123,405 Shares held for the account of TCS Capital; (iii) 780,601 Shares held for the account of TCS Capital II; and (iv) 2,000 Shares held for the account of TCS Select. TCS Capital Management, LLC, a Delaware limited liability company (“TCS Capital Management”) is the investment manager of each TCS Capital International, TCS Capital and TCS Capital II. Mr. Semler is the investment manager of TCS Capital Management.

12. Consists of 80,000 shares of Class A Common Stock underlying options which are currently exercisable at an exercise price of $19.49 per share and which expire on February 1, 2014. Does not include (i) 80,000 shares of Class A Common Stock underlying options with an exercise price of $19.49 per share which are not currently exercisable and will not become exercisable within 60 days and expire on February 1, 2014, and (ii) 30,000 shares of Class A Common Stock underlying options with an exercise price of $44.50 per share which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2015.

13. Does not include (i) 6,400 shares of Class A Common Stock underlying options with an exercise price of $1.958 per share which are not currently exercisable and will not become exercisable within 60 days and expire on May 15, 2012; (ii) 9,600 shares of Class A Common Stock underlying options with an exercise price of $10.897 per share which are not currently exercisable and will not become exercisable within 60 days and expire on May 21, 2013; (iii) 12,000 shares of Class A Common Stock underlying options with an exercise price of $22.11 per share which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2014; and (iv) 6,000 shares of Class A Common Stock underlying options with an exercise price of $44.50 per share

which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2015.

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14. Consists of (i) 9,600 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at an exercise price of $1.958 per share and which expire on May 15, 2012; and (ii) 6,400 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at a price of $10.897 per share and which expire on May 21, 2013; and (iii) 4,000 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at an exercise price of $22.11 per share and which expire on June 1, 2014. Does not include (i) 6,400 shares of Class A Common Stock underlying options with an exercise price of $1.958 per share are not currently exercisable and will not become exercisable within 60 days and expire on May 15, 2012; (ii) 9,600 shares of Class A Common Stock underlying options with an exercise price of $10.897 per share which are not currently exercisable and will not become exercisable within 60 days and expire on May 21, 2013; and (iii) 12,000 shares of Class A Common Stock underlying options with an exercise price of $22.11 per share which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2014; and (iv) 6,000 shares of Class A Common Stock underlying options with an exercise price of $44.50 per share which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2015.

15. Consists of 664 shares of Class A Common Stock underlying options which are currently exercisable or will become exercisable within 60 days, at an exercise price of $10.365 per share and which expire on May 28, 2013. Does not include 13,336 shares of Class A Common Stock underlying options with an exercise price of $10.365 per share are not currently exercisable and will not become exercisable within 60 days and expire on May 28, 2013.

16. Consists of (i) 2,000 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at an exercise price of $0.294 per share and which expire on April 18, 2011; (ii) 3,200 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at an exercise price of $1.958 per share and which expire on May 15, 2012; (iii) 3,200 shares of Class A Common Stock underlying options which will become exercisable within 60 days, at an exercise price of $10.897 per share and which expire on May 21, 2013; and (iv) 4,000 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at an exercise price of $22.11 per share and which expire on June 1, 2014. Does not include (i) 2,000 shares of Class A Common Stock underlying options with an exercise price of $0.294 per share which are not currently exercisable and will not become exercisable within 60 days and expire on April 18, 2011; (ii) 6,400 shares of Class A Common Stock underlying options with an exercise price of $1.958 per share which are not currently exercisable and will not become exercisable within 60 days and expire on May 15, 2012; (iii) 9,600 shares of Class A Common Stock underlying options with an exercise price of $10.897 per share which are not currently exercisable and will not become exercisable within 60 days and expire on May 21, 2013; (iv) 12,000 shares of Class A Common Stock underlying options with an exercise price of $22.11 per share which are not currently exercisable and will not become exercisable within 60 days, and expire on June 1, 2014; and (v) 6,000 shares of Class A Common Stock underlying options with an exercise price of $44.50 per share which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2015.

17. Consists of (i) 6,400 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at an exercise price of $10.897 per share and which expire on May 21, 2013; and (ii) 4,000 shares of Class A Common Stock underlying options which are currently exercisable at, or will become exercisable within 60 days, an exercise price of $22.11 per share and which expire on June 1, 2014. Does not include (i) 9,600 shares of Class A Common Stock underlying options with an exercise price of $10.897 per share which are not currently exercisable and will not become exercisable within 60 days and expire on May 21, 2013; (ii) 12,000 shares of Class A Common Stock underlying options with an exercise price of $22.11 per share which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2014; and (iii) 6,000 shares of Class A Common Stock underlying options with an exercise price of $44.50 which are not

currently exercisable and will not become exercisable within 60 days and expire on June 1, 2015.

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18. Consists of 4,000 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at a price of $22.11 per share and which expire on June 1, 2014. Does not include (i) 12,000 shares of Class A Common Stock underlying options with an exercise price of $22.11 per share which are not currently exercisable and will not become exercisable within 60 and expire on June 1, 2014; and (ii) 6,000 shares of Class A Common Stock underlying options with an exercise price of $44.50 per share which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2015.

19. Consists of 4,000 shares of Class A Common Stock underlying options which are currently exercisable, or will be exercisable within 60 days, at a price of $22.11 per share and which expire on June 1, 2014. Does not include (i) 12,000 shares of Class A Common Stock underlying options with an exercise price of $22.11 per share which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2014; and (ii) 6,000 shares of Class A Common Stock underlying options with an exercise price of $44.50 per share which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2015.

20. Consists of (i) 95,000 shares of Class A Common Stock underlying options which are currently exercisable at an exercise price of $2.1375 per share and which expire on April 1, 2012; and (ii) 53,332 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at an exercise price of $10.365 per share and which expire on May 28, 2013. Does not include (i) 26,668 shares of Class A Common Stock underlying options with an exercise price of $10.365 per share which are not currently exercisable and will not become exercisable within 60 days and expire on May 28, 2013; and (ii) 15,000 shares of Class A Common Stock underlying options with an exercise price of $44.50 per share which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2015.

21. Consists of (i) 13,332 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at an exercise price of $10.365 per share and which expire on May 21, 2013; and (ii) 13,332 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at an exercise price of $18.93 per share and which expire on May 4, 2014. Does not include (i) 6,668 shares of Class A Common Stock underlying options with an exercise price of $10.365 per share which are not currently exercisable and will not become exercisable within 60 days and expire on May 21, 2013; (ii) 6,668 shares of Class A Common Stock underlying options with an exercise price of $18.93 per share which are not currently exercisable and will not become exercisable within 60 days and expire on May 4, 2014; and (ii) 10,000 shares of Class A Common Stock underlying options with an exercise price of $44.50 per share which are not currently exercisable and will not become exercisable within 60 days and which expire on June 1, 2015.

22. Consists of 6,666 shares of Class A Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at an exercise price of $32.80 per share and which expire on November 21, 2014. Does not include (i) 13,334 shares of Class A Common Stock underlying options with an exercise price of $32.80 per share which are not currently exercisable and will not become exercisable within 60 days and expire on November 21, 2014; and (ii) 15,000 shares of Class A Common Stock underlying options with an exercise price of $44.50 per share and which are not currently execisable and will not become exercisable within 60 days and expire on June 1, 2015.

23. Consists of 313,126 shares of Class A Common Stock underlying options which are currently exercisable or will become exercisable within 60 days. Does not include 399,074 shares of Class A Common Stock underlying options which are not currently exercisable and will not become exercisable within 60 days.

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24. Includes (i) 100,000 shares of Class B Common Stock underlying options which are currently exercisable at an exercise price of $23.925 per share and which expire on August 1, 2007; (ii) 8,000 shares of Class B Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at a price of $0.2625 per share and which expire on May 18, 2011; (iii) 9,600 shares of Class B Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at a price of $2.0558 per share and which expire on May 15, 2012; (iv) 6,400 shares of Class B Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at a price of $11.44 per share and which expire on May 21, 2013; and (v) 4,000 shares of Class B Common Stock underlying options which are currently exercisable, or will become exercisable within 60 days, at an exercise price of $23.22 per share and which expire on June 1, 2014. Does not include (i) 2,000 shares of Class B Common Stock underlying options with an exercise price of $0.2625 per share which are not currently exercisable and will not become exercisable within 60 days and expire on May 18, 2011; (ii) 6,400 shares of Class B Common Stock underlying options with an exercise price of $2.0558 per share which are not currently exercisable and will not become exercisable within 60 days, and expire on May 15, 2012; and (iii) 9,600 shares of Class B Common Stock underlying options with an exercise price of $11.44 per share which are not currently exercisable and will not become exercisable within 60 days, and expire on May 21, 2013; (iv) 12,000 shares of Class B Common Stock underlying options with an exercise price of $23.22 per share which are not currently exercisable and will not become exercisable within 60 days, and expire on June 1, 2014;and (v) 6,000 shares of Class B Common Stock underlying options with an exercise price of $46.725 which are not currently exercisable and will not become exercisable within 60 days and expire on June 1, 2015.

Equity Compensation Plan Information

The following table provides information as of December 31, 2005, about Common Stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans.

Equity Compensation Plan Information

	(a)	(b)	(c)
Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,118,275(1)	$22.23	1,392,088(2)
Equity compensation plans not approved by security holders	0(3)	--	1,000,000
Total	1,118,275	$22.23	

(1) This number consists of options outstanding at December 31, 2005 under the Company's 1994 Stock Option Plan and under the Amended and Restated 1995 Stock Incentive Plan.

(2) This number includes the aggregate number of shares of Common Stock that remains available for future issuance, at December 31, 2005 under the Company's shareholder approved equity compensation plans, consisting of 1,392,088 shares available under the Amended and Restated 1995 Stock Incentive Plan. The term of the 1994

Stock Option Plan expired on July 11, 2004. Any option outstanding under the 1994 Stock Option Plan at the time of the termination of the Plan will remain outstanding until such option has been exercised or has expired in accordance with its terms.

(3) The Company's 1998 Stock Appreciation Rights Plan (the "SAR Plan") allows the Company to grant up to 1,000,000 SARs. The SARs are subject to substantially the same general conditions as apply to options granted under the Amended and Restated 1995 Stock Incentive Plan. When SARs are exercised, the grantee will receive in cash the amount by which the Company's stock price exceeds a base price fixed by the Compensation Committee at the time of grant. There were no SARs outstanding at December 31, 2005.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

NONE

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ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte & Touche LLP is the Company's independent registered public accounting firm.

Audit Fees

Deloitte & Touche LLP's audit fees for auditing the Company's annual consolidated financial statements for the and reviewing the Company's interim financial statements included in the Company's Forms 10-Q for the year ended December 31, 2005 were $2,077,000 (2004 : $2,005,000).

Audit Related Fees

Deloitte & Touche LLP's audit-related fees for the year ended December 31, 2005 were $1,161,000 (2004 : $847,000). Audit-related fees in 2005 were incurred in respect of services provided in connection with our debt and equity offerings. Audit-related fees in 2004 were incurred in respect of services relating to the purchase of an additional 14% interest in our operations in Romania, a Section 404 "dummy" attestation, general advice regarding compliance with recently enacted regulatory and accounting rules in the United States and work related to business development projects.

Tax Fees

Deloitte & Touche LLP's tax fees for the year ended December 31, 2005 were $156,000 (2004 : $425,000). Tax fees in 2005 were incurred for advice provided in respect of restructuring related to our operations in Ukraine. Tax fees in 2004 were incurred for advice provided in respect of general tax advice and tax compliance matters, including advice in respect of tax compliance in the Netherlands and restructuring related to operations in Ukraine.

All other Fees

There were no other fees paid to Deloitte & Touche LLP for the year ended December 31, 2004 or the year ended December 31, 2005.

The Audit Committee of the Board of Directors has considered whether the provision of the services in respect of Audit-related Fees, Tax Fees and All Other Fees is compatible with maintaining Deloitte & Touche LLP's independence prior to the incurrence of such Fees in accordance with the Charter of the Audit Committee. All engagements of the auditors are approved in advance by the Audit Committee. At the beginning of the fiscal year, management presents for approval by the Audit Committee a range of services to be provided by the auditors and estimated fees for such services for the current year. Any services to be provided by the auditors that are not included within such range of services are approved on a case-by-case basis by the Audit Committee. Management provides reports to the Audit Committee on at least a quarterly basis on the status of the services provided and the level of fees incurred in respect of each service. The Company did not approve the incurrence of any fees pursuant to the exceptions to the pre-approval requirements set forth in 17 CFR 210.2-01(c)(7)(i)(C).

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EXHIBIT INDEX

Exhibit Number	Description
23.01	Consent of Deloitte & Touche LLP
23.02	Consent of Deloitte Audit s.r.o.
31.01	Sarbanes-Oxley Certification s.302 CEO, dated March 15, 2006
31.02	Sarbanes-Oxley Certification s.302 CFO, dated March 15, 2006
32.01	Sarbanes-Oxley Certification - CEO and CFO, dated March 15, 2006 (furnished only)

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)

March 15, 2006