

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD
Form 10-Q
October 27, 2009

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

FORM 10-Q

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

For the quarterly period ended September 30, 2009

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
(State or other jurisdiction of incorporation and
organization)

98-0438382
(IRS Employer Identification No.)

Clarendon House, Church Street, Hamilton
(Address of principal executive offices)

HM 11 Bermuda
(Zip Code)

Registrant's telephone number, including area code: +1-(441)-296-1431

Indicate by check mark whether 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" or "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 23, 2009
Class A Common Stock, par value \$0.08	50,524,273
Class B Common Stock, par value \$0.08	10,812,839

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

FORM 10-Q

For the quarterly period ended September 30, 2009

INDEX

	Page
Part I. Financial information	
Item 1. Financial Statements	
<u>Condensed Consolidated Balance Sheets as at September 30, 2009 and December 31, 2008</u>	1
<u>Condensed Consolidated Statements of Operations and Comprehensive Income for the Three and Nine³ Months Ended September 30, 2009 and 2008</u>	
<u>Condensed Consolidated Statements of Shareholders' Equity for the Nine Months Ended September 30, 2009 and 2008</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2009 and 2008</u>	7
<u>Notes to the Condensed Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	64
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	129
<u>Item 4. Controls and Procedures</u>	131
Part II. Other Information	
<u>Item 1. Legal Proceedings</u>	131
<u>Item 1A. Risk Factors</u>	132
<u>Item 6. Exhibits</u>	142
<u>Signatures</u>	144
<u>Exhibit Index</u>	145

Index

Part I. Financial Information

Item 1. Financial Statements

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

	September 30, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	\$523,148	\$107,433
Restricted cash and cash equivalents (Note 6)	288,001	821
Accounts receivable (net of allowance) (Note 7)	155,965	221,450
Program rights, net	91,519	67,787
Other current assets (Note 8)	114,140	97,265
Total current assets	1,172,773	494,756
Non-current assets		
Investments	16,559	16,559
Property, plant and equipment, net (Note 9)	206,825	206,667
Program rights, net	158,434	113,596
Goodwill (Note 4)	1,158,300	1,041,041
Broadcast licenses and other intangible assets, net (Note 4)	406,509	514,732
Other non-current assets (Note 8)	47,746	19,265
Total non-current assets	1,994,373	1,911,860
Total assets	\$3,167,146	\$2,406,616

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

Index

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

	September 30, 2009	December 31, 2008
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 163,825	\$ 174,885
Credit facilities and obligations under capital leases (Note 11)	33,489	36,502
Senior Notes being redeemed (Note 24)	266,210	-
Other current liabilities (Note 12)	30,965	17,286
Total current liabilities	494,489	228,673
Non-current liabilities		
Credit facilities and obligations under capital leases (Note 11)	88,362	38,758
Senior Debt (Note 5)	1,262,848	928,525
Other non-current liabilities (Note 12)	105,163	112,215
Total non-current liabilities	1,456,373	1,079,498
Commitments and contingencies (Note 20)		
EQUITY:		
CME Ltd. shareholders' equity:		
Nil shares of Preferred Stock of \$0.08 each (December 31, 2008 – nil)	-	-
50,524,273 shares of Class A Common Stock of \$0.08 each (December 31, 2008 – 36,024,273)	4,042	2,882
10,812,839 shares of Class B Common Stock of \$0.08 each (December 31, 2008 – 6,312,839)	865	505
Additional paid-in capital	1,341,161	1,126,617
Accumulated deficit	(278,743)	(236,836)
Accumulated other comprehensive income	155,555	202,090
Total CME Ltd. shareholders' equity	1,222,880	1,095,258
Noncontrolling interests	(6,596)	3,187
Total equity	1,216,284	1,098,445
Total liabilities and equity	\$3,167,146	\$2,406,616

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

Index

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Net revenues	\$ 134,482	\$ 200,601	\$ 461,888	\$ 728,433
Operating expenses:				
Operating costs	35,828	38,459	96,774	108,232
Cost of programming	88,257	96,222	259,072	307,226
Depreciation of station property, plant and equipment	13,844	13,980	38,301	39,036
Amortization of broadcast licenses and other intangibles (Note 4)	5,117	10,199	16,051	26,063
Cost of revenues	143,046	158,860	410,198	480,557
Selling, general and administrative expenses	24,886	34,586	76,076	96,504
Impairment charge (Note 4)	-	-	81,843	-
Operating (loss) / income	(33,450)	7,155	(106,229)	151,372
Interest income	628	2,126	2,070	8,081
Interest expense (Note 17)	(27,237)	(22,127)	(70,923)	(59,702)
Foreign currency exchange gain / (loss), net	28,980	4,959	113,655	(5,587)
Change in fair value of derivatives (Note 13)	(3,259)	9,868	(4,444)	(13,671)
Other income	45	288	391	1,607
(Loss) / income from continuing operations before tax	(34,293)	2,269	(65,480)	82,100
Credit / (provision) for income taxes	9,999	(20,838)	16,614	(19,478)
(Loss) / income from continuing operations	(24,294)	(18,569)	(48,866)	62,622
Discontinued operations, net of tax (Note 19)	-	(1,026)	(262)	(2,534)
Net (Loss) / income	(24,294)	(19,595)	(49,128)	60,088
Net loss / (income) attributable to noncontrolling interests	2,744	265	7,221	(1,507)
Net (Loss) income attributable to CME Ltd.	\$(21,550)	\$(19,330)	\$(41,907)	\$58,581
Net (loss) / income	(24,294)	(19,595)	(49,128)	60,088
Currency translation adjustment	53,164	(217,905)	(47,265)	67,141
Obligation to repurchase shares	-	-	-	488
Comprehensive (loss) / income	\$28,870	\$(237,500)	\$(96,393)	\$127,717
Comprehensive income / (loss) attributable to noncontrolling interests	3,072	644	7,951	(1,761)
Comprehensive (loss) / income attributable to CME Ltd.	\$31,942	\$(236,856)	\$(88,442)	\$125,956

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

Index

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
PER SHARE DATA (Note 16):				
Net (loss) / income per share:				
Continuing operations - Basic	\$(0.35)	\$(0.43)	\$(0.80)	\$1.44
Continuing operations - Diluted	(0.35)	(0.43)	(0.80)	1.43
Discontinued operations – Basic	0.00	(0.02)	(0.01)	(0.06)
Discontinued operations - Diluted	0.00	(0.02)	(0.01)	(0.06)
Net (loss) / income attributable to CME Ltd common shareholders – Basic	(0.35)	(0.45)	(0.81)	1.38
Net (loss) / income attributable to CME Ltd common shareholders – Diluted	\$(0.35)	\$(0.45)	\$(0.81)	\$1.37
Weighted average common shares used in computing per share amounts (000's):				
Basic	61,337	42,335	51,802	42,324
Diluted	61,337	42,335	51,802	42,773

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

Index

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
 CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 (US\$ 000's)
 (Unaudited)

	Class A		Class B		CME Ltd. Shareholders				Total Shareholders' Equity
	Common Stock Number of shares	Par value	Common Stock Number of shares	Par value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	
BALANCE, December 31, 2008	36,024,273	\$2,882	6,312,839	\$505	\$1,126,617	\$(236,836)	\$202,090	\$3,187	\$1,098,445
Stock-based compensation	-	-	-	-	4,974	-	-	-	4,974
Acquisition of noncontrolling interests	-	-	-	-	(23,336)	-	-	(7)	(23,343)
Shares issued, net of fees	14,500,000	1,160	4,500,000	360	232,906	-	-	-	234,426
Dividends	-	-	-	-	-	-	-	(1,825)	(1,825)
Net loss	-	-	-	-	-	(41,907)	-	(7,221)	(49,128)
Currency translation adjustment	-	-	-	-	-	-	(46,535)	(730)	(47,265)
BALANCE, September 30, 2009	50,524,273	\$4,042	10,812,839	\$865	\$1,341,161	\$(278,743)	\$155,555	\$(6,596)	\$1,216,284

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

Index

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (continued)
(US\$ 000's)
(Unaudited)

	Class A		Class B		CME Ltd. Shareholders				Total Shareholders' Equity
	Common Stock Number of shares	Par value	Common Stock Number of shares	Par value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	
BALANCE, December 31, 2007	36,003,198	\$2,880	6,312,839	\$505	\$1,051,336	\$54,871	\$290,215	\$23,155	\$1,422,962
Stock-based compensation	-	-	-	-	5,961	-	-	-	5,961
Stock options exercised	21,075	2	-	-	1,220	-	-	-	1,222
Purchase of capped call options	-	-	-	-	(63,318)	-	-	-	(63,318)
Extinguishment of capped call options	-	-	-	-	22,161	(22,161)	-	-	-
Redeemable noncontrolling Interests	-	-	-	-	-	(32,901)	-	-	(32,901)
Bifurcation of equity option embedded in convertible notes	-	-	-	-	108,085	-	-	-	108,085
Dividends	-	-	-	-	-	-	-	-	-