

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD

Form 10-Q

April 27, 2016

Index

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 March 31, 2016

☐ 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.)

O'Hara House, 3 Bermudiana Road, Hamilton, Bermuda

(Address of principal executive offices)

HM 08

(Zip Code)

Registrant's telephone number, including area code: (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 ☐

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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 April 22, 2016 |
|--|----------------------------------|
| Class A Common Stock, par value \$0.08 | 135,899,778                      |

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

FORM 10-Q

For the quarterly period ended March 31, 2016

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(US\$ 000's, except share data)

(Unaudited)

March 31, 2016 December 31, 2015

## ASSETS

## Current assets

|  |              |              |
|--|--------------|--------------|
| Cash and cash equivalents                                    | \$ 98,419    | \$ 61,679    |
| Accounts receivable, net (Note 6)                            | 142,828      | 167,427      |
| Program rights, net (Note 5)                                 | 94,215       | 85,972       |
| Other current assets (Note 7)                                | 28,471       | 43,206       |
| Total current assets   | 363,933      | 358,284      |
| Non-current assets   |              |              |
| Property, plant and equipment, net (Note 8)                  | 111,748      | 108,522      |
| Program rights, net (Note 5)                                 | 180,610      | 169,073      |
| Goodwill (Note 3)  | 650,785      | 622,243      |
| Broadcast licenses and other intangible assets, net (Note 3) | 155,995      | 151,162      |
| Other non-current assets (Note 7)                            | 31,727       | 31,133       |
| Total non-current assets                                     | 1,130,865    | 1,082,133    |
| Total assets   | \$ 1,494,798 | \$ 1,440,417 |

## LIABILITIES AND EQUITY

## Current liabilities

|   |           |           |
|---|-----------|-----------|
| Accounts payable and accrued liabilities (Note 9)                           | \$140,001 | \$134,705 |
| Current portion of long-term debt and other financing arrangements (Note 4) | 1,202     | 1,155     |
| Other current liabilities (Note 10)   | 45,065    | 10,448    |
| Total current liabilities   | 186,268   | 146,308   |

## Non-current liabilities

|  |           |         |
|--|-----------|---------|
| Long-term debt and other financing arrangements (Note 4) | 945,685   | 908,521 |
| Other non-current liabilities (Note 10)                  | 65,052    | 65,749  |
| Total non-current liabilities                            | 1,010,737 | 974,270 |

## Commitments and contingencies (Note 19)

## Temporary equity

|  |         |         |
|--|---------|---------|
| 200,000 shares of Series B Convertible Redeemable Preferred Stock of \$0.08 each (December 31, 2015 - 200,000) (Note 12) | 245,708 | 241,198 |
|--|---------|---------|

## EQUITY

## CME Ltd. shareholders' equity (Note 13):

|   |              |              |
|---|--------------|--------------|
| One share of Series A Convertible Preferred Stock of \$0.08 each (December 31, 2015 – one)— | —            | —            |
| 135,899,778 shares of Class A Common Stock of \$0.08 each (December 31, 2015 – 135,804,221) | 10,872       | 10,864       |
| Nil shares of Class B Common Stock of \$0.08 each (December 31, 2015 – nil)                 | —            | —            |
| Additional paid-in capital  | 1,910,370    | 1,914,050    |
| Accumulated deficit   | (1,645,680 ) | (1,605,245 ) |
| Accumulated other comprehensive loss  | (224,285 )   | (242,409 )   |
| Total CME Ltd. shareholders' equity   | 51,277       | 77,260       |
| Noncontrolling interests  | 808          | 1,381        |
| Total equity  | 52,085       | 78,641       |
| Total liabilities and equity  | \$1,494,798  | \$1,440,417  |

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

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## CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME / LOSS

(US\$ 000's, except per share data)

(Unaudited)

|  | For the Three Months<br>Ended March 31, |              |
|--|---|--------------|
|  | 2016                                    | 2015         |
| Net revenues   | \$ 129,000                              | \$ 126,133   |
| Operating expenses:  |   |              |
| Content costs  | 71,978                                  | 71,290       |
| Other operating costs  | 16,454                                  | 17,038       |
| Depreciation of property, plant and equipment                          | 7,285                                   | 7,001        |
| Amortization of broadcast licenses and other intangibles               | 2,060                                   | 3,499        |
| Cost of revenues   | 97,777                                  | 98,828       |
| Selling, general and administrative expenses                           | 23,460                                  | 43,901       |
| Restructuring costs  | —                                       | 643          |
| Operating income / (loss)  | 7,763                                   | (17,239 )    |
| Interest expense (Note 14)   | (49,154 )                               | (40,118 )    |
| Non-operating income / (expense), net (Note 15)                        | 1,416                                   | (12,741 )    |
| Loss before tax  | (39,975 )                               | (70,098 )    |
| Provision for income taxes   | (719 )                                  | (145 )       |
| Loss from continuing operations  | (40,694 )                               | (70,243 )    |
| Loss from discontinued operations, net of tax                          | —                                       | (3,288 )     |
| Net loss   | (40,694 )                               | (73,531 )    |
| Net loss attributable to noncontrolling interests                      | 259                                     | 257          |
| Net loss attributable to CME Ltd.                                      | \$(40,435 )                             | \$(73,274 )  |
| Net loss   | \$(40,694 )                             | \$(73,531 )  |
| Other comprehensive income / (loss):                                   |   |              |
| Currency translation adjustment  | 19,058                                  | (103,764 )   |
| Unrealized loss on derivative instruments (Note 11)                    | (1,248 )                                | (607 )       |
| Total other comprehensive income / (loss)                              | 17,810                                  | (104,371 )   |
| Comprehensive loss   | (22,884 )                               | (177,902 )   |
| Comprehensive loss / (income) attributable to noncontrolling interests | 573                                     | (849 )       |
| Comprehensive loss attributable to CME Ltd.                            | \$(22,311 )                             | \$(178,751 ) |
| PER SHARE DATA (Note 17):  |   |              |
| Net loss per share:  |   |              |
| Continuing operations attributable to CME Ltd. - Basic and diluted     | \$(0.31 )                               | \$(0.51 )    |
| Discontinued operations attributable to CME Ltd. - Basic and diluted   | —                                       | (0.02 )      |
| Net loss attributable to CME Ltd. - Basic and diluted                  | (0.31 )                                 | (0.53 )      |

Weighted average common shares used in computing per share amounts (000's):

Basic and diluted 147,078 146,606

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

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

|  | CME Ltd.<br>Series A   |              | Class A<br>Convertible Preferred Stock |              | Class B<br>Common Stock |              | Additional<br>Paid-In Capital |              | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Noncontrol<br>Interest | Total<br>Equity |
|--|------------------------|--------------|--|--------------|-------------------------|--------------|-------------------------------|--------------|------------------------|---|------------------------|-----------------|
|  | Number<br>of<br>shares | Par<br>value | Number of<br>shares                    | Par<br>value | Number of<br>shares     | Par<br>value | Number of<br>shares           | Par<br>value |                        |   |                        |                 |
| BALANCE<br>December 31, 2015                   | 1 \$                   | —            | 435,804,221                            | \$10,864     | \$                      | —            | —                             | \$1,914,050  | \$(1,605,245)          | \$(242,409)                                   | \$ 1,381               | \$78,641        |
| Stock-based<br>compensation                    | —                      | —            | —                                      | —            | —                       | 838          | —                             | —            | —                      | —   | —                      | 838             |
| Share issuance,<br>stock-based<br>compensation | —                      | 95,557       | 8                                      | —            | —                       | (8)          | —                             | —            | —                      | —   | —                      | —               |
| Preferred dividend<br>paid in kind             | —                      | —            | —                                      | —            | —                       | (4,510)      | —                             | —            | —                      | —   | —                      | (4,510 )        |
| Net loss                                       | —                      | —            | —                                      | —            | —                       | —            | —                             | (40,435)     | —                      | —   | (259)                  | (40,694 )       |
| Unrealized loss on<br>derivative instruments   | —                      | —            | —                                      | —            | —                       | —            | —                             | —            | —                      | (1,248)                                       | —                      | (1,248 )        |
| Currency translation<br>adjustment             | —                      | —            | —                                      | —            | —                       | —            | —                             | —            | —                      | 19,372  | (314)                  | 19,058          |
| BALANCE<br>March 31, 2016                      | 1 \$                   | —            | 435,899,778                            | \$10,872     | \$                      | —            | —                             | \$1,910,370  | \$(1,645,680)          | \$(224,285)                                   | \$ 808                 | \$52,085        |

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

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

|   | For the Three<br>Months Ended<br>March 31, |            |
|---|--|------------|
|   | 2016                                       | 2015       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |            |
| Net loss  | \$(40,694)                                 | \$(73,531) |
| Adjustments to reconcile net loss to net cash generated from continuing operating activities: |  |            |
| Loss from discontinued operations, net of tax   | —  | 3,288      |
| Amortization of program rights  | 71,978                                     | 70,279     |
| Depreciation and other amortization   | 25,847                                     | 23,000     |
| Interest paid in kind   | —  | 548        |
| Loss on disposal of fixed assets  | 32   | 140        |
| Deferred income taxes   | 904  | (249 )     |
| Stock-based compensation (Note 16)  | 838  | 408        |
| Change in fair value of derivatives   | 13,868                                     | 1,010      |
| Foreign currency exchange (gain) / loss, net  | (15,438 )                                  | 3,592      |
| Changes in assets and liabilities:  |  |            |
| Accounts receivable, net  | 30,904                                     | 31,362     |
| Accounts payable and accrued liabilities  | (15,132 )                                  | (15,017 )  |
| Program rights  | (69,956 )                                  | (82,905 )  |
| Other assets and liabilities  | (1,582 )                                   | 920        |
| Accrued interest  | 19,830                                     | 25,619     |
| Income taxes payable  | (245 )                                     | (282 )     |
| Deferred revenue  | 20,121                                     | 18,411     |
| VAT and other taxes payable   | (1,617 )                                   | 24,162     |
| Net cash generated from continuing operating activities                                       | \$39,658                                   | \$30,755   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |  |            |
| Purchase of property, plant and equipment   | \$(6,076 )                                 | \$(7,481 ) |
| Disposal of property, plant and equipment   | —  | 52         |
| Net cash used in continuing investing activities  | \$(6,076 )                                 | \$(7,429 ) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |  |            |
| Debt transaction costs  | \$(341 )                                   | \$(606 )   |
| Payment of credit facilities and capital leases   | (341 )                                     | (245 )     |
| Net cash used in continuing financing activities  | \$(682 )                                   | \$(851 )   |
| Net cash used in discontinued operations - operating activities                               | —  | (710 )     |
| Net cash provided by discontinued operations - investing activities                           | 328  | 865        |
| Net cash used in discontinued operations - financing activities                               | —  | (41 )      |
| Impact of exchange rate fluctuations on cash and cash equivalents                             | 3,512                                      | (3,598 )   |
| Net increase in cash and cash equivalents   | \$36,740                                   | \$18,991   |
| CASH AND CASH EQUIVALENTS, beginning of period  | 61,679                                     | 34,298     |



|   |          |          |
|---|----------|----------|
| CASH AND CASH EQUIVALENTS, end of period  | \$98,419 | \$53,289 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES  |          |          |
| Accretion on Series B Convertible Redeemable Preferred Stock                                      | \$4,510  | \$4,141  |
| Interest paid in kind   | —        | 548      |
| The accompanying notes are an integral part of these condensed consolidated financial statements. |          |          |

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in US\$ 000's, except per share data)

(Unaudited)

1. ORGANIZATION AND BUSINESS

Central European Media Enterprises Ltd., a Bermuda company limited by shares, is a media and entertainment company operating in Central and Eastern Europe. Our assets are held through a series of Dutch and Curaçao holding companies. We manage our business on a geographical basis, with six operating segments, Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia, which are also our reportable segments and our main operating countries. See Note 18, "Segment Data" for financial information by segment.

We have market leading broadcast operations in six countries in Central and Eastern Europe broadcasting a total of 36 television channels. Each country also develops and produces content for their television channels. We generate advertising revenues in our country operations primarily through entering into agreements with advertisers, advertising agencies and sponsors to place advertising on the television channels that we operate. We generate additional revenues by collecting fees from cable and direct-to-home ("DTH") operators for carriage of our channels. Unless otherwise indicated, we own 100% of our broadcast operating and license companies in each country.

**Bulgaria**

We operate one general entertainment channel, BTV, and five other channels, BTV CINEMA, BTV COMEDY, RING, BTV ACTION and BTV LADY. We own 94.0% of CME Bulgaria B.V. ("CME Bulgaria"), the subsidiary that owns our Bulgaria operations.

**Croatia**

We operate one general entertainment channel, NOVA TV (Croatia), and three other channels, DOMA (Croatia), NOVA WORLD and MINI TV.

**Czech Republic**

We operate one general entertainment channel, TV NOVA (Czech Republic), and seven other channels, NOVA CINEMA, NOVA SPORT 1, NOVA SPORT 2, FANDA, SMICHOV, TELKA and NOVA INTERNATIONAL, a general entertainment channel broadcasting in the Slovak Republic launched on February 1, 2016.

**Romania**

We operate one general entertainment channel, PRO TV, and eight other channels, ACASA, ACASA GOLD, PRO CINEMA, SPORT.RO, MTV ROMANIA, PRO TV INTERNATIONAL, PRO TV CHISINAU, a general entertainment channel broadcasting in Moldova, and ACASA IN MOLDOVA.

**Slovak Republic**

We operate one general entertainment channel, TV MARKIZA, and three other channels, DOMA (Slovak Republic), DAJTO, and MARKIZA INTERNATIONAL, a general entertainment channel broadcasting in the Czech Republic launched on February 1, 2016.

**Slovenia**

We operate two general entertainment channels, POP TV and KANAL A, and three other channels, KINO, BRIO, and OTO.

2. BASIS OF PRESENTATION

The terms the "Company", "we", "us", and "our" are used in this Form 10-Q to refer collectively to the parent company, Central European Media Enterprises Ltd. ("CME Ltd."), and the subsidiaries through which our various businesses are conducted. Unless otherwise noted, all statistical and financial information presented in this report has been converted into U.S. dollars using period-end exchange rates. All references to "US\$", "USD" or "dollars" are to U.S. dollars; all references to "BGN" are to Bulgarian leva; all references to "HRK" are to Croatian kuna; all references to "CZK" are to Czech koruna; all references to "RON" are to the New Romanian lei; and all references to "Euro" or "EUR" are to the European Union Euro.

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Quarterly Report on Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles in the United States of America ("US GAAP"). Amounts as of December 31, 2015 included in the unaudited condensed consolidated financial statements have been derived from audited consolidated financial statements as of that date. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission ("SEC") on February 22, 2016. Our significant accounting policies have not changed since December 31, 2015, except as noted below.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with US GAAP for complete financial statements. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

#### Functional Currency

Following the refinancing of the remaining outstanding dollar-denominated debt with Euro-denominated debt, CME Ltd.'s income and expenses are primarily denominated in Euro. It is anticipated that CME Ltd.'s cash flows will primarily be in Euros. Accordingly, management has determined that CME Ltd.'s functional currency is the Euro with effect from April 1, 2016. Our reporting currency continues to be the U.S. dollar.

#### Use of Estimates

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

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in US\$ 000's, except per share data)

(Unaudited)

Basis of Consolidation

The unaudited condensed consolidated financial statements include the accounts of CME Ltd. and our subsidiaries, after the elimination of intercompany accounts and transactions. 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.

Recent Accounting Pronouncements

Accounting Pronouncements Adopted

On January 1, 2016 we adopted the following guidance issued by the Financial Accounting Standards Board (the "FASB"):

In November 2014, the FASB issued guidance which standardizes the method used in the accounting for hybrid financial instruments issued in the form of a share. The guidance requires an entity to consider all relevant terms and features in evaluating the nature of the host contract in a hybrid financial instrument, including the embedded derivative feature being evaluated for bifurcation. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

In April 2015, the FASB issued guidance which simplifies the balance sheet presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction of the carrying amount of that liability. The retrospective adoption of this guidance decreased our other non-current assets as at December 31, 2015 by US\$ 13.8 million, with a corresponding decrease in our long-term debt and other financing arrangements in our condensed consolidated balance sheet, with no impact to our condensed consolidated statements of operations and comprehensive income / loss or condensed consolidated statements of cash flows. Certain amounts in the prior year's condensed consolidated balance sheets have been reclassified to conform to the current year presentation.

In November 2015, the FASB issued guidance which requires that deferred tax balances be classified as non-current in our condensed consolidated balance sheet. The prospective adoption of this guidance did not have any effect on our net deferred income tax liability. Prior period amounts have not been adjusted.

Recent Accounting Pronouncements Issued

In May 2014, the FASB issued new guidance which is intended to improve the comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The guidance supersedes existing revenue recognition guidance and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for our fiscal year beginning January 1, 2018. We are currently in the process of evaluating the impact of the adoption of this guidance on our condensed consolidated financial statements.

In February 2016, the FASB issued new guidance to increase transparency and comparability among organizations by recognizing leasing assets and liabilities on the balance sheet and requiring additional disclosures about an entity's leasing arrangements. The guidance requires that a lessee recognize a liability to make lease payments and a right-of-use asset, with an available exception for leases shorter than twelve months. The guidance is effective for our fiscal year beginning January 1, 2019. We are currently in the process of evaluating the impact of the adoption of this guidance on our condensed consolidated financial statements.

In March 2016, the FASB issued new guidance which is intended to simplify accounting for share-based payment transactions, specifically with regard to income taxes, the classification as either equity or liabilities and the presentation in the statement of cash flows. The guidance is effective for our fiscal year beginning January 1, 2017. We are currently in the process of evaluating the impact of the adoption of this guidance on our condensed consolidated financial statements.

## 3. GOODWILL AND INTANGIBLE ASSETS

## Goodwill:

Goodwill by reporting unit as at March 31, 2016 and December 31, 2015 is summarized as follows:

|                                  | Bulgaria   | Croatia   | Czech<br>Republic | Romania   | Slovak<br>Republic | Slovenia  | Total        |
|----------------------------------|------------|-----------|-------------------|-----------|--------------------|-----------|--------------|
| Gross Balance, December 31, 2015 | \$ 172,365 | \$ 11,005 | \$ 759,491        | \$ 85,443 | \$ 47,605          | \$ 19,400 | \$ 1,095,309 |
| Accumulated impairment losses    | (144,639 ) | (10,454 ) | (287,545 )        | (11,028 ) | —                  | (19,400 ) | (473,066 )   |
| Balance, December 31, 2015       | 27,726     | 551       | 471,946           | 74,415    | 47,605             | —         | 622,243      |
| Foreign currency                 | 1,164      | 28        | 21,194            | 3,973     | 2,183              | —         | 28,542       |
| Balance, March 31, 2016          | 28,890     | 579       | 493,140           | 78,388    | 49,788             | —         | 650,785      |
| Accumulated impairment losses    | (144,639 ) | (10,454 ) | (287,545 )        | (11,028 ) | —                  | (19,400 ) | (473,066 )   |
| Gross Balance, March 31, 2016    | \$ 173,529 | \$ 11,033 | \$ 780,685        | \$ 89,416 | \$ 49,788          | \$ 19,400 | \$ 1,123,851 |

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## CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in US\$ 000's, except per share data)

(Unaudited)

## Broadcast licenses and other intangible assets:

The gross value and accumulated amortization of broadcast licenses and other intangible assets was as follows as at March 31, 2016 and December 31, 2015:

|                        | March 31, 2016 |                             |           | December 31, 2015 |                             |           |
|------------------------|----------------|-----------------------------|-----------|-------------------|-----------------------------|-----------|
|                        | Gross          | Accumulated<br>Amortization | Net       | Gross             | Accumulated<br>Amortization | Net       |
| Indefinite-lived:      |                |                             |           |                   |                             |           |
| Trademarks             | \$86,979       | \$ —                        | \$86,979  | \$83,188          | \$ —                        | \$83,188  |
| Amortized:             |                |                             |           |                   |                             |           |
| Broadcast licenses     | 200,419        | (135,132 )                  | 65,287    | 191,860           | (127,613 )                  | 64,247    |
| Trademarks             | 646            | (646 )                      | —         | 614               | (614 )                      | —         |
| Customer relationships | 55,599         | (52,254 )                   | 3,345     | 53,120            | (49,672 )                   | 3,448     |
| Other                  | 1,807          | (1,423 )                    | 384       | 2,138             | (1,859 )                    | 279       |
| Total                  | \$345,450      | \$ (189,455 )               | \$155,995 | \$330,920         | \$ (179,758 )               | \$151,162 |

Broadcast licenses consist of our TV NOVA license in the Czech Republic, which is amortized on a straight-line basis through the expiration date of the license in 2025. Customer relationships are deemed to have an economic useful life of, and are amortized on a straight-line basis, over five years to fifteen years.

## 4. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

## Summary

|   | March 31, 2016 | December 31, 2015 |
|---|----------------|-------------------|
| Senior Debt   | \$ 943,210     | \$ 906,028        |
| Other credit facilities and capital leases                        | 3,677          | 3,648             |
| Total long-term debt and other financing arrangements             | 946,887        | 909,676           |
| Less: current maturities  | (1,202 )       | (1,155 )          |
| Total non-current long-term debt and other financing arrangements | \$ 945,685     | \$ 908,521        |

## Financing Transactions

During the three months ended March 31, 2016 we paid US\$ 10.0 million of accrued Guarantee Fees (as defined below) for which we had previously made an election to pay in kind by adding such semi-annual Guarantee Fees to any such amount then outstanding. The accrued Guarantee Fee payment is presented as a cash outflow from operating activities in our condensed consolidated statements of cash flows.

On April 7, 2016 we drew the EUR 468.8 million (approximately US\$ 533.4 million as of the transaction date) 2021 Euro Term Loan, the proceeds of which, together with cash on hand, were applied toward the repayment of the outstanding US\$ 38.2 million of the 15.0% term loan facility due 2017 (the "2017 Term Loan") plus accrued and unpaid interest, and toward the redemption and discharge of the outstanding US\$ 502.5 million of the 15.0% Senior Secured Notes due 2017 (the "2017 PIK Notes") plus accrued and unpaid interest. See Note 21, "Subsequent Events".

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(Tabular amounts in US\$ 000's, except per share data)

(Unaudited)

## Overview

Total senior debt and credit facilities comprised the following at March 31, 2016:

|   | Principal<br>Amount of<br>Liability<br>Component | Debt<br>Issuance<br>Costs | Unamortized<br>Discount | Net<br>Carrying<br>Amount |
|---|--|---------------------------|-------------------------|---------------------------|
| 2017 PIK Notes <sup>(1)</sup>                 | \$502,504  | \$(2,652)                 | \$(128,674)             | \$371,178                 |
| 2017 Term Loan <sup>(2)</sup>                 | 38,194   | (268)                     | (9,473)                 | 28,453                    |
| 2018 Euro Term Loan                           | 285,536  | (742)                     | —                       | 284,794                   |
| 2019 Euro Term Loan                           | 267,930  | (9,145)                   | —                       | 258,785                   |
| 2021 Revolving Credit Facility <sup>(3)</sup> | —  | —                         | —                       | —                         |
| Total senior debt and credit facilities       | \$1,094,164                                      | \$(12,807)                | \$(138,147)             | \$943,210                 |

(1) The principal amount represents the original principal amount of US\$ 400.0 million plus interest paid in kind by adding such amount to the original principal amount. The 2017 PIK Notes were redeemed on April 8, 2016. See Note 21, "Subsequent Events".

(2) The principal amount represents the original principal amount of US\$ 30.0 million plus interest paid in kind by adding such amount to the original principal amount. The 2017 Term Loan was repaid on April 7, 2016. See Note 21, "Subsequent Events".

(3) Debt issuance costs related to the 2021 Revolving Credit Facility are classified as non-current assets in our condensed consolidated balance sheet and are being amortized on a straight-line basis over the life of the 2021 Revolving Credit Facility.

## Senior Debt

Our senior debt comprised the following at March 31, 2016 and December 31, 2015:

|                     | Carrying Amount |                   | Fair Value     |                   |
|---------------------|-----------------|-------------------|----------------|-------------------|
|                     | March 31, 2016  | December 31, 2015 | March 31, 2016 | December 31, 2015 |
| 2017 PIK Notes      | \$371,178       | \$ 359,789        | \$502,504      | \$ 552,338        |
| 2017 Term Loan      | 28,453          | 27,592            | 38,194         | 41,525            |
| 2018 Euro Term Loan | 284,794         | 272,189           | 285,536        | 273,046           |
| 2019 Euro Term Loan | 258,785         | 246,458           | 267,930        | 256,210           |
|                     | \$943,210       | \$ 906,028        | \$1,094,164    | \$ 1,123,119      |

## Euro Term Loans

## 2018 Euro Term Loan

As at March 31, 2016, the principal amount of our floating rate senior unsecured term credit facility (as amended, the "2018 Euro Term Loan") outstanding was EUR 250.8 million (approximately US\$ 285.5 million). The 2018 Euro Term Loan bears interest at three-month EURIBOR (fixed pursuant to customary hedging arrangements (see Note 11, "Financial Instruments and Fair Value Measurements")) plus a margin of between 1.07% and 1.90% depending on the credit rating of Time Warner, and is payable quarterly in arrears on each March 12, June 12, September 12 and December 12. As at March 31, 2016, the interest rate on amounts outstanding under the 2018 Euro Term Loan was 1.50% and the all-in borrowing rate including the Guarantee Fee was 8.50% (as shown in the table under the heading "Interest Rate Summary" below).

The 2018 Euro Term Loan matures on November 1, 2018 and may be prepaid at our option, in whole or in part, without premium or penalty, upon the occurrence of certain events, including if our net leverage (as defined in our Reimbursement Agreement) decreases to below five times for two consecutive quarters, or at any time from November 1, 2017. The 2018 Euro Term Loan is a senior unsecured obligation of CME Ltd., and is unconditionally

guaranteed by CME BV and by Time Warner and certain of its subsidiaries.

The fair value of the 2018 Euro Term Loan as at March 31, 2016 approximated its face value. This measurement of estimated fair value uses Level 2 inputs as described in Note 11, "Financial Instruments and Fair Value Measurements". Certain derivative instruments, including contingent event of default and change of control put options, have been identified as being embedded in the 2018 Euro Term Loan. The embedded derivatives are considered clearly and closely related to the Euro Term Loans, and as such are not required to be accounted for separately.



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2019 Euro Term Loan

As at March 31, 2016, the principal amount of our floating rate senior unsecured term credit facility (the "2019 Euro Term Loan") outstanding was EUR 235.3 million (approximately US\$ 267.9 million). The 2019 Euro Term Loan bears interest at three-month EURIBOR (fixed pursuant to customary hedging arrangements (see Note 11, "Financial Instruments and Fair Value Measurements")) plus a margin of between 1.07% and 1.90% depending on the credit rating of Time Warner, and is payable quarterly in arrears on each February 13, May 13, August 13 and November 13. As at March 31, 2016, the interest rate on amounts outstanding under the 2019 Euro Term Loans was 1.50% and the all-in borrowing rate including the Guarantee Fee was 8.50% (as shown in the table under the heading "Interest Rate Summary" below).

The 2019 Euro Term Loan matures on November 1, 2019 and may be prepaid at our option, in whole or in part, from June 1, 2016, without premium or penalty. The 2019 Euro Term Loan is a senior unsecured obligation of CME Ltd., and is unconditionally guaranteed by CME BV and by Time Warner and certain of its subsidiaries.

The fair value of the 2019 Euro Term Loan as at March 31, 2016 approximated its face value. This measurement of estimated fair value uses Level 2 inputs as described in Note 11, "Financial Instruments and Fair Value Measurements". Certain derivative instruments, including contingent event of default and change of control put options, have been identified as being embedded in the 2019 Euro Term Loan. The embedded derivatives are considered clearly and closely related to the Euro Term Loans, and as such are not required to be accounted for separately.

2021 Euro Term Loan

As at March 31, 2016, our EUR 468.8 million (approximately US\$ 533.7 million) floating rate senior unsecured term credit facility (the "2021 Euro Term Loan") was undrawn. On April 7, 2016 we drew on the 2021 Euro Term Loan (see Note 21, "Subsequent Events"). The 2021 Euro Term Loan bears interest at three-month EURIBOR (fixed pursuant to customary hedging arrangements (see Note 11, "Financial Instruments and Fair Value Measurements")) plus a margin of between 1.07% and 1.90% depending on the credit rating of Time Warner, and is payable quarterly in arrears on each April 7, July 7, October 7 and January 7. The all-in borrowing rate, including the Guarantee Fee, applicable to the 2021 Euro Term Loan ranges from 10.50% (if our net leverage ratio is greater than or equal to eight times) to 7.0% per annum (if our net leverage ratio is less than five times). On the date of the drawdown, the all-in borrowing rate on the 2021 Euro Term Loan was 10.50%.

The 2021 Euro Term Loan matures on February 19, 2021 and may be prepaid at our option, in whole or in part, without premium or penalty, upon the earlier of the occurrence of certain events, including if our net leverage (as defined in our Reimbursement Agreement) decreases to below five times for two consecutive quarters, or at any time from February 19, 2020. The 2021 Euro Term Loan is a senior unsecured obligation of CME BV, and is unconditionally guaranteed by CME Ltd. and by Time Warner and certain of its subsidiaries. Certain derivative instruments, including contingent event of default and change of control put options, have been identified as being embedded in the 2021 Euro Term Loan. The embedded derivatives are considered clearly and closely related to the Euro Term Loans, and as such are not required to be accounted for separately.

Reimbursement Agreement and Guarantee Fees

In connection with Time Warner's guarantees of the 2018 Euro Term Loan, 2019 Euro Term Loan and 2021 Euro Term Loan (collectively, the "Euro Term Loans"), we entered into a reimbursement agreement (as amended, the "Reimbursement Agreement") with Time Warner which provides for the payment of guarantee fees (the "Guarantee Fees") to Time Warner as consideration for those guarantees, and that we will reimburse Time Warner for any amounts paid by them under any guarantee or through any loan purchase right exercised by Time Warner. The loan purchase right allows Time Warner to purchase any amount outstanding under the Euro Term Loans from the lenders following an event of default under the Euro Term Loans or the Reimbursement Agreement. The Reimbursement

Agreement is jointly and severally guaranteed by CME NV and CME BV and is secured by a pledge over 100% of the outstanding shares of each of CME NV and CME BV. The covenants and events of default under the Reimbursement Agreement are substantially the same as under the 2021 Revolving Credit Facility.

We are paying Guarantee Fees to Time Warner based on the amounts outstanding on the Euro Term Loans calculated on a per annum basis as shown in the table below. For the three months ended March 31, 2016 and 2015, we recognized US\$ 9.1 million and US\$ 4.8 million of Guarantee Fees as interest expense in our condensed consolidated statements of operations and comprehensive income / loss.

The Guarantee Fees relating to the 2018 Euro Term Loan and the 2019 Euro Term Loan are payable semi-annually in arrears on each May 1 and November 1, in cash or in kind (by adding such semi-annual Guarantee Fees to any such amount then outstanding). The Guarantee Fees relating to the 2021 Euro Term Loan are payable semi-annually in arrears on each June 1 and December 1, in cash or in kind (by adding such semi-annual Guarantee Fees to any such amount then outstanding) after the first 5.0% (including the base rate and the rate paid pursuant to the hedging arrangement) is paid in cash.

The Guarantee Fees paid in kind are presented as a component of other non-current liabilities (see Note 10, "Other Liabilities") and bear interest per annum at their respective Guarantee Fee rate (as set forth in the table below), payable semi-annually in arrears in cash or in kind (by adding such semi-annual Guarantee Fees to any such amount then outstanding) on each respective payment date. Guarantee Fees paid in cash are included in cash flows from operating activities in our condensed consolidated statements of cash flows.

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## Interest Rate Summary

|                                       | Base<br>Rate | Rate Fixed Pursuant to Interest Rate<br>Hedges | Guarantee Fee<br>Rate | All-in Borrowing<br>Rate |   |
|---------------------------------------|--------------|--|-----------------------|--------------------------|---|
| 2017 PIK Notes <sup>(1)</sup>         | 15.00        | % —  | % —                   | % 15.00                  | % |
| 2017 Term Loan <sup>(1)</sup>         | 15.00        | % —  | % —                   | % 15.00                  | % |
| 2018 Euro Term<br>Loan <sup>(2)</sup> | 1.50         | % 0.21   | % 6.79                | % 8.50                   | % |
| 2019 Euro Term<br>Loan                | 1.50         | % 0.31   | % 6.69                | % 8.50                   | % |
| 2021 Euro Term<br>Loan <sup>(3)</sup> | 1.50         | % 0.28   | % 8.72                | % 10.50                  | % |

(1) The 2017 PIK Notes were redeemed on April 8, 2016 and the 2017 Term Loan was repaid on April 7, 2016 with the proceeds from the 2021 Euro Term Loan and cash on hand. See Note 21, "Subsequent Events".

The rate fixed pursuant to interest rate hedges presented is effective until November 1, 2017. From November 1,

(2) 2017 through maturity on November 1, 2018, the rate fixed pursuant to interest rate hedges will decrease to 0.14%, with a corresponding increase in the guarantee fee rate, such that all-in borrowing rate remains 8.50%.

(3) The 2021 Euro Term Loan was undrawn as at March 31, 2016. These rates represent the rates in effect on April 7, 2016, the date the 2021 Euro Term Loan was drawn. See Note 21, "Subsequent Events".

## 2021 Revolving Credit Facility

We had no balance outstanding under the US\$ 115.0 million revolving credit facility (the "2021 Revolving Credit Facility"), all of which was available to be drawn as at March 31, 2016.

The 2021 Revolving Credit Facility bears interest at a rate per annum based on, at our option, an alternative base rate plus 8.0% or an amount equal to the greater of (i) an adjusted LIBO rate and (ii) 1.0%, plus, in each case, 9.0%, which we may pay in cash or in kind by adding such accrued interest to the applicable principal amount drawn under the 2021 Revolving Credit Facility. With effect from April 7, 2016, the interest rate on the 2021 Revolving Credit Facility is determined on the basis of our net leverage ratio (as defined in the Reimbursement Agreement) and ranges from 10.0% (if our net leverage is greater than or equal to seven times) to 7.0% per annum (if our net leverage ratio is less than five times). The maturity date of the 2021 Revolving Credit Facility is February 19, 2021 with the available amount decreasing to US\$ 50.0 million with effect from January 1, 2018. When drawn, the 2021 Revolving Credit Facility permits prepayment at our option in whole or in part without penalty.

The 2021 Revolving Credit Facility is jointly and severally guaranteed by CME NV and CME BV and is secured by a pledge over 100% of the outstanding shares of each of CME NV and CME BV. The 2021 Revolving Credit Facility agreement contains limitations on CME's ability to incur indebtedness, incur guarantees, grant liens, pay dividends or make other distributions, enter into certain affiliate transactions, consolidate, merge or effect a corporate reconstruction, make certain investments acquisitions and loans, and conduct certain asset sales. The agreement also contains maintenance covenants in respect of interest cover, cash flow cover and total leverage ratios, and has covenants in respect of incurring indebtedness, the provision of guarantees, making investments and disposals, granting security and certain events of defaults.

## Other Credit Facilities and Capital Lease Obligations

Other credit facilities and capital lease obligations comprised the following at March 31, 2016 and December 31, 2015:

|                                      | March 31, 2016 | December 31, 2015 |
|--------------------------------------|----------------|-------------------|
| Credit facilities <sup>(1)–(3)</sup> | \$ —           | \$ —              |
| Capital leases                       | 3,677          | 3,648             |

|  |          |          |
|--|----------|----------|
| Total credit facilities and capital leases             | 3,677    | 3,648    |
| Less: current maturities                               | (1,202)  | (1,155)  |
| Total non-current credit facilities and capital leases | \$ 2,475 | \$ 2,493 |

We have a cash pooling arrangement with Bank Mendes Gans (“BMG”), a subsidiary of ING Bank N.V. (“ING”),  
 (1) which enables us to receive credit across the group in respect of cash balances which our subsidiaries deposit with BMG. Cash deposited by our subsidiaries with BMG is pledged as security against the drawings of other subsidiaries up to the amount deposited.

As at March 31, 2016, we had deposits of US\$ 67.8 million in and no drawings on the BMG cash pool. Interest is earned on deposits at the relevant money market rate. As at December 31, 2015, we had deposits of US\$ 19.6 million in and no drawings on the BMG cash pool.

As at March 31, 2016 and December 31, 2015, there were no drawings outstanding under a CZK 800.0 million (approximately US\$ 33.7 million) factoring framework agreement with Factoring Ceska Sporitelna (“FCS”). Under  
 (2) this facility up to CZK 800.0 million (approximately US\$ 33.7 million) of receivables from certain customers in the Czech Republic may be factored on a recourse or non-recourse basis. The facility has a factoring fee of 0.3% of any factored receivable and bears interest at one-month PRIBOR plus 2.5% per annum for the period that receivables are factored and outstanding.

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As at March 31, 2016 there were RON 25.1 million (approximately US\$ 6.4 million) of receivables factored under a RON 75.0 million (approximately US\$ 19.1 million) factoring framework agreement with Global Funds IFN (3) S.A. entered into in the first quarter of 2016. Under this facility, receivables from certain customers in Romania may be factored on a non-recourse basis. The facility has a factoring fee of 4.0% of any factored receivable and bears interest at 6.0% per annum for the period that receivables are factored and outstanding.

As at March 31, 2016 there were no receivables factored under a RON 20.0 million (approximately US\$ 5.1 million) factoring framework agreement with UniCredit Bank S.A. Under this facility, receivables from certain customers in Romania may be factored on a non-recourse basis. The facility has a factoring fee of 0.3% of any factored receivable and bears interest at 2.3% per annum for the period that receivables are factored and outstanding.

## Total Group

At March 31, 2016, the maturity of our senior debt and credit facilities, excluding any future elections to pay interest in kind, was as follows:

|  |            |
|--|------------|
| 2016   | \$—        |
| 2017 (1)   | 826,234    |
| 2018   | —          |
| 2019   | 267,930    |
| 2020   | —          |
| 2021 and thereafter                                  | —          |
| Total senior debt and credit facilities              | 1,094,164  |
| Debt issuance costs                                  | (12,807 )  |
| Less: net discount                                   | (138,147 ) |
| Carrying amount of senior debt and credit facilities | \$943,210  |

On April 7, 2016, we drew the 2021 Euro Term Loan, the proceeds of which, together with cash on hand, were applied toward the repayment of the 2017 Term Loan and the redemption and discharge of the 2017 PIK Notes.

(1) Also on April 7, 2016, we extended the maturity date of the 2018 Euro Term Loan to November 1, 2018 and extended the maturity date of the 2021 Revolving Credit Facility at the current borrowing capacity until January 1, 2018 and with a borrowing capacity US\$ 50.0 million from January 1, 2018 to the maturity date on February 19, 2021. See Note 21, "Subsequent Events".

## 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, 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 March 31, 2016:

|   |         |
|---|---------|
| 2016  | \$973   |
| 2017  | 1,216   |
| 2018  | 947     |
| 2019  | 589     |
| 2020  | 86      |
| 2021 and thereafter                         | —       |
| Total undiscounted payments                 | 3,811   |
| Less: amount representing interest          | (134 )  |
| Present value of net minimum lease payments | \$3,677 |

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## 5. PROGRAM RIGHTS

Program rights comprised the following at March 31, 2016 and December 31, 2015:

|   | March 31, 2016 | December 31, 2015 |
|---|----------------|-------------------|
| Program rights:   |                |                   |
| Acquired program rights, net of amortization                          | \$ 192,860     | \$ 179,632        |
| Less: current portion of acquired program rights                      | (94,215        | ) (85,972         |
| Total non-current acquired program rights                             | 98,645         | 93,660            |
| Produced program rights – Feature Films:                              |                |                   |
| Released, net of amortization   | 1,264          | 1,298             |
| Produced program rights – Television Programs:                        |                |                   |
| Released, net of amortization   | 60,651         | 56,125            |
| Completed and not released  | 2,263          | 3,500             |
| In production   | 16,955         | 13,783            |
| Development and pre-production  | 832            | 707               |
| Total produced program rights   | 81,965         | 75,413            |
| Total non-current acquired program rights and produced program rights | \$ 180,610     | \$ 169,073        |

## 6. ACCOUNTS RECEIVABLE

Accounts receivable comprised the following at March 31, 2016 and December 31, 2015:

|  | March 31, 2016 | December 31, 2015 |
|--|----------------|-------------------|
| Unrelated customers                            | \$ 152,660     | \$ 176,628        |
| Less: allowance for bad debts and credit notes | (9,832         | ) (9,201          |
| Total accounts receivable                      | \$ 142,828     | \$ 167,427        |

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## 7. OTHER ASSETS

Other current and non-current assets comprised the following at March 31, 2016 and December 31, 2015:

|                              | March 31, 2016 | December 31, 2015 |
|------------------------------|----------------|-------------------|
| Current:                     |                |                   |
| Prepaid acquired programming | \$ 16,969      | \$ 22,761         |
| Other prepaid expenses       | 9,227          | 6,941             |
| Deferred tax                 | —              | 10,425            |
| VAT recoverable              | 783            | 733               |
| Income taxes recoverable     | 270            | 249               |
| Other                        | 1,222          | 2,097             |
| Total other current assets   | \$ 28,471      | \$ 43,206         |

|                                | March 31, 2016 | December 31, 2015 |
|--------------------------------|----------------|-------------------|
| Non-current:                   |                |                   |
| Capitalized debt costs         | \$ 23,956      | \$ 27,060         |
| Deferred tax                   | 3,545          | 124               |
| Other                          | 4,226          | 3,949             |
| Total other non-current assets | \$ 31,727      | \$ 31,133         |

Capitalized debt costs are being amortized over the term of the related debt instruments using either the straight-line method, which approximates the effective interest method, or the effective interest method.

## 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following at March 31, 2016 and December 31, 2015:

|                                   | March 31, 2016 | December 31, 2015 |
|-----------------------------------|----------------|-------------------|
| Land and buildings                | \$ 96,671      | \$ 92,237         |
| Machinery, fixtures and equipment | 177,650        | 164,503           |
| Other equipment                   | 28,745         | 32,314            |
| Software licenses                 | 58,906         | 55,656            |
| Construction in progress          | 1,996          | 3,001             |
| Total cost                        | 363,968        | 347,711           |
| Less: accumulated depreciation    | (252,220)      | (239,189)         |
| Total net book value              | \$ 111,748     | \$ 108,522        |

Assets held under capital leases (included in the above)

|                                   |          |          |
|-----------------------------------|----------|----------|
| Land and buildings                | \$ 3,979 | \$ 3,805 |
| Machinery, fixtures and equipment | 5,081    | 4,646    |
| Total cost                        | 9,060    | 8,451    |
| Less: accumulated depreciation    | (4,062)  | (3,556)  |
| Total net book value              | \$ 4,998 | \$ 4,895 |

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The movement in the net book value of property, plant and equipment during the three months ended March 31, 2016 and 2015 is comprised of:

|                            | For the Three Months<br>Ended March 31, |           |
|----------------------------|---|-----------|
|                            | 2016                                    | 2015      |
| Opening balance            | \$108,522                               | \$114,335 |
| Additions                  | 5,536                                   | 4,982     |
| Disposals                  | (50 )                                   | (192 )    |
| Depreciation               | (7,285 )                                | (7,001 )  |
| Foreign currency movements | 5,025                                   | (12,330 ) |
| Ending balance             | \$111,748                               | \$99,794  |

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised the following at March 31, 2016 and December 31, 2015:

|   | March 31, 2016 | December 31, 2015 |
|---|----------------|-------------------|
| Accounts payable and accrued expenses             | \$ 47,072      | \$ 54,526         |
| Related party accounts payable                    | 84             | 53                |
| Programming liabilities                           | 27,701         | 24,901            |
| Related party programming liabilities             | 13,950         | 14,583            |
| Duties and other taxes payable                    | 11,803         | 12,856            |
| Accrued staff costs                               | 15,496         | 20,709            |
| Accrued interest payable                          | 851            | 914               |
| Related party accrued interest payable            | 16,823         | 477               |
| Income taxes payable                              | 16             | 249               |
| Accrued legal contingencies and professional fees | 1,618          | 1,744             |
| Authors' rights                                   | 3,496          | 2,516             |
| Other accrued liabilities                         | 1,091          | 1,177             |
| Total accounts payable and accrued liabilities    | \$ 140,001     | \$ 134,705        |

## 10. OTHER LIABILITIES

Other current and non-current liabilities comprised the following at March 31, 2016 and December 31, 2015:

|                                 | March 31, 2016 | December 31, 2015 |
|---------------------------------|----------------|-------------------|
| Current:                        |                |                   |
| Deferred revenue                | \$ 28,822      | \$ 7,546          |
| Derivative liabilities          | 14,517         | 650               |
| Restructuring provision         | 180            | 458               |
| Legal provision                 | 1,257          | 1,520             |
| Other                           | 289            | 274               |
| Total other current liabilities | \$ 45,065      | \$ 10,448         |

|   | March 31, 2016 | December 31, 2015 |
|---|----------------|-------------------|
| Non-current:  |                |                   |
| Deferred tax  | \$ 20,537      | \$ 25,990         |
| Related party Commitment Fee payable <sup>(1)</sup> | 9,136          | 9,240             |
| Related party Guarantee Fee payable                 | 7,475          | 22,655            |
| Accrued interest <sup>(2)</sup>                     | 3,910          | 977               |



|   |           |           |
|---|-----------|-----------|
| Related party accrued interest <sup>(2)</sup> | 21,215    | 5,304     |
| Other   | 2,779     | 1,583     |
| Total other non-current liabilities           | \$ 65,052 | \$ 65,749 |

- Represents the commitment fee ("Commitment Fee") payable to Time Warner in respect of its obligation under a commitment letter dated November 14, 2014 between Time Warner and CME whereby Time Warner agreed to provide or assist with arranging a loan facility to repay our 5.0% senior convertible notes at maturity in November (1) 2015. The Commitment Fee is payable by November 1, 2019, the maturity date of the 2019 Euro Term Loan, or earlier if the repayment of the 2019 Euro Term Loan is accelerated. The Commitment Fee bears interest at 8.5% per annum and such interest is payable in arrears on each May 1 and November 1, beginning May 1, 2016 and may be paid in cash or in kind, at our election.
- (2) Represents interest on the 2017 PIK Notes and the 2017 Term Loan which was repaid in April 2016 with the proceeds from the 2021 Euro Term Loan and cash on hand. See Note 21, "Subsequent Events".

#### 11. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

ASC 820, "Fair Value Measurements and Disclosure", establishes a hierarchy that prioritizes the inputs to those valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

##### Basis of Fair Value Measurement

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted instruments.
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

We evaluate the position of each financial instrument measured at fair value in the hierarchy individually based on the valuation methodology we apply. The carrying amount of financial instruments, including cash and cash equivalents, 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 Debt (as defined therein) is included in Note 4, "Long-term Debt and Other Financing Arrangements".

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(Tabular amounts in US\$ 000's, except per share data)

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## Hedge Accounting Activities

## Cash Flow Hedges of Interest Rate Risk

We are party to interest rate swap agreements to mitigate our exposure to interest rate fluctuations on the outstanding principal amount of our 2018 Euro Term Loan, our 2019 Euro Term Loan and our 2021 Euro Term Loan. These interest rate swaps, designated as cash flow hedges, provide us with variable-rate cash receipts in exchange for fixed-rate payments over the lives of the agreements, with no exchange of the underlying notional amount. These instruments are carried at fair value on our consolidated balance sheets, and the effective portion of changes in the fair value is recorded in accumulated other comprehensive income / loss and subsequently reclassified to interest expense when the hedged item affects earnings. The ineffective portion of changes in the fair value is recognized immediately in the change in fair value of derivatives in our consolidated statements of operations. For the three months ended March 31, 2016, we did not recognize any charges related to hedge ineffectiveness.

Information relating to financial instruments is as follows:

| Trade Date        | Number of Contracts | Description        | Notional Amount | Maturity Date     | Objective  | Fair Value as at March 31, 2016 |
|-------------------|---------------------|--------------------|-----------------|-------------------|--|---------------------------------|
| April 5, 2016     | 5                   | Interest rate swap | €68,800         | February 21, 2021 | Interest rate hedge underlying 2021 Euro Term Loan                                       | N/A                             |
| April 5, 2016     | 4                   | Interest rate swap | €50,800         | November 1, 2018  | Interest rate hedge underlying 2018 Euro Term Loan, forward starting on November 1, 2017 | N/A                             |
| November 10, 2015 | 3                   | Interest rate swap | €35,335         | November 1, 2019  | Interest rate hedge underlying 2019 Euro Term Loan                                       | \$(1,772)                       |
| November 14, 2014 | 2                   | Interest rate swap | €50,800         | November 1, 2017  | Interest rate hedge underlying 2018 Euro Term Loan                                       | \$(896 )                        |

We value the interest rate swap agreements using a valuation model which calculates the fair value on the basis of the net present value of the estimated future cash flows. The most significant input used in the valuation model is the expected EURIBOR-based yield curve. These instruments were allocated to Level 2 of the fair value hierarchy because the critical inputs to this model, including current interest rates, relevant yield curves and the known contractual terms of the instruments, were readily observable.

|                                  |               |  |
|----------------------------------|---------------|--|
|                                  | Accumulated   |  |
|                                  | Other         |  |
|                                  | Comprehensive |  |
|                                  | Loss          |  |
| BALANCE December 31, 2015        | \$ (1,420 )   |  |
| Loss on interest rate swaps      | (1,551 )      |  |
| Reclassified to interest expense | 303           |  |
| BALANCE March 31, 2016           | \$ (2,668 )   |  |

## Non-Hedge Accounting Activities

The change in fair value of derivatives not designated as hedging instruments comprised the following for the three months ended March 31, 2016 and 2015:

For the Three  
Months Ended  
March 31,  
2016      2015

Currency swaps \$(14,050) \$(1,010)

#### Foreign Currency Risk

We have entered into a number of forward foreign exchange contracts to reduce our exposure to movements in foreign exchange rates related to contractual payments under certain dollar-denominated agreements and to the refinancing of certain Senior Debt. Information relating to financial instruments is as follows:

| Trade Date        | Number of Contracts | Description       | Notional Amount | Maturity Date     | Objective  | Fair Value as at March 31, 2016 |
|-------------------|---------------------|-------------------|-----------------|-------------------|--|---------------------------------|
| February 17, 2016 | 5                   | EUR / USD forward | \$557,000       | April 7, 2016     | Refinancing of 2017 PIK Notes and 2017 Term Loan | \$(12,410)                      |
| February 11, 2016 | 1                   | EUR / USD forward | \$50,140        | December 21, 2016 | USD-denominated operating payments               | \$(221 )                        |
| December 3, 2015  | 2                   | EUR / USD forward | \$32,698        | December 21, 2016 | USD-denominated operating payments               | \$(1,886 )                      |

These forward foreign exchange contracts are considered economic hedges but were not designated as hedging instruments, so changes in the fair value of the derivatives were recorded as changes in fair value of derivatives in the condensed consolidated statements of operations and comprehensive income / loss and in the condensed consolidated balance sheet in other liabilities. We valued these contracts using an industry-standard pricing model which calculated the fair value on the basis of the net present value of the estimated future cash flows receivable or payable. These instruments were allocated to Level 2 of the fair value hierarchy because the critical inputs to this model, including foreign exchange forward rates and the known contractual terms of the instruments, were readily observable.

#### 12. CONVERTIBLE REDEEMABLE PREFERRED SHARES

200,000 shares of our Series B Convertible Redeemable Preferred Stock, par value US\$ 0.08 per share (the "Series B Preferred Shares") were issued and outstanding as at March 31, 2016 and December 31, 2015. As at March 31, 2016 and December 31, 2015, the carrying value of the Series B Preferred Shares was US\$ 245.7 million and US\$ 241.2 million, respectively. The Series B Preferred Shares are held by Time Warner Media Holdings B.V. ("TW Investor"). As of March 31, 2016, the 200,000 shares of Series B preferred stock were convertible into approximately 101.4 million shares of Class A common stock.

The initial stated value of the Series B Preferred Shares of US\$ 1,000 per share accretes at an annual rate of 7.5%, compounded quarterly, from and including June 25, 2013, the date of issuance, to but excluding the third anniversary of the date of issuance, and at an annual rate of 3.75%, compounded quarterly, from and including the third anniversary of the date of issuance to but excluding the fifth anniversary of the date of issuance. We have the right from June 25, 2016 to pay cash to the holder in lieu of any further accretion. From June 25, 2016, each Series B Preferred Share may, at the holder's option, be converted into the number of shares of our Class A common stock determined by dividing (i) the accreted stated value plus accrued but unpaid dividends, if any, in each case as of the conversion date, by (ii) the conversion price, which was approximately US\$ 2.42 at March 31, 2016, but is subject to adjustment from time to time pursuant to customary weighted-average anti-dilution provisions with respect to our issuances of equity or equity-linked securities at a price below the then-applicable conversion price (excluding any securities issued under our benefit plans at or above fair market value). We have the right to redeem the Series B Preferred Shares in whole or in part from June 25, 2016, upon 30 days' written notice. The redemption price of each outstanding Series B Preferred Share is equal to its accreted stated value plus accrued but unpaid dividends, if any, in each case as of the redemption date specified in the redemption notice. After receipt of a redemption notice, each holder of Series B Preferred Shares will have the right to convert, prior to the date of redemption, all or part of such Series B Preferred Shares to be redeemed by us into shares of our Class A common stock in accordance with the terms of conversion described above.

Holders of the Series B Preferred Shares have no voting rights on any matter presented to holders of any class of our capital stock, with the exception that they may vote with holders of shares of our Class A common stock (i) with respect to a change of control event or (ii) as provided by our Bye-laws or applicable Bermuda law. Holders of Series B Preferred Shares will participate in any dividends declared or paid on our Class A common stock on an as-converted basis. The Series B Preferred Shares will rank pari passu with our Series A Convertible Preferred Stock and senior to all other equity securities of the Company in respect of payment of dividends and distribution of assets upon liquidation. The Series B Preferred Shares have such other rights, powers and preferences as are set forth in the Certificate of Designation for the Series B Preferred Shares.

We concluded that the Series B Preferred Shares were not considered a liability and that the embedded conversion feature in the Series B Preferred Shares was clearly and closely related to the host contract and therefore did not need to be bifurcated. The Series B Preferred Shares are required to be classified outside of permanent equity because such shares can be redeemed for cash in certain circumstances. These shares are not currently redeemable and thus have been recorded on the condensed consolidated balance sheet based on fair value at the time of issuance. We have determined that it is probable that the Series B Preferred Shares will become redeemable and thus have accreted changes in the redemption value since issuance. For the three months ended March 31, 2016 and 2015, we recognized accretion on the Series B Preferred Shares of US\$ 4.5 million and US\$ 4.1 million, respectively, with corresponding decreases in additional paid-in capital.

### 13. EQUITY

#### Preferred Stock

5,000,000 shares of Preferred Stock were authorized as at March 31, 2016 and December 31, 2015.

One share of Series A Convertible Preferred Stock (the "Series A Preferred Share") was issued and outstanding as at March 31, 2016 and December 31, 2015. The Series A Preferred Share is convertible into 11,211,449 shares of Class A common stock on the date that is 61 days after the date on which the ownership of our outstanding shares of Class A common stock by a group that includes TW Investor and its affiliates would not be greater than 49.9%. The Series A Preferred Share is entitled to one vote per each share of Class A common stock into which it is convertible and has such other rights, powers and preferences, including potential adjustments to the number of shares of Class A common stock to be issued upon conversion, as are set forth in the Certificate of Designation for the Series A Preferred Share.

200,000 shares of Series B Preferred Shares were issued and outstanding as at March 31, 2016 and December 31, 2015 (see Note 12, "Convertible Redeemable Preferred Shares"). Assuming conversion on June 25, 2016 and no further adjustments to the conversion price under the Certificate of Designations for the Series B Preferred Shares, TW Investor would be issued 103.1 million shares of Class A common stock upon conversion.

#### Class A and Class B Common Stock

440,000,000 shares of Class A common stock and 15,000,000 shares of Class B common stock were authorized as at March 31, 2016 and December 31, 2015. 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. Shares of Class B common stock are convertible into shares of Class A common stock on a one-for-one basis for no additional consideration. 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 holders of our common stock. Under our bye-laws, 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.

There were 135.9 million and 135.8 million shares of Class A common stock outstanding at March 31, 2016 and December 31, 2015, respectively, and no shares of Class B common stock outstanding at March 31, 2016 or December 31, 2015.

As at March 31, 2016, TW Investor owns 45.2% of the outstanding shares of Class A common stock and has a 49.4% voting interest in the Company due to its ownership of the Series A Preferred Share.

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## Common Stock Warrants

As at March 31, 2016, warrants to purchase 114,000,000 shares of Class A common stock at an exercise price of US\$ 1.00 per share, generally exercisable from May 2, 2016 to May 2, 2018, were outstanding. 100,926,996 (approximately 88.5%) of these warrants are held by Time Warner and TW Investor. Time Warner also holds the right to exercise its warrants prior to May 2, 2016 at such times and in such amounts as would allow Time Warner to own up to 49.9% of the outstanding shares of the Class A common stock of the Company (including any shares attributed to it as part of a group under Section 12(d)(3) of the Securities Exchange Act of 1934).

We utilized a Black-Scholes valuation model to determine the fair value of each warrant. The Black-Scholes valuation model uses subjective assumptions of expected volatility, risk-free interest rates, the expected term of options granted, and expected rates of dividends. Changes in these assumptions could materially affect the estimated fair value. The Company determined the volatility assumption for these stock options using historical volatilities data from its traded Class A common stock. The expected term was estimated based on management's expectation of future exercises. The risk-free rate assumed in valuing the warrants was based on the U.S. Treasury yield curve at the grant date based on the expected term. The Company assumed a dividend rate of zero based on historical experience and expected dividends to be issued over the expected term. This measurement of estimated fair value uses Level 3 inputs as described in Note 11, "Financial Instruments and Fair Value Measurements". The warrants are classified in additional paid-in capital, a component of equity and are not subject to subsequent revaluation.

## 14. INTEREST EXPENSE

Interest expense comprised the following for the three months ended March 31, 2016 and 2015:

|  | For the Three<br>Months Ended<br>March 31, |          |
|--|--|----------|
|  | 2016                                       | 2015     |
| Interest on Senior Debt and other financing arrangements | \$32,652                                   | \$27,618 |
| Amortization of capitalized debt issuance costs          | 3,899                                      | 3,837    |
| Amortization of debt issuance discount and premium, net  | 12,603                                     | 8,663    |
| Total interest expense                                   | \$49,154                                   | \$40,118 |

We paid cash interest of US\$ 2.6 million and US\$ 1.3 million during the three months ended March 31, 2016 and 2015, respectively. In addition, we paid US\$ 10.0 million of accrued Guarantee Fees during the three months ended March 31, 2016, for which we had previously made an election to pay in kind.

## 15. OTHER NON-OPERATING INCOME / EXPENSE

Other non-operating income / expense comprised the following for the three months ended March 31, 2016 and 2015:

|   | For the Three<br>Months Ended<br>March 31, |            |
|---|--|------------|
|   | 2016                                       | 2015       |
| Interest income                               | \$108                                      | \$112      |
| Foreign currency exchange gain / (loss), net  | 15,422                                     | (11,489 )  |
| Change in fair value of derivatives (Note 11) | (14,050)                                   | (1,010 )   |
| Other expense, net                            | (64 )                                      | (354 )     |
| Total other non-operating income / (expense)  | \$1,416                                    | \$(12,741) |

## 16. STOCK-BASED COMPENSATION

Under 2015 Stock Incentive Plan (the "2015 Plan") 6,000,000 shares are authorized for grants of stock options, restricted stock units ("RSUs"), restricted stock and stock appreciation rights to employees and non-employee

directors. In addition, any shares available under the Amended and Restated Stock Incentive Plan (which expired on June 1, 2015), including in respect of any awards that expire, terminate or are forfeited, will be available for awards under the 2015 Plan. Under the 2015 Plan, awards are made to employees and to directors at the discretion of the Compensation Committee. Any awards previously issued under the Amended and Restated Stock Incentive Plan will continue to be governed by the terms of that plan.

The charge for stock-based compensation in our condensed consolidated statements of operations and comprehensive income / loss was as follows:

|  | For the   |       |
|--|-----------|-------|
|  | Three     |       |
|  | Months    |       |
|  | Ended     |       |
|  | March 31, |       |
|  | 2016      | 2015  |
| Selling, general and administrative expenses | \$838     | \$408 |

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## Stock Options

A summary of option activity for the three months ended March 31, 2016 is presented below:

|                                  | Shares    | Weighted<br>Average<br>Exercise<br>Price per<br>Share | Weighted Average Remaining Contractual Term<br>(years) | Aggregate<br>Intrinsic<br>Value |
|----------------------------------|-----------|---|--|---------------------------------|
| Outstanding at December 31, 2015 | 1,666,000 | \$ 3.53   | 9.07   | \$ 640                          |
| Granted                          | 411,392   | 2.46  |  |                                 |
| Outstanding at March 31, 2016    | 2,077,392 | \$ 3.32   | 9.04   | \$ 453                          |
| Vested and expected to vest      | 2,077,392 | 3.32  | 9.04   | 453                             |
| Exercisable at March 31, 2016    | 66,000    | \$ 33.66  | 0.17   | \$ —                            |

The fair value of stock options is estimated on the grant date using the Black-Scholes option-pricing model and recognized ratably over the requisite service period. The aggregate intrinsic value (the difference between the stock price on the last day of trading of the first quarter of March 31, 2016 and the exercise prices multiplied by the number of in-the-money options) represents the total intrinsic value that would have been received by the option holders had they exercised all in-the-money options as at March 31, 2016. This amount changes based on the fair value of our Class A common stock. As at March 31, 2016, there was US\$ 2.6 million unrecognized compensation expense related to stock options which is expected to be recognized over a weighted-average period of 3.3 years.

## Restricted Stock Units

Each RSU represents a right to receive one share of Class A common stock of the Company for each RSU that vests in accordance with a time-based vesting schedule, generally between one to four years from the date of grant. Upon vesting, shares of Class A common stock are issued from authorized but unissued shares. Holders of RSU awards are not entitled to receive cash dividend equivalents and are not entitled to vote. The grant date fair value of RSUs is calculated as the closing price of our Class A common shares on the date of grant. For awards with market conditions, the grant date fair value is calculated using a Monte Carlo simulation model. The Monte Carlo simulation model requires the input of subjective assumptions, including the expected volatility of our common stock, interest rates, dividend yields and the correlation coefficient between our common stock and the relevant market index.

The following table summarizes information about unvested RSUs as at March 31, 2016:

|                               | Number of<br>Shares / Units | Weighted<br>Average<br>Grant Date<br>Fair Value |
|-------------------------------|-----------------------------|---|
| Unvested at December 31, 2015 | 2,554,597                   | \$ 2.72   |
| Granted                       | 533,356                     | 2.46  |
| Vested                        | (95,557)                    | 3.24  |
| Unvested at March 31, 2016    | 2,992,396                   | \$ 2.65   |

As at March 31, 2016, the intrinsic value of unvested RSUs was US\$ 7.6 million. Total unrecognized compensation cost related to unvested RSUs as at March 31, 2016 was US\$ 4.4 million and is expected to be recognized over a weighted-average period of 2.7 years.

## 17. EARNINGS PER SHARE

We determined that the Series B Preferred Shares are a participating security, and accordingly, our basic and diluted net income / loss per share is calculated using the two-class method. Under the two-class method, basic net income /

loss per common share is computed by dividing the net income available to common shareholders after deducting contractual amounts of accretion on our Series B Preferred Shares by the weighted-average number of common shares outstanding during the period. Diluted net income / loss per share is computed by dividing the adjusted net income by the weighted-average number of dilutive shares outstanding during the period.



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

|  | For the Three<br>Months Ended<br>March 31, |            |
|--|--|------------|
|  | 2016                                       | 2015       |
| Loss from continuing operations  | \$(40,694)                                 | \$(70,243) |
| Net loss attributable to noncontrolling interests  | 259  | 257        |
| Less: preferred share accretion paid in kind (Note 12)   | (4,510 )                                   | (4,141 )   |
| Loss from continuing operations available to common shareholders, net of noncontrolling interest | (44,945 )                                  | (74,127 )  |
| Loss from discontinued operations, net of tax  | —  | (3,288 )   |
| Net loss attributable to CME Ltd. available to common shareholders - Basic                       | \$(44,945)                                 | \$(77,415) |
| Effect of dilutive securities  |  |            |
| Preferred share accretion paid in kind   | —  | —          |
| Net loss attributable to CME Ltd. available to common shareholders - Diluted                     | \$(44,945)                                 | \$(77,415) |
| Weighted average outstanding shares of common stock - Basic <sup>(1)</sup>                       | 147,078                                    | 146,606    |
| Dilutive effect of employee stock options and RSUs   | —  | —          |
| Weighted average outstanding shares of common stock - Diluted                                    | 147,078                                    | 146,606    |
| Net loss per share:  |  |            |
| Continuing operations attributable to CME Ltd. - Basic and diluted                               | \$(0.31 )                                  | \$(0.51 )  |
| Discontinued operations attributable to CME Ltd. - Basic and diluted                             | —  | (0.02 )    |
| Net loss attributable to CME Ltd. - Basic and diluted  | (0.31 )                                    | (0.53 )    |

For the purpose of computing basic earnings per share, the 11,211,449 shares of Class A common stock underlying the Series A Preferred Share are included in the weighted average outstanding shares of common stock - basic, because the holder of the Series A Preferred Share is entitled to receive any dividends payable when dividends are declared by the Board of Directors with respect to any shares of common stock.

At March 31, 2016, 3,122,121 (December 31, 2015: 3,221,575) stock options, warrants and RSUs were antidilutive to income from continuing operations and excluded from the calculation of earnings per share. These instruments may become dilutive in the future. Our Series B Preferred Shares were not considered for dilution as they are not convertible until June 25, 2016. As set forth in the Certificate of Designation for the Series B Preferred Shares, the holders of our Series B Preferred Shares are not contractually obligated to share in our losses.

## 18. SEGMENT DATA

We manage our business on a geographical basis, with six operating segments: Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia, which are also our reportable segments and our main operating countries. These segments reflect how CME Ltd.'s operating performance is evaluated by our chief operating decision makers, who we have identified as our co-Chief Executive Officers; how operations are managed by segment managers; and the structure of our internal financial reporting.

Our segments generate revenues primarily from the sale of advertising and sponsorship on our channels. This is supplemented by revenues from cable and satellite television service providers to carry our channels on their platforms and from revenues through the sale of distribution rights to third parties. Intersegment revenues and profits have been eliminated in consolidation.

We evaluate the performance of our segments based on net revenues and OIBDA. OIBDA, which includes amortization and impairment of program rights, is defined as operating income / loss before depreciation, amortization of intangible assets, impairments of assets and certain unusual or infrequent items that are not considered by our chief operating decision makers when evaluating our performance. Items that are not allocated to our segments for purposes of evaluating their performance and therefore are not included in their OIBDA, include stock-based compensation and certain other items.

Our key performance measure of the efficiency of our segments is OIBDA margin. OIBDA margin is the ratio of OIBDA to net revenues. We believe OIBDA 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 operations. OIBDA is also used as a component in determining management bonuses. OIBDA may not be comparable to similar measures reported by other companies.

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Below are tables showing our net revenues, OIBDA, total assets, capital expenditures and long-lived assets for our continuing operations by segment for the three months ended March 31, 2016 and 2015 for condensed consolidated statements of operations and comprehensive income / loss data and condensed consolidated statements of cash flow data; and as at March 31, 2016 and December 31, 2015 for condensed consolidated balance sheet data.

| Net revenues:                        | For the Three Months<br>Ended March 31, |           |
|--------------------------------------|---|-----------|
|                                      | 2016                                    | 2015      |
| Bulgaria                             | \$15,859                                | \$16,784  |
| Croatia                              | 11,645                                  | 11,993    |
| Czech Republic                       | 38,608                                  | 34,965    |
| Romania                              | 32,370                                  | 33,522    |
| Slovak Republic                      | 19,062                                  | 17,538    |
| Slovenia                             | 11,653                                  | 11,480    |
| Intersegment revenues <sup>(1)</sup> | (197 )                                  | (149 )    |
| Total net revenues                   | \$129,000                               | \$126,133 |

<sup>(1)</sup> Reflects revenues earned from the sale of content to other country segments in CME Ltd. All other revenues are third party revenues.

| OIBDA:                   | For the Three<br>Months Ended<br>March 31, |          |
|--------------------------|--|----------|
|                          | 2016                                       | 2015     |
| Bulgaria                 | \$1,069                                    | \$2,198  |
| Croatia                  | 1,401                                      | 1,862    |
| Czech Republic           | 10,074                                     | 10,091   |
| Romania                  | 9,462                                      | 3,361    |
| Slovak Republic          | 2,393                                      | (145 )   |
| Slovenia                 | (708 )                                     | 360      |
| Elimination              | (6 )                                       | (50 )    |
| Total operating segments | 23,685                                     | 17,677   |
| Corporate                | (6,577 )                                   | (6,229 ) |
| Total OIBDA              | \$17,108                                   | \$11,448 |

| Reconciliation to condensed consolidated statements of operations<br>and comprehensive income / loss: | For the Three<br>Months Ended<br>March 31, |           |
|---|--|-----------|
|   | 2016                                       | 2015      |
| Total OIBDA   | \$17,108                                   | \$11,448  |
| Depreciation of property, plant and equipment   | (7,285 )                                   | (7,001 )  |
| Amortization of broadcast licenses and other intangibles  | (2,060 )                                   | (3,499 )  |
| Other items <sup>(1)</sup>  | —  | (18,187 ) |
| Operating income / (loss)   | 7,763                                      | (17,239 ) |
| Interest expense (Note 14)  | (49,154 )                                  | (40,118 ) |
| Non-operating income / (expense), net (Note 15)   | 1,416                                      | (12,741 ) |

Loss before tax \$(39,975) \$(70,098)

(1) Other items for the three months ended March 31, 2015 consists solely of a charge related to a tax audit of Pro TV in Romania which was subsequently reversed in the third quarter of 2015.

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| Total assets <sup>(1)</sup> : | March 31, 2016 | December 31, 2015 |
|-------------------------------|----------------|-------------------|
| Bulgaria                      | \$ 134,293     | \$ 134,418        |
| Croatia                       | 54,592         | 52,306            |
| Czech Republic                | 738,334        | 746,269           |
| Romania                       | 266,944        | 261,984           |
| Slovak Republic               | 124,258        | 121,122           |
| Slovenia                      | 74,618         | 70,911            |
| Total operating segments      | 1,393,039      | 1,387,010         |
| Corporate                     | 101,759        | 53,407            |
| Total assets                  | \$ 1,494,798   | \$ 1,440,417      |

<sup>(1)</sup> Segment assets exclude any intercompany balances.

| Capital expenditures: | For the Three<br>Months Ended<br>March 31, |  |
|-----------------------|--|--|
|-----------------------|--|--|

|                            | 2016     | 2015     |
|----------------------------|----------|----------|
| Bulgaria                   | \$ 182   | \$ 699   |
| Croatia                    | 277      | 528      |
| Czech Republic             | 1,551    | 2,496    |
| Romania                    | 1,729    | 720      |
| Slovak Republic            | 533      | 1,146    |
| Slovenia                   | 1,260    | 934      |
| Total operating segments   | 5,532    | 6,523    |
| Corporate                  | 544      | 958      |
| Total capital expenditures | \$ 6,076 | \$ 7,481 |

| Long-lived assets <sup>(1)</sup> : | March 31, 2016 | December 31, 2015 |
|------------------------------------|----------------|-------------------|
| Bulgaria                           | \$ 5,672       | \$ 5,602          |
| Croatia                            | 5,433          | 5,497             |
| Czech Republic                     | 40,500         | 39,907            |
| Romania                            | 22,489         | 20,873            |
| Slovak Republic                    | 16,190         | 15,606            |
| Slovenia                           | 15,260         | 15,082            |
| Total operating segments           | 105,544        | 102,567           |
| Corporate                          | 6,204          | 5,955             |
| Total long-lived assets            | \$ 111,748     | \$ 108,522        |

<sup>(1)</sup> Reflects property, plant and equipment.

| Revenue by type:                | For the Three<br>Months Ended<br>March 31, |            |
|---------------------------------|--|------------|
|                                 | 2016                                       | 2015       |
| Television advertising          | \$ 104,171                                 | \$ 101,615 |
| Carriage fees and subscriptions | 19,209                                     | 18,778     |
| Other                           | 5,620                                      | 5,740      |
| Total net revenues              | \$ 129,000                                 | \$ 126,133 |



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(Tabular amounts in US\$ 000's, except per share data)

(Unaudited)

## 19. COMMITMENTS AND CONTINGENCIES

## Commitments

## a) Programming Rights Agreements and Other Commitments

At March 31, 2016, we had total commitments of US\$ \$129.0 million (December 31, 2015: US\$ 144.9 million) in respect of future programming, including contracts signed with license periods starting after the balance sheet date. In addition, we have digital transmission obligations, future minimum operating lease payments for non-cancellable operating leases with remaining terms in excess of one year (net of amounts to be recharged to third parties) and other commitments as follows:

|                     | Programming<br>purchase<br>obligations | Other<br>commitments | Operating<br>leases | Capital<br>expenditures |
|---------------------|--|----------------------|---------------------|-------------------------|
| 2016                | \$ 41,554                              | \$ 21,717            | \$ 2,833            | \$ 947                  |
| 2017                | 35,450                                 | 7,725                | 2,410               | —                       |
| 2018                | 27,980                                 | 4,710                | 1,617               | —                       |
| 2019                | 15,833                                 | 10,467               | 714                 | —                       |
| 2020                | 4,766                                  | 350                  | 393                 | —                       |
| 2021 and thereafter | 3,392                                  | 398                  | 1,369               | —                       |
| Total               | \$ 128,975                             | \$ 45,367            | \$ 9,336            | \$ 947                  |

## b) Call option

Top Tone Holdings has exercised its right to acquire additional equity in CME Bulgaria, however the closing of this transaction has not yet occurred because the purchaser financing is still pending. If consummated, we would own 90.0% of our Bulgaria operations.

## Contingencies

## a) Litigation

We are from time to time party to legal proceedings, arbitrations and regulatory proceedings arising in the normal course of our business operations. We evaluate, on a quarterly basis, developments in such matters and provide accruals for such matters, as appropriate. In making such decisions, we consider the degree of probability of an unfavorable outcome and our ability to make a reasonable estimate of the amount of a loss. An unfavorable outcome in any such proceedings, if material, could have an adverse effect on our business or consolidated financial statements.

## b) 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 5.0%) be allocated to a reserve, which reserve is capped at a proportion of the registered capital of a company (ranging from 5.0% to 25.0%). The restricted net assets of our consolidated subsidiaries and equity in earnings of investments accounted for under the equity method together are less than 25.0% of consolidated net assets.

## 20. RELATED PARTY TRANSACTIONS

We consider our related parties to be those shareholders who have direct control and/or influence and other parties that can significantly influence management as well as our officers and directors; a “connected” party is one in relation to whom we are aware of the existence of a family or business connection to a shareholder, director or officer. We have identified transactions with individuals or entities associated with Time Warner, who is represented on our Board of Directors and holds a 49.4% voting interest in CME Ltd. as at March 31, 2016, as material related party transactions. Time Warner

For the  
Three  
Months  
Ended  
March 31,  
2015

|                  |        |       |
|------------------|--------|-------|
| Net revenues     | \$ —   | \$ 22 |
| Cost of revenues | 6,626  | 299   |
| Interest expense | 41,395 | 166   |

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## CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in US\$ 000's, except per share data)

(Unaudited)

|  | March 31, 2016 | December 31, 2015 |
|--|----------------|-------------------|
| Programming liabilities  | \$ 13,950      | \$ 14,583         |
| Other accounts payable and accrued liabilities                     | 84             | 53                |
| Long-term debt and other financing arrangements <sup>(1) (2)</sup> | 335,813        | 324,979           |
| Accrued interest payable <sup>(2) (3)</sup>                        | 38,038         | 5,781             |
| Other non-current liabilities <sup>(4)</sup>                       | 16,611         | 31,895            |

Amount represents the principal amount outstanding of the 2017 PIK Notes held by Time Warner and the amounts <sup>(1)</sup> outstanding on the 2017 Term Loan and 2021 Revolving Credit Facility, if drawn, less respective issuance discounts and debt issuance costs, including interest for which we made an election to pay in kind.

On April 7, 2016, we drew the 2021 Euro Term Loan and applied the proceeds, together with cash on hand, <sup>(2)</sup> towards the repayment of the 2017 Term Loan plus accrued interest and the redemption and discharge of the 2017 PIK Notes plus accrued interest. See Note 21, "Subsequent Events".

Amount represents the accrued interest on the principal amount of the outstanding 2017 PIK Notes held by Time <sup>(3)</sup> Warner, which is payable in kind in arrears until November 15, 2015, and on the outstanding balance of the 2017 Term Loan and the 2021 Revolving Credit Facility, if drawn.

<sup>(4)</sup> Amount represents the Commitment Fee, as well as the Guarantee Fees for which we have made an election to pay in kind. See Note 4, "Long-term Debt and Other Financing Arrangements".

## 21. SUBSEQUENT EVENTS

On April 7, 2016 we drew the 2021 Euro Term Loan, the proceeds of which, together with cash on hand, were applied toward the repayment of the 2017 Term Loan plus accrued and unpaid interest, and toward the redemption and discharge of the 2017 PIK Notes plus accrued and unpaid interest. In the second quarter of 2016, we expect to recognize a loss on extinguishment of debt of approximately US\$ 150.0 million.

Also on April 7, 2016, we extended the maturity date of the 2018 Euro Term Loan by one year to November 1, 2018; and extended the maturity date of the 2021 Revolving Credit Facility to February 19, 2021, with a borrowing capacity of US\$ 50.0 million with effect from January 1, 2018. We also amended the 2021 Revolving Credit Facility such that interest is determined on the basis of our net leverage ratio (as defined in the Reimbursement Agreement) and ranges from 10.0% (if our net leverage ratio is greater than or equal to seven times) to 7.0% per annum (if our net leverage ratio is less than five times).

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### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following defined terms are used in this Quarterly Report on Form 10-Q:

- the term "2015 Convertible Notes" refers to our 5.0% senior convertible notes due November 2015, redeemed in November 2015;
- the term "2017 PIK Notes" refers to our 15.0% senior secured notes due 2017, redeemed in April 2016;
- the term "2017 Term Loan" refers to our 15.0% term loan facility due 2017, dated as of February 28, 2014, as amended and restated on November 14, 2014, repaid in April 2016;
- the term "2018 Euro Term Loan" refers to our floating rate senior unsecured term credit facility guaranteed by Time Warner, dated as of November 14, 2014 and amended on February 19, 2016 to, among other things, extend the maturity to 2018 with effect from the drawing of the 2021 Euro Term Loan;
- the term "2019 Euro Term Loan" refers to our floating rate senior unsecured term credit facility due 2019 guaranteed by Time Warner, dated as of September 30, 2015 and amended on February 19, 2016;
- the term "2021 Euro Term Loan" refers to the undrawn senior unsecured term credit facility due 2021 entered into by our wholly-owned subsidiary CME Media Enterprises B.V., guaranteed by Time Warner and CME Ltd., entered into on February 19, 2016;
- the term "2021 Revolving Credit Facility" refers to our amended and restated revolving credit facility dated as of February 28, 2014, as amended and restated as of November 14, 2014 and further amended and restated on February 19, 2016 to, among other things, extend the maturity to 2021 with effect from the drawing of the 2021 Euro Term Loan;
- the term "Senior Debt" refers, as the context may require, to the 2015 Convertible Notes, 2017 PIK Notes, 2017 Term Loan, 2018 Euro Term Loan, 2019 Euro Term Loan, 2021 Euro Term Loan and 2021 Revolving Credit Facility;
- the term "Guarantee Fees" refers to amounts accrued and payable to Time Warner as consideration for Time Warner's guarantees of the 2018 Euro Term Loan, 2019 Euro Term Loan and 2021 Euro Term Loan;
- the term "Reimbursement Agreement" refers to an agreement with Time Warner which provides that we will reimburse Time Warner for any amounts paid by them under any guarantee or through any loan purchase right exercised by Time Warner, dated as of November 14, 2014 and amended and restated on February 19, 2016;
- the term "Time Warner" refers to Time Warner Inc.; and
- the term "TW Investor" refers to Time Warner Media Holdings B.V.

The exchange rates used in this report are as at March 31, 2016, unless otherwise indicated.

Please note that we may announce material information using SEC filings, press releases, public conference calls, webcasts and posts to the Investors section of our website, [www.cme.net](http://www.cme.net). In the future, we will continue to use these channels to communicate important information about CME Ltd. and our operations. Information that we post on our website could be deemed material. Therefore, we encourage investors, the media, our customers and others interested in CME Ltd. to review the information we post at [www.cme.net](http://www.cme.net).

#### I. Forward-looking Statements

This report contains forward-looking statements, including those relating to our capital needs, business strategy, expectations and intentions. Statements that use the terms "believe", "anticipate", "trend", "expect", "plan", "estimate", "forecast", "should", "intend" and similar expressions of a future or forward-looking nature identify forward-looking statements for purposes of the U.S. federal securities laws or otherwise. For these statements and all other forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy or are otherwise beyond our control and some of which might not even be anticipated. Forward-looking statements reflect our current views with respect to future events and because our business is subject to such risks and uncertainties, actual results, our strategic plan, our financial position, results of operations and cash flows could differ materially from those described in or contemplated by the forward-looking statements contained in this report.

Important factors that contribute to such risks include, but are not limited to, those factors set forth under "Risk Factors" as well as the following: the success of our efforts to increase our revenues and recapture advertising market share in the Czech Republic; levels of television advertising spending and the rate of development of the advertising

markets in the countries in which we operate; the effect of global economic uncertainty and Eurozone instability in our markets and the extent, timing and duration of any recovery; the extent to which our liquidity constraints and debt service obligations restrict our business; our success in continuing our initiatives to diversify and enhance our revenue streams; our ability to make cost-effective investments in our television businesses, including investments in programming; our ability to develop and acquire necessary programming and attract audiences; our ability to refinance our existing indebtedness; changes in the political and regulatory environments where we operate and in the application of relevant laws and regulations; our exposure to additional tax liabilities; and the timely renewal of broadcasting licenses and our ability to obtain additional frequencies and licenses. The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included in this report. All forward-looking statements speak only as of the date of this report. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law.

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### II. Overview

Central European Media Enterprises Ltd. ("CME Ltd.") is a media and entertainment company operating mainly in six countries in Central and Eastern Europe. We manage our business on a geographical basis, with six operating segments: Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia, which are also our reportable segments. These operating segments reflect how CME Ltd.'s operating performance is evaluated by our chief operating decision makers, who we have identified as our co-Chief Executive Officers, how our operations are managed by segment managers, and the structure of our internal financial reporting.

We evaluate the performance of our segments based on net revenues and OIBDA. OIBDA, which includes amortization and impairment of program rights, is determined as operating income / loss before depreciation, amortization of intangible assets and impairments of assets and certain unusual or infrequent items that are not considered by our chief operating decision makers when evaluating our performance. Items that are not allocated to our segments for purposes of evaluating their performance and therefore are not included in their OIBDA, include stock-based compensation and certain other items.

Our key performance measure of the efficiency of our segments is OIBDA margin. We define OIBDA margin as the ratio of OIBDA to net revenues. We believe OIBDA is useful to investors because it provides a meaningful representation of our performance as it excludes certain items that do not impact either our cash flows or the operating results of our operations. OIBDA and unlevered free cash flow, as defined below, are also used as a component in determining management bonuses. Intersegment revenues and profits have been eliminated on consolidation.

We have used free cash flow as a measure of our ability to generate cash. Free cash flow is defined as cash flows from continuing operating activities less purchases of property, plant and equipment, net of disposals of property, plant and equipment and excludes the cash impact of certain unusual or infrequent items that are not included in costs charged in arriving at OIBDA because they are not considered by our chief operating decision makers when evaluating performance. Following recent refinancing transactions, there is an increase in the amount of our interest that is cash pay on our outstanding indebtedness and we further expect to pay certain Guarantee Fees in cash. Since these cash payments are reflected in free cash flow, we think unlevered free cash flow better illustrates the cash generated by our operations when comparing different periods because it is defined as free cash flow before cash payments for interest and Guarantee Fees. OIBDA, free cash flow and unlevered free cash flow are non-GAAP financial measures and may not be comparable to similar measures reported by other companies. Non-GAAP financial measures should be evaluated in conjunction with, and are not a substitute for, US GAAP financial measures. For additional information regarding our business segments, including a reconciliation to US GAAP financial measures, see Item 1, Note 18, "Segment Data".

The following analysis contains references to like-for-like or constant currency percentage movements ("Lfl"). These references reflect the impact of applying the current period average exchange rates to the prior period revenues and costs. Given the significant movement of the currencies in the markets in which we operate against the dollar, we believe that it is useful to provide percentage movements based on like-for-like percentage movements as well as actual ("Act") percentage movements (which includes the effect of foreign exchange). Unless otherwise stated, all percentage increases or decreases in the following analysis refer to year-on-year percentage changes between the three months ended March 31, 2016 and 2015.

#### Executive Summary

Our consolidated net revenues increased 4% at constant exchange rates during the three months ended March 31, 2016 compared to the corresponding period in 2015, due to improvement in both television advertising revenues and carriage fees and subscription revenues. Television advertising spending in the markets of the countries in which we operate grew 6% overall in the first quarter of 2016 compared to 2015. Our television advertising revenues grew 4% at constant rates during that period due primarily to significant growth in the Czech and Slovak Republics. We gained market share in our two largest markets, while heavy competition impacted growth in the number of commercial gross ratings points ("GRPs") we sold relative to the market in the rest of the countries. Carriage fees and subscription revenues increased 6% at constant rates during the first quarter due to growth in the number of subscribers to cable, satellite and IPTV platforms, as well as new channel launches. At actual rates, our consolidated net revenues increased 2% in the first three months of 2016 compared to the corresponding periods in 2015.

Costs charged in arriving at OIBDA were flat at constant rates during the three months ended March 31, 2016 compared to the same period in 2015. Competition for audience share remains significant and we made targeted investments in programming in certain countries, which was partially offset by more efficient local production and savings on foreign programming, so content costs overall increased 4% at constant rates. However, as we continue to focus on controlling costs, the increase in content costs was offset by savings in other costs. At actual rates, costs charged in arriving at OIBDA decreased 2% during the three months ended March 31, 2016 compared to the same period in 2015.

The growth in revenue while keeping costs flat resulted in an improvement in our OIBDA margin, which increased to 13% for the three months ended March 31, 2016 from 9% in the same period in 2015. Since we expect revenues to grow at a faster pace than costs this year and the next several years, we anticipate our full year OIBDA margin in 2016 will exceed our margin of 20% in 2015.

We maintained our audience share leadership in all countries during the first quarter, and the full roll-out of our spring season has improved our audience results since the end of March 2016. Several new local productions debuted towards the end of the quarter, and some are growing in popularity. We remain committed to the pillars of our programming strategy, which include news, local fiction, and local reality and entertainment, and will continue to invest in programming on a targeted basis to improve our competitive position as we focus on improving the profitability of our channels. We are also increasing audience engagement with our brands by expanding catch-up services beyond our larger markets with the introduction of advertising video on demand platforms in Bulgaria and Croatia, as well as other offerings for advertising online, such as the launch of news applications in the Czech Republic and Slovenia.

We ended the quarter with US\$ 98.4 million of cash. Our unlevered free cash flow, which reflects free cash flow prior to cash payments for interest and Guarantee Fees, increased 88% to US\$ 46.2 million in the three months ended March 31, 2016, from US\$ 24.6 million in the same period in 2015. This improvement during the first quarter of 2016 reflected the improvement in OIBDA, lower payments for foreign programming and lower capital expenditures. Free cash flow increased 44% to US\$ 33.6 million, from US\$ 23.3 million in the same period in 2015, which was less than the improvement in unlevered free cash flow because we paid more interest in cash as well as a US\$ 10.0 million payment for accrued Guarantee Fees during the first quarter of 2016.

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On April 8, 2016, we completed the refinancing transactions entered into on February 19, 2016. This transaction included:

The new EUR 468.8 million 2021 Euro Term Loan was used, together with corporate cash, to refinance US\$ 502.5 million aggregate principal amount of the 2017 PIK Notes and the US\$ 38.2 million 2017 Term Loan, including accrued and unpaid interest.

• Extending the maturity date of the existing EUR 250.8 million term loan by one year so the Company's nearest debt maturity is now November 2018.

• Also extending the maturity date of CME's existing US\$ 115.0 million revolving credit facility from 2017 to 2021 with access to US\$ 50.0 million of liquidity from 2018.

Following the transaction:

• All senior debt currently outstanding is denominated in Euros.

The all-in rate applicable to the 2021 Euro Term Loan and associated guarantee by Time Warner ranges from 10.5% to 7.0%, depending on our net leverage ratio, decreasing the cost of borrowing as the Company's net leverage ratio improves.

• The cost of the revolving credit facility, which is currently undrawn, ranges from 10.0% to 7.0%, depending on our net leverage ratio, also decreasing the cost of borrowing as the Company's net leverage ratio improves.

• We expect to record a loss on extinguishment of debt amounting to approximately \$150.0 million in the second quarter of 2016.

Savings from a lower cost of borrowing, together with improving unlevered free cash flow and expected proceeds from warrant exercises in the future, should allow us to substantially repay the principal amount of our nearest debt maturity in 2018.

#### Market Information

The following table sets out our estimates of the year-on-year changes in real GDP, real private consumption and the television advertising market, net of discounts, in our countries for the three months ended March 31, 2016:

| Country                | For the Three Months Ended March 31, 2016 |                                 |                         |
|------------------------|---|---------------------------------|-------------------------|
|                        | Real GDP Growth                           | Real Private Consumption Growth | Net TV Ad Market Growth |
| Bulgaria               | 2.4                                       | % 2.0                           | % (7)                   |
| Croatia                | 1.4                                       | % 0.7                           | % 2                     |
| Czech Republic         | 2.5                                       | % 2.7                           | % 10                    |
| Romania*               | 3.4                                       | % 4.8                           | % 0                     |
| Slovak Republic        | 3.0                                       | % 2.7                           | % 20                    |
| Slovenia               | 2.1                                       | % 2.0                           | % 5                     |
| Total CME Ltd. Markets | 2.7                                       | % 2.9                           | % 6                     |

\* Romanian market excludes Moldova.

Source: CME Ltd. estimates based on market consensus for real GDP and real private consumption, and internal estimates for TV ad market growth at constant rates.

After adjusting for inflation, we estimate that during the first three months of 2016 the rate of overall GDP growth in the countries in which we operate remained higher than the average for Western Europe. The growth in our largest markets continues to be driven by domestic demand, which is evidenced by similar growth in real private consumption, in addition to growth in exports. We believe that the growth in real GDP and private consumption that is forecast for 2016 across all six of the countries in which we operate will be supportive of overall television advertising market growth during the year.

We estimate that the TV advertising markets in the countries in which we operate increased by 6% on average in the three months ended March 31, 2016 compared to the same period in 2015. In Bulgaria, spending on television advertising was lower in 2016 as certain advertisers reduced their budgets overall, in some cases by shifting spending to the competition for lower prices. The market growth in Croatia continues to be driven by an increase in average market prices. Advertisers in the Czech Republic allocated more of their full year budgets for television to the first quarter of 2016 at low season pricing resulting in a significantly higher growth rate in the first quarter than we expect for the full year. We expect growth to slow in the second quarter due to this phasing, as well as lower spending in the

month of May related to the ice hockey world championship that was hosted in the country last year, which had a positive impact on spending in the market overall. In Romania, the overall number of GRPs sold and average prices were flat during the period reflecting in part the negative impact caused by the timing of Orthodox Easter, which is later in 2016 compared to 2015. There may be limited benefit from Easter in the second quarter of 2016 due to lower ratings. There were also changes in the measurement panel in Romania from the beginning of the year, which is shifting available inventory from the larger channels to the smaller channels. So the decrease in GRPs sold on the larger channels at higher prices is offset by higher volumes at lower prices on the smaller channels. In Slovakia the market grew due to both higher prices and strong demand for advertising, which continued to be influenced by an increase in spending on informational and political campaigns ahead of elections that took place in March 2016. Growth is expected to be significantly lower for the full year because spending for the remainder of 2016 will be lower following the elections in March and year-on-year comparisons will be impacted by the significant volume of campaigns in the second half of 2015. Excluding the spending on informational and political campaigns, we estimate the market grew 11% during the first quarter of 2016. In Slovenia, the demand for television advertising led to market growth from an increase in GRPs sold by the competition.

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## Segment Performance

Our total Net Revenues and OIBDA by segment are as follows:

## NET REVENUES

For the Three Months Ended March 31,  
(US\$ 000's)

|                       | 2016       | 2015       | Movement          |  |                   |  |
|-----------------------|------------|------------|-------------------|--|-------------------|--|
|                       |            |            | % Act             |  | % Lfl             |  |
| Bulgaria              | \$ 15,859  | \$ 16,784  | (5.5 )%           |  | (3.2 )%           |  |
| Croatia               | 11,645     | 11,993     | (2.9 )%           |  | (1.6 )%           |  |
| Czech Republic        | 38,608     | 34,965     | 10.4 %            |  | 10.7 %            |  |
| Romania               | 32,370     | 33,522     | (3.4 )%           |  | 0.0 %             |  |
| Slovak Republic       | 19,062     | 17,538     | 8.7 %             |  | 11.3 %            |  |
| Slovenia              | 11,653     | 11,480     | 1.5 %             |  | 4.0 %             |  |
| Intersegment revenues | (197 )     | (149 )     | NM <sup>(1)</sup> |  | NM <sup>(1)</sup> |  |
| Total net revenues    | \$ 129,000 | \$ 126,133 | 2.3 %             |  | 4.3 %             |  |

<sup>(1)</sup> Number is not meaningful.

## OIBDA

For the Three Months Ended March 31, (US\$  
000's)

|                          | 2016      | 2015      | Movement          |  |                   |  |
|--------------------------|-----------|-----------|-------------------|--|-------------------|--|
|                          |           |           | % Act             |  | % Lfl             |  |
| Bulgaria                 | \$ 1,069  | \$ 2,198  | (51.4 )%          |  | (50.5 )%          |  |
| Croatia                  | 1,401     | 1,862     | (24.8 )%          |  | (26.8 )%          |  |
| Czech Republic           | 10,074    | 10,091    | (0.2 )%           |  | (1.8 )%           |  |
| Romania                  | 9,462     | 3,361     | NM <sup>(1)</sup> |  | NM <sup>(1)</sup> |  |
| Slovak Republic          | 2,393     | (145 )    | NM <sup>(1)</sup> |  | NM <sup>(1)</sup> |  |
| Slovenia                 | (708 )    | 360       | NM <sup>(1)</sup> |  | NM <sup>(1)</sup> |  |
| Eliminations             | (6 )      | (50 )     | NM <sup>(1)</sup> |  | NM <sup>(1)</sup> |  |
| Total operating segments | 23,685    | 17,677    | 34.0 %            |  | 31.3 %            |  |
| Corporate                | (6,577 )  | (6,229 )  | (5.6 )%           |  | (7.0 )%           |  |
| Consolidated OIBDA       | \$ 17,108 | \$ 11,448 | 49.4 %            |  | 43.9 %            |  |

|              |      |   |     |   |          |          |
|--------------|------|---|-----|---|----------|----------|
| OIBDA margin | 13.3 | % | 9.1 | % | 4.2 p.p. | 3.6 p.p. |
|--------------|------|---|-----|---|----------|----------|

<sup>(1)</sup> Number is not meaningful.



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## Bulgaria

For the Three Months Ended March 31, (US\$ 000's)

|                                    | 2016    | 2015     | Movement |       |       |    |
|------------------------------------|---------|----------|----------|-------|-------|----|
|                                    |         |          | % Act    | % Lfl |       |    |
| Television advertising             | \$9,964 | \$11,261 | (11.5    | )%    | (9.5  | )% |
| Carriage fees and subscriptions    | 4,571   | 4,500    | 1.6      | %     | 4.7   | %  |
| Other                              | 1,324   | 1,023    | 29.4     | %     | 32.4  | %  |
| Net revenues                       | 15,859  | 16,784   | (5.5     | )%    | (3.2  | )% |
| Costs charged in arriving at OIBDA | 14,790  | 14,586   | 1.4      | %     | 4.0   | %  |
| OIBDA                              | \$1,069 | \$2,198  | (51.4    | )%    | (50.5 | )% |

OIBDA margin 6.7 % 13.1 % (6.4) p.p. (6.5) p.p.

The television advertising market in Bulgaria declined an estimated 7% at constant rates in the three months ended March 31, 2016 compared to the same period in 2015. The Bulgaria segment reported net revenues of US\$ 15.9 million for the three months ended March 31, 2016 compared to US\$ 16.8 million in the same period in 2015, a decrease of 6% on an actual basis, but a decrease of 3% on a constant currency basis. Television advertising revenues decreased during the quarter because certain advertising clients reduced the size of their budgets and our average prices were lower due to heavy competition. Additionally, our market share was negatively impacted because some clients shifted spending to our competitors for lower prices. Carriage fees and subscription revenues increased on a constant currency basis primarily due to growth in the number of subscribers. The increase in other revenues related to a stronger slate of theatrical releases during the quarter, which also partially offset the decrease in television advertising revenues.

Costs charged in arriving at OIBDA for the three months ended March 31, 2016 increased by 1% compared to the same period in 2015. On a constant currency basis, costs increased by 4% during the first quarter of 2015 due primarily to increases in content costs, as there was an increase in local production as well as higher costs for sports rights. This was partially offset by lower costs for foreign programming.

Our Bulgaria segment reported OIBDA of US\$ 1.1 million for the three months ended March 31, 2016 compared to US\$ 2.2 million in the same period in 2015, a decrease of US\$ 1.1 million.

## Croatia

For the Three Months Ended March 31, (US\$ 000's)

|                                    | 2016     | 2015     | Movement |       |       |    |
|------------------------------------|----------|----------|----------|-------|-------|----|
|                                    |          |          | % Act    | % Lfl |       |    |
| Television advertising             | \$10,072 | \$10,301 | (2.2     | )%    | (1.1  | )% |
| Carriage fees and subscriptions    | 624      | 601      | 3.8      | %     | 6.3   | %  |
| Other                              | 949      | 1,091    | (13.0    | )%    | (10.9 | )% |
| Net revenues                       | 11,645   | 11,993   | (2.9     | )%    | (1.6  | )% |
| Costs charged in arriving at OIBDA | 10,244   | 10,131   | 1.1      | %     | 3.3   | %  |
| OIBDA                              | \$1,401  | \$1,862  | (24.8    | )%    | (26.8 | )% |

OIBDA margin 12.0 % 15.5 % (3.5) p.p. (4.2) p.p.

The television advertising market in Croatia increased an estimated 2% at constant rates in the three months ended March 31, 2016 compared to the same period in 2015. The Croatia segment reported net revenues of US\$ 11.6 million for the three months ended March 31, 2016 compared to US\$ 12.0 million in the same period in 2015, a decrease of 3% on an actual basis, but a decrease of 2% on a constant currency basis. The decrease in television advertising revenues at constant rates during both the first quarter was due to fewer GRPs sold, mostly offset by an increase in average prices.

Costs charged in arriving at OIBDA for the three months ended March 31, 2016 increased by 1% compared to the same period in 2015. On a constant currency basis costs increased by 3% during the first quarter due primarily to an increase in content costs as a result of launching an additional entertainment format when compared to the schedule in the same period of 2015.

Our Croatia segment reported OIBDA of US\$ 1.4 million for the three months ended March 31, 2016 compared to US\$ 1.9 million in the same period in 2015, a decrease of US\$ 0.5 million.

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## Czech Republic

For the Three Months Ended March 31, (US\$ 000's)

|                                    | 2016     | 2015     | Movement |           |    |  |
|------------------------------------|----------|----------|----------|-----------|----|--|
|                                    |          |          | % Act    | % Lfl     |    |  |
| Television advertising             | \$34,790 | \$31,448 | 10.6     | % 10.9    | %  |  |
| Carriage fees and subscriptions    | 2,527    | 2,019    | 25.2     | % 26.2    | %  |  |
| Other                              | 1,291    | 1,498    | (13.8)   | )% (13.9) | )% |  |
| Net revenues                       | 38,608   | 34,965   | 10.4     | % 10.7    | %  |  |
| Costs charged in arriving at OIBDA | 28,534   | 24,874   | 14.7     | % 15.9    | %  |  |
| OIBDA                              | \$10,074 | \$10,091 | (0.2)    | )% (1.8)  | )% |  |

OIBDA margin 26.1 % 28.9 % (2.8) p.p. (3.3) p.p.

The television advertising market in the Czech Republic increased an estimated 10% at constant rates in the three months ended March 31, 2016 compared to the same period in 2015. Net revenues from our Czech Republic segment were US\$ 38.6 million for the three months ended March 31, 2016 compared to US\$ 35.0 million in the same period in 2015, an increase of 10% on an actual basis. On a constant currency basis, net revenues increased 11% during the three months ended March 31, 2016 due primarily to an increase in television advertising revenues from selling more GRPs, which contributed to a slight increase in market share. Advertisers in the Czech Republic allocated more of their budgets for television to the first quarter of 2016 at low season pricing resulting in a significantly higher growth rate in the first quarter than we expect for the full year. We expect growth to slow in the second quarter due to this phasing, as well as lower spending in the month of May related to the ice hockey world championship that was hosted in the country last year, which had a positive impact on spending in the market overall. Carriage fees and subscription revenues increased on a constant currency basis in the first quarter due to high definition versions of our channels that are now available as well as the launch of Nova Sport 2 in the second half of 2015, and the launch of Nova International during the first quarter of 2016.

Costs charged in arriving at OIBDA for the three months ended March 31, 2016 increased by 15% compared to the same period in 2015. On a constant currency basis costs increased 16% during the first quarter due to an increase in content costs from more local productions and more foreign movies compared to the same period last year. There were also additional costs for programming resulting from the launch of Nova Sport 2 last year.

Our Czech Republic segment reported OIBDA of US\$ 10.1 million for the three months ended March 31, 2016, essentially flat compared to the same period in 2015.

## Romania

For the Three Months Ended March 31, (US\$ 000's)

|                                    | 2016     | 2015     | Movement          |                   |    |  |
|------------------------------------|----------|----------|-------------------|-------------------|----|--|
|                                    |          |          | % Act             | % Lfl             |    |  |
| Television advertising             | \$21,696 | \$22,347 | (2.9)             | )% 0.2            | %  |  |
| Carriage fees and subscriptions    | 9,986    | 10,370   | (3.7)             | )% 0.6            | %  |  |
| Other                              | 688      | 805      | (14.5)            | )% (11.2)         | )% |  |
| Net revenues                       | 32,370   | 33,522   | (3.4)             | )% 0.0            | %  |  |
| Costs charged in arriving at OIBDA | 22,908   | 30,161   | (24.0)            | )% (21.0)         | )% |  |
| OIBDA                              | \$9,462  | \$3,361  | NM <sup>(1)</sup> | NM <sup>(1)</sup> |    |  |

OIBDA margin 29.2 % 10.0 % 19.2 p.p. 18.8 p.p.

<sup>(1)</sup> Number is not meaningful.

The television advertising market in Romania was flat at constant rates in the three months ended March 31, 2016 compared to the same period in 2015. Our Romania segment reported net revenues of US\$ 32.4 million for the three months ended March 31, 2016 compared to US\$ 33.5 million in the same period in 2015, a decrease of 3% on an actual basis, but flat on a constant currency basis. Television advertising revenues were flat at constant rates during the first quarter of 2016 as a decrease in the volume of GRPs sold, driven in part by the timing of Orthodox Easter in 2016 compared to 2015, was offset by an increase in average prices, which contributed to a slight increase in market share year-on-year. There were also changes in the measurement panel in Romania from the beginning of the year, which is shifting available inventory from the larger channels to the smaller channels. Carriage fees and subscription revenues grew slightly during the period, due primarily to an increase in the number of subscribers, which helped offset a decrease in other revenues.

Costs charged in arriving at OIBDA for the three months ended March 31, 2016 decreased 24% compared to the same period in 2015. On a constant currency basis costs decreased 21% during the first quarter. Content costs decreased 12%, primarily as a result of not airing a local entertainment format in 2016 that was introduced as a lead-in to the spring season in 2015, but also due to some savings from foreign programming. The remaining decrease in costs resulted from lower personnel costs following restructuring efforts in 2015, lower professional fees for tax and legal advisors, and savings on satellite transmission costs.

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Our Romania segment generated OIBDA of US\$ 9.5 million for the three months ended March 31, 2016 compared to US\$ 3.4 million in the same period in 2015, an increase of US\$ 6.1 million.

## Slovak Republic

| For the Three Months Ended March 31, (US\$ 000's) |          |           |                   |                   |    |  |
|---|----------|-----------|-------------------|-------------------|----|--|
|   | 2016     | 2015      | Movement          |                   |    |  |
|   |          |           | % Act             | % Lfl             |    |  |
| Television advertising                            | \$17,845 | \$16,306  | 9.4               | % 12.1            | %  |  |
| Carriage fees and subscriptions                   | 317      | 300       | 5.7               | % 8.2             | %  |  |
| Other   | 900      | 932       | (3.4)             | )% (1.0           | )% |  |
| Net revenues                                      | 19,062   | 17,538    | 8.7               | % 11.4            | %  |  |
| Costs charged in arriving at OIBDA                | 16,669   | 17,683    | (5.7              | )% (2.6           | )% |  |
| OIBDA   | \$2,393  | \$(145 )  | NM <sup>(1)</sup> | NM <sup>(1)</sup> |    |  |
| OIBDA margin                                      | 12.6     | % (0.8 )% | 13.4 p.p.         | 12.5 p.p.         |    |  |

<sup>(1)</sup> Number is not meaningful.

The television advertising market in the Slovak Republic increased an estimated 20% at constant rates in the three months ended March 31, 2016 compared to the same period in 2015. Our Slovak Republic operations reported net revenues of US\$ 19.1 million for the three months ended March 31, 2016 compared to US\$ 17.5 million in the same period in 2015, an increase of 9% on an actual basis, but an increase of 11% on a constant currency basis. Our television advertising revenues grew significantly during the first quarter mainly due to both higher prices and strong demand for advertising. The demand for advertising continued to be influenced by an increase in spending on informational and political campaigns ahead of elections that took place in March 2016. Growth is expected to be significantly lower for the full year because spending for the remainder of 2016 will be lower following the elections in March and year-on-year comparisons will be impacted by the significant volume of campaigns in the second half of 2015. Excluding the spending on informational and political campaigns, our revenues grew 6% during the first quarter of 2016 and our market share would have been higher since a lower proportion of these campaigns are placed on our channels.

Costs charged in arriving at OIBDA for the three months ended March 31, 2016 decreased by 6% compared to the same period in 2015. On a constant currency basis costs decreased by 3% during the first quarter due primarily to a decrease in content costs as savings from foreign content more than offset increased investment in local production. Our Slovak Republic segment reported OIBDA of US\$ 2.4 million for the three months ended March 31, 2016 compared to an OIBDA loss of US\$ 0.1 million in the same period in 2015, an improvement of US\$ 2.5 million.

## Slovenia

| For the Three Months Ended March 31, (US\$ 000's) |          |         |                   |                   |   |  |
|---|----------|---------|-------------------|-------------------|---|--|
|   | 2016     | 2015    | Movement          |                   |   |  |
|   |          |         | % Act             | % Lfl             |   |  |
| Television advertising                            | \$9,804  | \$9,952 | (1.5              | )% 0.9            | % |  |
| Carriage fees and subscriptions                   | 1,184    | 988     | 19.8              | % 23.6            | % |  |
| Other   | 665      | 540     | 23.1              | % 26.2            | % |  |
| Net revenues                                      | 11,653   | 11,480  | 1.5               | % 4.0             | % |  |
| Costs charged in arriving at OIBDA                | 12,361   | 11,120  | 11.2              | % 14.3            | % |  |
| OIBDA   | \$(708 ) | \$360   | NM <sup>(1)</sup> | NM <sup>(1)</sup> |   |  |
| OIBDA margin                                      | (6.1 )%  | 3.1 %   | (9.2) p.p.        | (9.5) p.p.        |   |  |

<sup>(1)</sup> Number is not meaningful.

The television advertising market in Slovenia increased an estimated 5% at constant rates in the three months ended March 31, 2016 compared to the same period in 2015. Our Slovenia segment reported net revenues of US\$ 11.7 million for the three months ended March 31, 2016 compared to US\$ 11.5 million in the same period in 2015, an increase of 2% on an actual basis, but an increase of 4% on a constant currency basis. Television advertising revenues were essentially flat, as certain clients shifted spending to our competitors for lower prices, which was offset by spending from new clients both on television and online. Carriage fees and subscription revenues increased primarily as a result of an increase in the monthly price for our SVOD product, Voyo.

Costs charged in arriving at OIBDA for the three months ended March 31, 2016 increased 11% compared to the same period in 2015. On a constant currency basis costs increased 14% during the first quarter due primarily to an increase in content costs as additional hours of local own produced programming and an earlier start to the spring season was partially offset by savings from foreign programming.

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Our Slovenia segment reported an OIBDA loss of US\$ 0.7 million for the three months ended March 31, 2016 compared to OIBDA of US\$ 0.4 million in the same period in 2015.

## Free Cash Flow and Unlevered Free Cash Flow

|   | For the Three Months Ended |          |                   |    |
|---|----------------------------|----------|-------------------|----|
|   | March 31, (US\$ 000's)     |          |                   |    |
|   | 2016                       | 2015     | Movement          |    |
| Net cash generated from continuing operating activities | \$39,658                   | \$30,755 | 28.9              | %  |
| Capital expenditures, net                               | (6,076 )                   | (7,429 ) | (18.2             | )% |
| Free cash flow  | 33,582                     | 23,326   | 44.0              | %  |
| Cash paid for interest                                  | 2,640                      | 1,263    | 109.0             | %  |
| Cash paid for Guarantee Fees                            | 10,000                     | —        | NM <sup>(1)</sup> |    |
| Unlevered free cash flow                                | \$46,222                   | \$24,589 | 88.0              | %  |

<sup>(1)</sup> Number is not meaningful.

| (US\$ 000's)              | March 31, 2016 | December 31, 2015 | Movement |
|---------------------------|----------------|-------------------|----------|
| Cash and cash equivalents | \$ 98,419      | \$ 61,679         | 59.6 %   |

We ended the quarter with US\$ 98.4 million of cash. Our unlevered free cash flow, which reflects free cash flow prior to cash payments for interest and Guarantee Fees, increased 88% to US\$ 46.2 million in the three months ended March 31, 2016, from US\$ 24.6 million in the same period in 2015. This improvement during the first quarter of 2016 reflected the improvement in OIBDA, lower payments for foreign programming and lower capital expenditures. Free cash flow increased 44% to US\$ 33.6 million, from US\$ 23.3 million in the same period in 2015, which was less than the improvement in unlevered free cash flow because we paid more interest in cash as well as a US\$ 10.0 million payment for accrued Guarantee Fees during the first quarter of 2016.

For the full year, we expect unlevered free cash flow to improve from US\$ 73.9 million in 2015, primarily reflecting an increase in OIBDA, which will be partially offset by increased investments in local production. Cash paid for interest will be higher in 2016 than it was in 2015, and we also plan to start using cash to pay the Guarantee Fee related to the 2018 Euro Term Loan rather than electing to pay in kind. As a result, we anticipate that free cash flow for 2016 will decrease from US\$ 55.5 million in 2015.

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## III. Analysis of the Results of Operations and Financial Position

|  | For the Three Months Ended March 31,<br>(US\$ 000's) |              | Movement          |                   |    |
|--|--|--------------|-------------------|-------------------|----|
|  | 2016   | 2015         | % Act             | % Lfl             |    |
| Revenue:   |  |              |                   |                   |    |
| Television advertising                                   | \$ 104,171   | \$ 101,615   | 2.5               | % 4.3             | %  |
| Carriage fees and subscriptions                          | 19,209   | 18,778       | 2.3               | % 5.9             | %  |
| Other revenue  | 5,620  | 5,740        | (2.1)             | )% (0.1)          | )% |
| Net Revenues   | 129,000  | 126,133      | 2.3               | % 4.3             | %  |
| Operating expenses:                                      |  |              |                   |                   |    |
| Content costs  | 71,978   | 71,290       | 1.0               | % 3.6             | %  |
| Other operating costs                                    | 16,454   | 17,038       | (3.4)             | )% (1.0)          | )% |
| Depreciation of property, plant and equipment            | 7,285  | 7,001        | 4.1               | % 6.4             | %  |
| Amortization of broadcast licenses and other intangibles | 2,060  | 3,499        | (41.1)            | )% (39.9)         | )% |
| Cost of revenues   | 97,777   | 98,828       | (1.1)             | )% 1.5            | %  |
| Selling, general and administrative expenses             | 23,460   | 43,901       | (46.6)            | )% (45.8)         | )% |
| Restructuring costs                                      | —  | 643          | (100.0)           | )% (100.0)        | )% |
| Operating income / (loss)                                | \$ 7,763   | \$ (17,239 ) | NM <sup>(1)</sup> | NM <sup>(1)</sup> |    |

<sup>(1)</sup> Number is not meaningful.

## Revenue:

Television advertising revenues: On a constant currency basis, television advertising spending in our markets grew on average by 6% in the three months ended March 31, 2016 as compared to the same period in 2015, positively impacting our television advertising revenues. See "Segment Performance" above for additional information on television advertising revenues for each of our operating countries.

Carriage fees and subscriptions: Carriage fees and subscriptions revenue increased by 6% on a constant currency basis during the three months ended March 31, 2016, as compared to the same period in 2015, primarily in the Czech Republic due to the launch of additional channels in the second half of 2015 and first quarter of 2016, in addition to high definition versions of our channels that are now included in most cable and satellite platforms. See "Segment Performance" above for additional information on carriage fees and subscription revenues.

Other revenues: Other revenues include primarily internet advertising revenues and revenues generated through the licensing of our own productions. On a constant currency basis, other revenues were broadly flat during the three months ended March 31, 2016 as compared to the same period in the prior year.

## Operating Expenses:

Content costs: Content costs (including production costs; and amortization and impairment of program rights) increased by 4% during the three months ended March 31, 2016 compared to the same period in 2015 on a constant currency basis. The increase is primarily due to more hours of local productions and an earlier start to the spring season, which was partially offset by savings from foreign programming.

Other operating costs: Other operating costs (excluding content costs, depreciation of property, plant and equipment, amortization of broadcast licenses and other intangibles as well as selling, general and administrative expenses) decreased by US\$ 0.6 million, or 3%, during the three months ended March 31, 2016 compared to the same period in 2015. On a constant currency basis, costs decreased by 1% due to lower transmission costs in Romania following the renegotiation of certain contracts in the second half of 2015 as well as lower repairs and maintenance costs.

Depreciation of property, plant and equipment: On a constant currency basis, total depreciation of property, plant and equipment increased by 6% reflecting depreciation expense on production equipment put in service in the fourth quarter of 2015.

Amortization of broadcast licenses and other intangibles: Total amortization of broadcast licenses and other intangibles decreased by US\$ 1.4 million during the three months ended March 31, 2016, compared to the same period in 2015. On a constant currency basis, the decrease of 40% is due to higher amortization expense for certain of



our trademarks in Romania that we determined were no longer indefinite-lived and began amortizing from January 1, 2015 which were subsequently divested with the sale of our Romanian studios in the fourth quarter of 2015.

Selling, general and administrative expenses: Selling, general and administrative expenses are lower during the three months ended March 31, 2016 compared to the same period in 2015 primarily due to a charge taken in the prior year related to certain tax audits in Romania (which was subsequently reversed in the third quarter of 2015). Excluding the effect of this charge, selling, general and administrative costs for the three months ended March 31, 2016 decreased due to lower professional fees and lower salaries in Romania following the restructuring actions taken there in 2015. Selling, general and administrative expenses also includes charge of US\$ 0.8 million for three months ended March 31, 2016 in respect of non-cash stock-based compensation, an increase of US\$ 0.4 million compared to March 31, 2015 (see Item 1, Note 16, "Stock-based Compensation").

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Operating income / (loss): Operating income for the three months ended March 31, 2016 was US\$ 7.8 million compared to an operating loss of US\$ 17.2 million during the same period in 2015, as net revenues on a constant currency basis increased by 4%, while our total costs decreased by 14%. Excluding the charge taken in the first quarter of 2015 related to tax audits then underway in Romania, operating income for the three months ended March 31, 2015 was US\$ 0.9 million.

Our operating margin, which is determined as operating income / loss divided by net revenues, was 6% for the three months ended March 31, 2016 compared to negative 14% for the three months ended March 31, 2015. Excluding the charge related to the Romanian tax audits, operating margin for the three months ended March 31, 2015 was 1%.

Other income / expense:

|   | For the Three Months Ended<br>March 31, (US\$ 000's) |            |                   |   |
|---|--|------------|-------------------|---|
|   | 2016   | 2015       | % Act             |   |
| Interest expense                                  | \$(49,154)   | \$(40,118) | (22.5)            | % |
| Non-operating income / (expense):                 |  |            |                   |   |
| Interest income                                   | 108  | 112        | (3.6)             | % |
| Foreign currency exchange gain / (loss), net      | 15,422   | (11,489)   | NM <sup>(1)</sup> |   |
| Change in fair value of derivatives               | (14,050)   | (1,010)    | NM <sup>(1)</sup> |   |
| Other expense, net                                | (64)   | (354)      | 81.9              | % |
| Provision for income taxes                        | (719)  | (145)      | NM <sup>(1)</sup> |   |
| Loss from discontinued operations, net of tax     | —  | (3,288)    | 100.0             | % |
| Net loss attributable to noncontrolling interests | 259  | 257        | 0.8               | % |
| Other comprehensive income / (loss):              |  |            |                   |   |
| Currency translation adjustment, net              | 19,058   | (103,764)  | NM <sup>(1)</sup> |   |
| Unrealized loss on derivative instruments         | (1,248)  | (607)      | (105.6)           | % |

<sup>(1)</sup> Number is not meaningful.

Interest expense: Interest expense during the three months ended March 31, 2016 was US\$ 49.2 million compared to US\$ 40.1 million in the three months ended March 31, 2015. The increase in interest expense is due to the refinancing of the 2015 Convertible Notes (5% per annum) with the 2019 Euro Term Loan (all-in rate of 8.5% per annum) and a higher outstanding balance on the 2017 PIK Notes and the 2017 Term Loan due to our prior elections to pay interest in kind by adding such amounts to the principal balance. The amortization of debt issuance costs and discount on issuance of the 2017 PIK Notes and 2017 Term Loan also contributed to the increase.

Interest income: We recognized interest income of US\$ 0.1 million during the three months ended March 31, 2016 compared to US\$ 0.1 million in the three months ended March 31, 2015.

Foreign currency exchange gain / (loss), net: We are exposed to fluctuations in foreign exchange rates on the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary. This includes third party receivables and payables, including certain of our Senior Debt, which are denominated in Euros, as well as certain of our intercompany loans which are not considered of a long-term investment nature. Our subsidiaries generally receive funding via loans that are denominated in currencies other than the dollar, and any change in the relevant exchange rate will require us to recognize a transaction gain or loss on revaluation. Certain of our intercompany loans are classified as long-term in nature, and therefore gains or losses on revaluation are not recorded through the statement of operations and comprehensive income / loss. See the discussion under "Currency translation adjustment, net" below.

During the three months ended March 31, 2016, we recognized a net gain of US\$ 15.4 million, comprised of transaction gains of US\$ 38.1 million relating to the revaluation of intercompany loans, transaction losses of approximately US\$ 24.3 million on our Senior Debt, and transaction gains of US\$ 1.6 million relating to the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary.

During the three months ended March 31, 2015, we recognized a net loss of US\$ 11.5 million, comprised of transaction losses of US\$ 36.5 million relating to the revaluation of intercompany loans, transaction gains of

approximately US\$ 34.7 million on our Senior Debt, and transaction losses of US\$ 9.7 million relating to the revaluation of monetary assets and liabilities denominated in currencies other than the local functional currency of the relevant subsidiary.

Change in fair value of derivatives: During the three months ended March 31, 2016, we recognized losses of US\$ 14.1 million as a result of the change in the fair value of our USD/EUR foreign currency forward contracts entered into on December 3, 2015, February 11, 2016 and February 17, 2016. During the three months ended March 31, 2015, we recognized a loss of US\$ 1.0 million as a result of the change in the fair value of our USD/EUR and USD/CZK foreign currency forward contracts that settled in the fourth quarter of 2015. See Item 1, Note 11, "Financial Instruments and Fair Value Measurements".

Other expense, net: We recognized other expense, net of US\$ 0.1 million and US\$ 0.4 million during the three months ended March 31, 2016 and 2015, respectively.

Provision for income taxes: The provision for income taxes for the three months ended March 31, 2016 of US\$ 0.7 million reflects losses on which no tax benefit has been received and a deferred tax charge on profits in Romania.

The provision for income taxes for the three months ended March 31, 2015 of US\$ 0.1 million reflects losses on which no tax benefit has been received and the reversal of tax previously deferred on inter company profit.

Our subsidiaries are subject to income taxes at statutory rates ranging from 10.0% in Bulgaria to 22.0% in the Slovak Republic.

Net loss attributable to noncontrolling interests: During the three months ended March 31, 2016, the net loss attributable to noncontrolling interests was US\$ 0.3 million compared to US\$ 0.3 million for the same period in 2015. The net loss attributable to noncontrolling interests relates to the noncontrolling interest share of losses in Bulgaria.

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Currency translation adjustment, net: The underlying equity value of our investments (which are denominated in the functional currency of the relevant entity) are converted into dollars at each balance sheet date, with any change in value of the underlying assets and liabilities being recorded as a currency translation adjustment to the balance sheet rather than net income.

In the three months ended March 31, 2016, we recognized other comprehensive income of US\$ 19.1 million compared to other comprehensive losses of US\$ 103.8 million during the three months ended March 31, 2015.

Included in these amounts are foreign exchange gains and losses on the retranslation of certain of our intercompany loans which are considered to be of a long-term investment nature, and as such, are included in accumulated other comprehensive income / loss, a component of shareholders' equity. For the three months ended March 31, 2016 and 2015, we recognized a gain of US\$ 9.5 million and losses of US\$ 99.7 million, respectively, in accumulated other comprehensive income / loss.

The following table illustrates the amount by which the exchange rate of the dollar to the functional currencies of our operations moved between January 1 and March 31, 2016 and 2015, respectively:

|                  | For the Three<br>Months Ended<br>March 31,<br>2016    2015 |    |    |   |
|------------------|--|----|----|---|
| Bulgarian Lev    | (4   | )% | 13 | % |
| Croatian Kuna    | (5   | )% | 12 | % |
| Czech Koruna     | (4   | )% | 12 | % |
| Euro             | (4   | )% | 13 | % |
| New Romanian Lei | (5   | )% | 12 | % |

The dollar weakened against the functional currencies of our operations between January 1 and March 31, 2016 compared to a significant strengthening for the same period in 2015. The following table illustrates the change in the average exchange rates of the dollar to the functional currencies of our operations between the three months ended March 31, 2016 and 2015.

|                  | Change<br>in<br>Average<br>Rates |   |
|------------------|----------------------------------|---|
| Bulgarian Lev    | 3                                | % |
| Croatian Kuna    | 2                                | % |
| Czech Koruna     | 1                                | % |
| Euro             | 3                                | % |
| New Romanian Lei | 4                                | % |

To the extent that our subsidiaries incur transaction losses in their local functional currency income statement on the revaluation of monetary assets and liabilities denominated in dollars, we recognize a gain of the same amount as a currency translation adjustment within equity when we retranslate our net investment in that subsidiary into dollars.

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The following charts depict the movement of the dollar versus the functional currencies of our operations, based on monthly closing rates, during the three months ended March 31, 2016 and March 31, 2015.

Percent Change During the Three Months Ended March 31, 2016

Percent Change During the Three Months Ended March 31, 2015

Unrealized loss on derivative instruments: The unrealized loss on derivatives of US\$ 1.2 million and US\$ 0.6 million for the three months ended March 31, 2016 and 2015, respectively, is due to the effective portion of changes in the fair value of our interest rate swaps classified as cash flow hedges and recognized in accumulated other comprehensive income / loss. See Item 1, Note 11, "Financial Instruments and Fair Value Measurements".

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Consolidated balance sheet as at March 31, 2016 and December 31, 2015:

| Condensed Consolidated Balance Sheet<br>(US\$ 000's)  |                |                   |          |    |
|---|----------------|-------------------|----------|----|
|   | March 31, 2016 | December 31, 2015 | Movement |    |
| Current assets  | \$363,933      | \$ 358,284        | 1.6      | %  |
| Non-current assets                                    | 1,130,865      | 1,082,133         | 4.5      | %  |
| Current liabilities                                   | 186,268        | 146,308           | 27.3     | %  |
| Non-current liabilities                               | 1,010,737      | 974,270           | 3.7      | %  |
| Temporary equity                                      | 245,708        | 241,198           | 1.9      | %  |
| CME Ltd. shareholders' equity                         | 51,277         | 77,260            | (33.6)   | )% |
| Noncontrolling interests in consolidated subsidiaries | 808            | 1,381             | (41.5)   | )% |

Note: The analysis below is intended to highlight the key factors that led to the movements from December 31, 2015, excluding the impact of foreign currency translation.

Current assets: Current assets at March 31, 2016 increased by US\$ 5.6 million compared to December 31, 2015.

Excluding the positive impact of foreign currency translation, current assets decreased primarily due to the prospective adoption of new accounting guidance which requires that deferred tax assets and liabilities be classified as non-current in the condensed consolidated balance sheets.

Non-current assets: Non-current assets at March 31, 2016 increased by US\$ 48.7 million compared to December 31, 2015. Excluding the positive impact of foreign currency translation, non-current assets decreased slightly primarily due to depreciation on property, plant and equipment and amortization of intangible assets and debt issuance costs associated with our 2021 Revolving Credit Facility. The decreases were partly offset by the reclassification of deferred tax assets as discussed above.

Current liabilities: Current liabilities at March 31, 2016 increased by US\$ 40.0 million compared to December 31, 2015. The increase is primarily due to higher deferred revenue balances from customer prepayments and unrealized losses on the change in fair value of certain derivative instruments with maturities in the next twelve months.

Non-current liabilities: Non-current liabilities at March 31, 2016 increased by US\$ 36.5 million compared to December 31, 2015, primarily due foreign exchange losses on the revaluation of our 2018 Euro Term Loan and 2019 Euro Term Loan as well as amortization of the original issuance discount and accrued interest on the 2017 PIK Notes. The increases were partly offset by the cash repayment of US\$ 10.0 million of Guarantee Fees on the 2018 Euro Term Loan for which we previously made an election to pay in kind.

Temporary equity: Temporary equity at March 31, 2016 increased by US\$ 4.5 million compared to December 31, 2015, due to the accretion on the Series B Convertible Redeemable Preferred Stock held by TW Investor.

CME Ltd. shareholders' equity: CME Ltd. shareholders' equity decreased by US\$ 26.0 million compared to December 31, 2015. This primarily reflects the net loss attributable to CME Ltd. of US\$ 40.4 million, a decrease in accumulated other comprehensive loss of US\$ 19.4 million due to currency translation adjustments during the three months ended March 31, 2016 and accretion of the preferred dividend paid in kind on our Series B Preferred Shares of US\$ 4.5 million.

Noncontrolling interests in consolidated subsidiaries: Noncontrolling interests in consolidated subsidiaries at March 31, 2016 decreased US\$ 0.6 million compared to December 31, 2015, due to the net loss attributable to noncontrolling interest in Bulgaria.

#### IV. Liquidity and Capital Resources

##### IV (a) Summary of Cash Flows

Cash and cash equivalents increased by US\$ 36.7 million during the three months ended March 31, 2016. The change in cash and cash equivalents for the periods presented below is summarized as follows:

For the Three  
Months Ended  
March 31, (US\$

|   |          |          |
|---|----------|----------|
|   | 000's)   |          |
|   | 2016     | 2015     |
| Net cash generated from continuing operating activities           | \$39,658 | \$30,755 |
| Net cash used in continuing investing activities                  | (6,076 ) | (7,429 ) |
| Net cash used in continuing financing activities                  | (682 )   | (851 )   |
| Net cash provided by discontinued operations                      | 328      | 114      |
| Impact of exchange rate fluctuations on cash and cash equivalents | 3,512    | (3,598 ) |
| Net increase in cash and cash equivalents                         | \$36,740 | \$18,991 |

#### Operating Activities

Cash generated from operations during the three months ended March 31, 2016 was US\$ 39.7 million compared to US\$ 30.8 million for the three months ended March 31, 2015. The improvement over the prior period reflects better OIBDA performance and lower payments for foreign programming. The improvement was partly offset by a US\$ 10.0 million payment for accrued Guarantee Fees in the first quarter of 2016. We paid cash interest of US\$ 2.6 million during the three months ended March 31, 2016 compared to US\$ 1.3 million during the three months ended March 31, 2015.

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Investing Activities

Our net cash used in investing activities of US\$ 6.1 million and US\$ 7.4 million for the three months ended March 31, 2016 and 2015, respectively, related to capital expenditures.

Financing Activities

Cash used in financing activities during the three months ended March 31, 2016 was US\$ 0.7 million compared to US\$ 0.9 million during the three months ended March 31, 2015. The amount of net cash used in financing activities in the three months ended March 31, 2016 primarily reflected fees paid for debt issuance costs and payments on capital leases. The net cash used in financing activities in the three months ended March 31, 2015 primarily reflected payment of debt issuance costs related to the 2018 Euro Term Loan which were accrued as at December 31, 2014.

Discontinued Operations

Net cash provided by discontinued operations during the three months ended March 31, 2016 was US\$ 0.3 million compared US\$ 0.1 million during the three months ended March 31, 2015. The net cash provided by discontinued operations for the three months ended March 31, 2016 is due to the receipt of deferred proceeds from the divestiture of businesses in the prior year.

IV (b) Sources and Uses of Cash

Our ongoing source of cash is primarily the receipt of payments from advertisers, advertising agencies and distributors of our television channels. We also have available the 2021 Revolving Credit Facility (see Item 1, Note 4, "Long-term Debt and Other Financing Arrangements"). As at March 31, 2016, the undrawn aggregate principal amount available under the 2021 Revolving Credit Facility was US\$ 115.0 million. Surplus cash, after funding ongoing operations, may be remitted to us, where appropriate, by our subsidiaries in the form of debt interest payments and capital repayments, dividends, and other distributions and loans from our subsidiaries.

Corporate law in the Central and Eastern European countries in which we operate stipulates 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. The reserve requirement restriction generally provides that before dividends may be distributed, a portion of annual net profits (typically 5.0%) be allocated to a reserve, which is capped at a proportion of the registered capital of a company (ranging from 5.0% to 25.0%). The restricted net assets of our consolidated subsidiaries and equity in earnings of investments accounted for under the equity method together are less than 25.0% of consolidated net assets.



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## IV (c) Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

Our future contractual obligations as at March 31, 2016 are as follows:

Payments due by period (US\$ 000's)

|                                    | Total       | Less than<br>1 year | 1-3 years | 3-5 years   | More<br>than 5<br>years |
|------------------------------------|-------------|---------------------|-----------|-------------|-------------------------|
| Long-term debt – principal         | \$1,087,195 | \$—                 | \$285,536 | \$801,659   | \$—                     |
| Long-term debt – interest          | 498,302     | 29,170              | 149,236   | 319,896     | —                       |
| Unconditional purchase obligations | 129,922     | 56,517              | 55,133    | 15,671      | 2,601                   |
| Operating leases                   | 9,336       | 3,645               | 3,400     | 993         | 1,298                   |
| Capital lease obligations          | 3,811       | 1,275               | 2,053     | 483         | —                       |
| Other long-term obligations        | 45,367      | 24,291              | 10,693    | 10,100      | 283                     |
| Total contractual obligations      | \$1,773,933 | \$114,898           | \$506,051 | \$1,148,802 | \$4,182                 |

**Long-Term Debt**

For more information on our long-term debt, see Item 1, Note 4, "Long-term Debt and Other Financing Arrangements". Interest payable on our long-term debt is calculated using exchange rates and interest rates in effect as at March 31, 2016. For the purposes of the above table, it is assumed that the Guarantee Fees will be paid in kind at each interest payment date through the maturity dates of the respective Euro Term Loan.

On April 7, 2016, we drew the 2021 Euro Term Loan, the proceeds of which, together with cash on hand, were applied towards the repayment of the 2017 Term Loan plus accrued and unpaid interest and the redemption and discharge of the 2017 PIK Notes plus accrued and unpaid interest.

Also on April 7, 2016, we extended the maturity date of the 2018 Euro Term Loan by one year to November 1, 2018; and extended the maturity date of the 2021 Revolving Credit Facility to February 19, 2021, with a borrowing capacity of US\$ 50.0 million with effect from January 1, 2018. We also amended the 2021 Revolving Credit Facility such that interest is determined on the basis of our net leverage ratio (as defined in the Reimbursement Agreement) and ranges from 10.0% (if our net leverage ratio is greater than or equal to seven times) to 7.0% per annum (if our net leverage ratio is less than five times).

**Unconditional Purchase Obligations**

Unconditional purchase obligations primarily comprise future programming commitments. At March 31, 2016, we had commitments in respect of future programming of US\$ 129.0 million. This includes contracts signed with license periods starting after March 31, 2016.

**Operating Leases**

For more information on our operating lease commitments see Item 1, Note 19, "Commitments and Contingencies".

**Other Long-Term Obligations**

Other long-term obligations are primarily comprised of digital transmission commitments.

**Other**

Top Tone Holdings has exercised its right to acquire additional equity in CME Bulgaria. If consummated, we would own 90.0% of our Bulgaria broadcast operations. The option strike price is the fair value of the equity in CME Bulgaria, as determined by an independent valuation.

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### IV (d) Cash Outlook

Prior to the difficult economic conditions in our markets that began at the end of 2008, our operations generated cash flows sufficient, in conjunction with equity and debt financing, to fund our operations and our investing activities. Since the end of 2008, cash flows from operating activities have declined and were negative in 2012, 2013 and 2014. While cash flows from operating activities were positive in 2015 and are anticipated to be positive in 2016, our election to pay interest on the 2017 PIK Notes and the 2017 Term Loan and Guarantee Fees in kind increased our leverage. In response, we have sought other capital resources to fund our operations, our debt service and other obligations, including the refinancing transaction below.

On February 19, 2016, we entered into an agreement for the EUR 468.8 million (approximately US\$ 533.7 million) 2021 Euro Term Loan, the proceeds of which were drawn on April 7, 2016, and together with cash on hand, applied toward the repayment of the 2017 Term Loan plus accrued interest and the redemption and discharge of the 2017 PIK Notes plus accrued interest. With effect from the drawing of the 2021 Euro Term Loan, we extended the maturity date of the 2018 Euro Term Loan by one year to November 1, 2018; amended the interest rate applicable to amounts drawn on the 2021 Revolving Credit Facility such that interest is determined on the basis of our net leverage ratio (as defined in the Reimbursement Agreement) and ranges from 10.0% (if our net leverage ratio is greater than or equal to seven times) to 7.0% per annum (if our net leverage ratio is less than five times); and extended the maturity date of the 2021 Revolving Credit Facility to February 19, 2021, with a borrowing capacity of US\$ 50.0 million with effect from January 1, 2018. Following these transactions, our nearest debt maturity is November 1, 2018 and our cost of borrowing has decreased.

We are continuing to take actions to conserve cash, including targeted reductions to our operating cost base through cost optimization programs, with the intention of allocating any excess cash first to the Guarantee Fee related to the 2018 Euro Term Loan in anticipation of substantially repaying the 2018 Euro Term Loan when it matures in November 2018. Following the refinancing of the 2017 Term Loan and 2017 PIK Notes, we believe we have adequate cash resources to continue operating as a going concern.

### Credit ratings and future debt issuances

Our corporate credit is rated B2 by Moody's Investors Service and B+ by Standard & Poor's, both with stable outlook. Ratings agencies have indicated that retention of these ratings is dependent on maintaining an adequate liquidity profile. If we fail to meet this liquidity parameter, it is likely that the rating agencies will downgrade us. The availability of additional liquidity is dependent upon our continued operating performance, improved financial performance and credit ratings. We are currently able to raise only a limited amount of additional debt (other than refinancing indebtedness) or under the agreements for the 2021 Revolving Credit Facility and the Reimbursement Agreement.

### Credit risk of financial counterparties

We have entered into a number of significant contracts with financial counterparties as follows:

#### Interest Rate Swaps

We are party to interest rate swap agreements to mitigate our exposure to interest rate fluctuations on our 2018 Euro Term Loan, our 2019 Euro Term Loan and our 2021 Euro Term Loan. These interest rate swaps, designated as cash flow hedges, provide the Company with variable-rate cash receipts in exchange for fixed-rate payments over the lives of the agreements, with no exchange of the underlying notional amount.

#### Foreign Exchange Forwards

We are exposed to movements in the USD to EUR exchange rates related to contractual payments under dollar-denominated agreements. To reduce this exposure, from time to time we enter into pay-Euro receive-dollar forward foreign exchange contracts. As at March 31, 2016, we had outstanding three forward foreign exchange contracts with aggregate notional amounts of approximately US\$ 82.8 million related to contractual operating payments. We also had outstanding five forward foreign exchange contracts with aggregate notional amounts of US\$ 557.0 million, which settled on April 7, 2016 in connection with the refinancing of the 2017 PIK Notes and 2017 Term Loan with the 2021 Euro Term Loan.

#### Cash Deposits

We deposit cash in the global money markets with a range of bank counterparties and review the counterparties we choose weekly. The maximum period of deposit is three months but we have more recently held amounts on deposit for shorter periods, from overnight to one month. The credit rating of a bank is a critical factor in determining the size of cash deposits and we will only deposit cash with banks of an investment rating of A or A3 or higher. In addition we also closely monitor the credit default swap spreads and other market information for each of the banks with which we consider depositing or have deposited funds.

IV (e) Off-Balance Sheet Arrangements

None.

V. Critical Accounting Policies and Estimates

Our accounting policies that have a material effect on our financial condition and results of operations are more fully described in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission ("SEC") on February 22, 2016. The preparation of these financial statements requires us to make judgments in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable. Using these estimates we make judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe our critical accounting policies are as follows: program rights, goodwill and intangible assets, impairment or disposal of long-lived assets, revenue recognition, income taxes, foreign exchange, determination of the fair value of financial instruments, contingencies and discontinued operations. These critical accounting policies affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. See Item 1, Note 2, "Basis of Presentation" for a discussion of accounting standards adopted in the period, and recently issued accounting standards not yet adopted.

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## Item 3. Quantitative and Qualitative Disclosures about Market Risk

We engage in activities that expose us to various market risks, including the effect of changes in foreign currency exchange rates and interest rates. We do not engage in speculative transactions, nor do we hold or issue financial instruments for trading purposes. The table below sets forth our market risk sensitive instruments as at the following dates:

March 31, 2016:

| Expected Maturity Dates            | 2016 | 2017    | 2018 | 2019    | 2020 | Thereafter |
|------------------------------------|------|---------|------|---------|------|------------|
| Long-term Debt (000's):            |      |         |      |         |      |            |
| Variable rate (EUR) <sup>(1)</sup> | —    | 250,800 | —    | 235,335 | —    | —          |
| Average interest rate              | —    | 1.50 %  | —    | 1.50 %  | —    | —          |
| Fixed rate (US\$)                  | —    | 540,698 | —    | —       | —    | —          |
| Average interest rate              | —    | 15.00 % | —    | —       | —    | —          |

Interest Rate Swaps (000's):

|                         |   |         |   |         |   |   |
|-------------------------|---|---------|---|---------|---|---|
| Variable to fixed (EUR) | — | 250,800 | — | 235,335 | — | — |
| Average pay rate        | — | 0.21 %  | — | 0.31 %  | — | — |
| Average receive rate    | — | —       | % | —       | % | — |

As discussed in Item 1, Note 4, "Long-term Debt and Other Financing Arrangements", as consideration for Time Warner's guarantee of the 2018 Euro Term Loan and the 2019 Euro Term Loan, we pay Guarantee Fees to Time Warner based on the amounts outstanding on the 2018 Euro Term Loan and the 2019 Euro Term Loan, each calculated such that the all-in borrowing rate on each is 8.5% per annum.

2016 Pro Forma:

As discussed in Item 1, Note 21, "Subsequent Events", on April 7, 2016, we drew the 2021 Euro Term Loan and applied the proceeds, together with cash on hand, towards the repayment of the 2017 Term Loan plus accrued interest and the redemption and discharge of the 2017 PIK Notes plus accrued interest. We also extended the maturity date of the 2018 Euro Term Loan by one year to November 1, 2018. The table below sets forth our market risk sensitive instruments, as adjusted to give effect to these transactions.

PRO FORMA

| Expected Maturity Dates              | 2016 | 2017 | 2018    | 2019    | 2020 | Thereafter            |
|--------------------------------------|------|------|---------|---------|------|-----------------------|
| Long-term Debt (000's):              |      |      |         |         |      |                       |
| Variable rate (EUR)                  | —    | —    | 250,800 | 235,335 | —    | 468,800               |
| Average interest rate <sup>(1)</sup> | —    | —    | 1.50 %  | 1.50 %  | —    | 1.50 % <sup>(2)</sup> |

Interest Rate Swaps (000's):

|                         |   |         |                        |         |   |                       |
|-------------------------|---|---------|------------------------|---------|---|-----------------------|
| Variable to fixed (EUR) | — | 250,800 | 250,800 <sup>(3)</sup> | 235,335 | — | 468,800               |
| Average pay rate        | — | 0.21 %  | 0.14 %                 | 0.31 %  | — | 0.28 % <sup>(4)</sup> |
| Average receive rate    | — | —       | %                      | %       | — | % <sup>(4)</sup>      |

As discussed in Item 1, Note 4, "Long-term Debt and Other Financing Arrangements", as consideration for Time Warner's guarantee of the 2018 Euro Term Loan and the 2019 Euro Term Loan, we pay Guarantee Fees to Time Warner based on the amounts outstanding on the 2018 Euro Term Loan and the 2019 Euro Term Loan, each calculated such that the all-in borrowing rate on each is 8.5% per annum.

The interest rate on the 2021 Euro Term Loan was determined based on the prevailing three-month EURIBOR as of the date of the drawdown, plus a margin of between 1.07% and 1.90%. If drawn on March 31, 2016, the rate on the 2021 Euro Term Loan would have been 1.50%. As consideration for Time Warner's guarantee of the 2021 Euro Term Loan, we will pay a guarantee fee to Time Warner on the amount outstanding on the 2021 Euro Term Loan calculated on a per annum basis equal to 10.5% (as of April 7, 2016, the date of the draw down) minus the actual rate of interest paid by CME to the lenders under the 2021 Euro Term Loan.

The interest rate swaps maturing in 2018 are forward starting, to coincide with the maturity date of the interest rate swaps maturing in 2017. See Item 1, Note 11, "Financial Instruments and Fair Value Measurements".

- (4) In April 2016, we entered into interest rate swaps to reduce our exposure to interest rate movements until the maturity of the 2021 Euro Term Loan on February 19, 2021.

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December 31, 2015:

| Expected Maturity Dates          | 2016 | 2017    | 2018 | 2019    | 2020 | Thereafter |
|----------------------------------|------|---------|------|---------|------|------------|
| Long-term Debt (000's):          |      |         |      |         |      |            |
| Variable rate (EUR) <sup>1</sup> | —    | 250,800 | —    | 235,335 | —    | —          |
| Average interest rate            | —    | 1.50 %  | —    | 1.50 %  | —    | —          |
| Fixed rate (US\$)                | —    | 540,698 | —    | —       | —    | —          |
| Average interest rate            | —    | 15.00 % | —    | —       | —    | —          |

Interest Rate Swaps (000's):

|                         |   |         |   |         |   |   |
|-------------------------|---|---------|---|---------|---|---|
| Variable to fixed (EUR) | — | 250,800 | — | 235,335 | — | — |
| Average pay rate        | — | 0.21 %  | — | 0.31 %  | — | — |
| Average receive rate    | — | —       | % | —       | % | — |

As discussed in Item 8, Note 4, "Long-term Debt and Other Financing Arrangements", as consideration for Time Warner's guarantee of the 2018 Euro Term Loan and the 2019 Euro Term Loan, we pay Guarantee Fees to Time

- (1) Warner based on the amounts outstanding on the 2018 Euro Term Loan and the 2019 Euro Term Loan, each calculated on a per annum basis equal to 8.5% minus the rate of interest paid by CME to the lenders under the 2018 Euro Term Loan and the 2019 Euro Term Loan, respectively.

**Foreign Currency Exchange Risk Management**

We conduct business in a number of currencies other than our functional currencies. As a result, we are subject to foreign currency exchange rate risk due to the effects that foreign exchange rate movements of these currencies have on our costs and on the cash flows we receive from our subsidiaries. In limited instances, including the transactions noted below, we enter into forward foreign exchange contracts to minimize foreign currency exchange rate risk.

On February 11, 2016, we entered into forward foreign exchange contracts to reduce our exposure to movements in the USD to EUR exchange rates related to contractual payments under dollar-denominated agreements to be made during 2016. At March 31, 2016, forward foreign exchange contracts with an aggregate notional amount of approximately US\$ 50.1 million were outstanding.

On February 17, 2016, we entered into five USD to EUR forward exchange contracts with an aggregate notional amount of US\$ 557.0 million, to reduce our exposure to USD to EUR exchange rate fluctuations in connection with the refinancing of the dollar-denominated 2017 PIK Notes and 2017 Term Loan with the 2021 Euro Term Loan. The forwards were settled on April 7, 2016.

**Interest Rate Risk Management**

The 2018 Euro Term Loan, 2019 Euro Term Loan and the 2021 Euro Term Loan bear interest at a variable rate based on EURIBOR plus an applicable margin. We are party to a number of interest rate swap agreements intended to reduce our exposure to interest rate movements (see Note 11, "Financial Instruments and Fair Value Measurements").

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Item 4. Controls and Procedures

We have established disclosure controls and procedures designed to ensure that information required to be disclosed in our Quarterly Report on Form 10-Q is recorded, processed, summarized and reported within the specified time periods and is designed to ensure that information required to be disclosed is accumulated and communicated to management, including the co-Principal Executive Officers and the Principal Financial Officer, to allow timely decisions regarding required disclosure.

Our co-Principal Executive Officers and our Principal Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2016 and concluded that our disclosure controls and procedures were effective as of that date. There has been no change in our internal control over financial reporting during the three months ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

General

We are from time to time party to legal proceedings, arbitrations and regulatory proceedings arising in the normal course of our business operations. We evaluate, on a quarterly basis, developments in such matters and provide accruals for such matters, as appropriate. In making such decisions, we consider the degree of probability of an unfavorable outcome and our ability to make a reasonable estimate of the amount of a loss. An unfavorable outcome in any such proceedings, if material, could have an adverse effect on our business or consolidated financial statements.

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### Item 1A. Risk Factors

This report and the following discussion of risk factors contain forward-looking statements as discussed in Part 1, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations". Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks and uncertainties described below and elsewhere in this report. These risks and uncertainties are not the only ones we may face. Additional risks and uncertainties of which we are not aware, or that we currently deem immaterial, may also become important factors that affect our financial condition, results of operations and cash flows.

#### Risks Relating to Our Financial Position

Our operating results will be adversely affected if we cannot generate strong advertising sales.

We generate most of our revenues from the sale of advertising airtime on our television channels. The reduction in advertising spending in our markets following the onset of the global financial crisis at the beginning of 2009 and the sustained recessionary period that followed had a negative effect on television advertising prices. While we have attempted to combat this fall in prices by implementing new pricing strategies, the success of these strategies has varied from market to market and continues to be challenged by pressure from advertisers and discounting by competitors.

In addition to advertising pricing, other factors that may affect our advertising sales include general economic conditions (described below), competition from other broadcasters and operators of other distribution platforms, audience ratings, changes in programming strategy, changes in audience preferences, our channels' technical reach, technological developments relating to media and broadcasting, seasonal trends in the advertising market, changing preferences in how and when people view content and the accompanying advertising, increased competition for the leisure time of audiences and shifts in population and other demographics. Our advertising revenues depend on our ability to maintain audience ratings and to generate GRPs, which requires maintaining investments in television programming and productions at a sufficient level to continue to attract audiences. Significant or sustained reductions in investments in programming that attracts such audiences or other operating costs in response to reduced advertising spending in our markets have had and may continue to have an adverse impact on our television viewing levels.

Reduced advertising spending, resistance to price increases and discounting of television advertising prices in our markets as well as competition for ratings from broadcasters seeking to attract similar audiences have had and may continue to have an adverse impact on our ability to maintain our advertising sales. Failure to maintain and increase advertising sales could have a material adverse effect on our financial position, results of operations and cash flows. Global or regional economic conditions and the credit crisis have adversely affected our financial position and results of operations. We cannot predict if or when economic conditions in the countries in which we operate will recover or how long any recovery may last. A failure to achieve lasting recoveries will continue to adversely affect our results of operations.

The results of our operations depend heavily on advertising revenue, and demand for advertising is affected by general economic conditions in the region and globally. The economic uncertainty affecting the global financial markets and banking system at the beginning of 2009 following the onset of the global financial crisis had a sustained adverse impact on economic growth in our operating countries. Furthermore, the economic downturn has adversely affected consumer and business spending, access to credit, liquidity, investment spending, asset values and employment rates. These adverse economic conditions have had a material negative impact on the advertising spending in our markets, leading our customers to continue to spend less on advertising than at the peak period in 2008. This has negatively impacted our financial position, results of operations and cash flows since 2008. While real GDP (as adjusted for inflation) is estimated to have improved in our markets since 2014, we cannot predict if this represents the start of a sustained recovery or how long it will last. In addition, although we believe the economies of the countries in which we operate and advertising intensity will converge with developed nations, such convergence may not occur in the time frame we expect, or at all. In addition, the occurrence of disasters, acts of terrorism, civil or military conflicts or general political instability and responses to it, such as the imposition of economic sanctions against Russia, may also cause a deterioration in general economic conditions that may reduce advertising spending. Any of these developments would have a significant negative effect on our financial position, results of operations and cash flows.



Concerns regarding the stability of the Eurozone may continue to adversely affect our financial position and results of operations.

Continued economic softness in the Eurozone, including a slow down in the growth of consumer prices, prompted the European Central Bank to embark upon quantitative easing in 2015. Economic events related to the sovereign debt crisis in several European Union countries have also highlighted issues relating to the strength of the banking sector in Europe. Though the European Union has created external funding and stability mechanisms to provide liquidity and financial assistance to Eurozone member states and financial institutions, there can be no assurance that the market disruptions in Europe related to sovereign debt and the banking sector, including the increased cost of funding for certain governments and financial institutions, will not continue, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilize affected banks, countries and markets in Europe or elsewhere. The departure of a country from the Euro or the dissolution of the Euro could cause significant volatility and disruption in the global economy, which would negatively impact our business.

Our liquidity constraints and debt service obligations may restrict our ability to fund our operations.

We have significant debt service obligations under the 2018 Euro Term Loan, the 2019 Euro Term Loan and the 2021 Euro Term Loan, as well as the 2021 Revolving Credit Facility (when drawn). Furthermore, we are paying Guarantee Fees to Time Warner as consideration for its guarantees of the 2018 Euro Term Loan, the 2019 Euro Term Loan and the 2021 Euro Term Loan (collectively, the "TW Guarantees"). Although the entire Guarantee Fee in respect of the 2018 Euro Term Loan and the 2019 Euro Term Loan are, and a portion of the Guarantee Fee in respect of the 2021 Euro Term Loan can be, non-cash pay at our option, accruing such fees will further increase the amounts to be repaid at the maturity of these facilities. Accordingly, the payment of Guarantee Fees in kind will increase our already significant leverage. As a result of our debt service obligations and covenants contained in the related loan agreements, we are restricted under the 2021 Revolving Credit Facility (when drawn) and the Reimbursement Agreement in the manner in which our business is conducted, including but not limited to our ability to obtain additional debt financing to refinance existing indebtedness or to fund future working capital, capital expenditures, business opportunities or other corporate requirements. We may have a proportionally higher level of debt than our competitors, which may put us at a competitive disadvantage by limiting our flexibility in planning for, or reacting to, changes in our business, economic conditions and our industry. For additional information regarding the Reimbursement Agreement and the TW Guarantees, see Part I, Item I, Note 4, "Long-term Debt and Other Financing Arrangements".

Fluctuations in exchange rates may continue to adversely affect our results of operations.

Our reporting currency is the dollar and CME Ltd.'s functional currency is the Euro. Our consolidated revenues and costs are divided across a range of European currencies. The strengthening of the dollar had a negative impact on reported revenues in 2015 when translated from the functional currencies of our operations. While we expect our revenues will continue to increase in 2016 in our operating currencies, a strong dollar would continue to have a negative impact on our

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reported revenues. Furthermore, fluctuations in exchange rates may negatively impact programming costs. While local programming is generally purchased in local currencies, a significant portion of our content costs relate to foreign programming purchased pursuant to dollar-denominated agreements. If the dollar appreciates against the functional currencies of our operating segments, the cost of acquiring such content would be adversely affected, which could have a material adverse effect on our results of operations and cash flows.

We may be unable to refinance our existing indebtedness and may not be able to obtain favorable refinancing terms. We have a substantial amount of indebtedness and we face the risk that we will not be able to renew, repay or refinance our indebtedness when due, or that the terms of any renewal or refinancing will not be on better terms than those of such indebtedness being refinanced. Under the 2021 Revolving Credit Facility (when drawn), and the Reimbursement Agreement, we can incur only limited amounts of additional indebtedness, other than indebtedness incurred to refinance existing indebtedness. In addition, pursuant to the Reimbursement Agreement, the all-in rates on the 2021 Euro Term Loan and the 2018 Euro Term Loan increase to 13% and 11%, respectively, on the date that is 180 days following a change of control (as defined therein); and pursuant to the 2021 Revolving Credit Facility, all commitments terminate following a change of control (as defined therein) and the interest rate on amounts outstanding increases to 13% on the date that is 180 days following such change of control. In the event we are not able to refinance our indebtedness, we might be forced to dispose of assets on disadvantageous terms or reduce or suspend operations, any of which would materially and adversely affect our financial condition, results of operations and cash flows.

We may be subject to changes in tax rates and exposure to additional tax liabilities.

We are subject to taxes in a number of foreign jurisdictions, including in respect of our operations as well as capital transactions undertaken by us. We are subject to regular review and audit by tax authorities, and in the ordinary course of our business there are many transactions and calculations where the ultimate tax determination is uncertain. Significant judgment is required in determining our provision for taxes. The final determination of our tax liabilities resulting from tax audits, related proceedings or otherwise could be materially different from our tax provisions. Economic and political pressures to increase receipts in various jurisdictions may make taxation and tax rates subject to significant change and the satisfactory resolution of any tax disputes more difficult. The occurrence of any of these events could have a material adverse effect on our financial position, results of operations and cash flows.

A default by us in connection with our obligations under our outstanding indebtedness could result in our inability to continue to conduct our business.

Pursuant to the terms of the agreements governing the 2021 Revolving Credit Facility (when drawn) and the Reimbursement Agreement, we pledged all of the shares of CME NV and of CME BV, which together own substantially all of the interests in our operating subsidiaries, as security for this indebtedness. If we or these subsidiaries were to default under the terms of any of the relevant indentures or agreements, the secured parties under such indentures and agreements would have the ability to sell all or a portion of the assets pledged to them in order to pay amounts outstanding under such debt instruments. This could result in our inability to conduct our business.

We may not be successful in continuing our attempts to diversify and enhance our revenues.

We are focused on creating additional revenue streams from our broadcast operations as well as increasing revenues generated from broadcast advertising, which is how we generate most of our revenues. Our main efforts with respect to this strategy are on increasing carriage fees from cable and satellite operators for carriage of our channels as well as continuing to seek improvements in advertising pricing. We are also working to build-out our offerings of advertising video-on-demand products and other opportunities for advertising online. During prior negotiations to implement our carriage fees strategy, some cable and satellite operators suspended the broadcast of our channels, which affects the reach and audience shares of those operations and as a result, advertising revenues. There is a risk that operators may refuse to carry our channels while carriage fee negotiations are ongoing or that clients withdraw advertising from our channels or reduce spending as a result of reduced coverage, or that going forward we will not be successful in renewing carriage fee agreements on the same or better terms, which may have an adverse impact on our results of operations and cash flows. If we are ineffective in achieving further carriage fee increases, our profitability will continue to be dependent primarily on television advertising revenues, which increases the importance placed on our ability to improve advertising pricing and generate advertising revenues. There can be no assurances that our revenue

diversification initiatives will ultimately be successful, and if unsuccessful, this may have an adverse impact on our results of operations and cash flows.

A downgrading of our ratings may adversely affect our ability to raise additional financing.

Moody's Investors Service rates our corporate credit as B2 with a stable outlook. Standard & Poor's rates our corporate credit B+ with a stable outlook. These ratings reflect each agency's opinion of our financial strength, operating performance and ability to meet our debt obligations as they become due. Credit rating agencies view liquidity and the key ratios associated with it, such as gross leverage ratio, as a particular priority. We may be subject to downgrades if we fail to maintain adequate levels of liquidity. In the event our debt or corporate credit ratings are lowered by the rating agencies, it will be more difficult for us to refinance our existing indebtedness or raise new indebtedness that may be permitted under the 2021 Revolving Credit Facility (when drawn) and the Reimbursement Agreement, and we will have to pay higher interest rates, which would have an adverse effect on our financial position, results of operations and cash flows.

If our goodwill, other intangible assets and long-lived assets become impaired, we may be required to record significant charges to earnings.

We review our long-lived assets for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Goodwill and indefinite-lived intangible assets are required to be assessed for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying amount of our goodwill, indefinite-lived intangible assets or long-lived assets may not be recoverable include slower growth rates in our markets, reduced expected future cash flows, increased country risk premium as a result of political uncertainty and a decline in stock price and market capitalization. We consider available current information when calculating our impairment charge. If there are indicators of impairment, our long-term cash flow forecasts for our operations deteriorate or discount rates increase, we may be required to recognize additional impairment charges in later periods. See Part I, Item I, Note 3, "Goodwill and Intangible Assets" for the carrying amounts of goodwill in each of our reporting units.

Changes to our business could result in future costs or charges.

We periodically adjust our business strategy in response to particular events and circumstances, including economic conditions, industry changes and technological developments. In connection with the implementation of new strategies, we may decide to restructure certain of our operations, businesses or assets in order to optimize our cost structure and capture operating efficiencies. Such events in the future could result in restructuring and other charges and the incurrence of additional costs or may require significant management time to implement. If any such charges are material, they could have an adverse impact on our results of operations and cash flows.

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Risks Relating to Our Operations

Content may become more expensive to produce or acquire or we may not be able to develop or acquire content that is attractive to our audiences.

Television programming is one of the most significant components of our operating costs. The ability of programming to generate advertising revenues depends substantially on our ability to develop, produce or acquire programming that matches audience tastes and attracts high audience shares, which is difficult to predict. The commercial success of a program depends on several tangible and intangible factors, including the impact of competing programs, the availability of alternate forms of entertainment and leisure time activities, our ability to anticipate and adapt to changes in consumer tastes and behavior, and general economic conditions. While we have been successful in reducing content costs compared to prior periods, the cost of acquiring content attractive to our viewers, such as feature films and popular television series and formats, may increase in the future. Our expenditures in respect of locally produced programming may also increase due to competition for talent and other necessary resources and changes in audience tastes in our markets as well as from the implementation of any new laws and regulations mandating the broadcast of a greater number of locally produced programs. In addition, we typically acquire syndicated programming rights under multi-year commitments before knowing how such programming will perform in our markets. In the event any such programming does not attract adequate audience share, it may be necessary to increase our expenditures by investing in additional programming, subject to the availability of adequate financial resources, as well as to write down the value of any underperforming programming. Any material increase in content costs could have a material adverse effect on our financial condition, results of operations and cash flows.

Our operations are vulnerable to significant changes in viewing habits and technology that could adversely affect us. The television broadcasting industry is affected by rapid innovations in technology. The implementation of these new technologies and the introduction of non-traditional content distribution systems have increased competition for audiences and advertisers. Platforms such as direct-to-home cable and satellite distribution systems, the Internet, subscription and advertising video-on-demand, user-generated content sites and the availability of content on portable digital devices have changed consumer behavior by increasing the number of entertainment choices available to audiences and the methods for the distribution, storage and consumption of content. This development has fragmented television audiences in more developed markets and could adversely affect our ability to retain audience share and attract advertisers as such technologies penetrate our markets. As we adapt to changing viewing patterns, it may be necessary to expend substantial financial and managerial resources to ensure necessary access to new technologies or distribution systems. Such initiatives may not develop into profitable business models. Furthermore, technologies that enable viewers to choose when, how, where and what content to watch, as well as to fast-forward or skip advertisements, may cause changes in consumer behavior that could have a negative impact on our advertising revenues. In addition, compression techniques and other technological developments allow for an increase in the number of channels that may be broadcast in our markets and expanded programming offerings that may be offered to highly targeted audiences. Reductions in the cost of launching new channels could lower entry barriers and encourage the development of increasingly targeted niche programming on various distribution platforms. This could increase the competitive demand for popular programming, resulting in an increase in content costs as we compete for audiences and advertising revenues. A failure to successfully adapt to changes in our industry as a result of technological advances may have an adverse effect on our financial position, results of operations and cash flows.

Our operating results are dependent on the importance of television as an advertising medium.

We generate most of our revenues from the sale of our advertising airtime on television channels in our markets. Television competes with various other media, such as print, radio, the internet and outdoor advertising, for advertising spending. In all of the countries in which we operate, television constitutes the single largest component of all advertising spending. There can be no assurances that the television advertising market will maintain its current position among advertising media in our markets. Furthermore, there can be no assurances that changes in the regulatory environment or improvements in technology will not favor other advertising media or other television broadcasters. Increases in competition among advertising media arising from the development of new forms of advertising media and distribution could result in a decline in the appeal of television as an advertising medium generally or of our channels specifically. A decline in television advertising spending as a component of total

advertising spending in any period or in specific markets would have an adverse effect on our financial position, results of operations and cash flows.

Piracy of our content may decrease revenues we can earn from our content and adversely impact our business and profitability.

Piracy of our content poses significant challenges in our markets. Technological developments, including digital copying, file compressing, the use of international proxies and the growing penetration of high bandwidth internet connections, have made it easier to create, transmit and distribute high quality unauthorized copies of content in unprotected digital formats. Furthermore, there are a growing number of video streaming sites, increasing the risk of online transmission of our content without consent. The proliferation of such sites broadcasting content pirated from us could result in a reduction of revenues that we receive from the legitimate distribution of our content, including through video-on-demand and other services. Protection of our intellectual property is in large part dependent on the manner in which applicable intellectual property laws in the countries in which we operate are construed and enforced. We seek to limit the threat of content piracy. However, detecting and policing the unauthorized use of our intellectual property is often difficult and remedies may be limited under applicable law. Steps we take may not prevent the infringement by third parties. There can be no assurance that our efforts to enforce our rights and protect our intellectual property will be successful in preventing piracy, which limits our ability to generate revenues from our content.

Our operations are in developing markets where there are additional risks related to political and economic uncertainty, biased treatment and compliance with evolving legal and regulatory systems.

Our revenue-generating operations are located in Central and Eastern Europe and we may be significantly affected by risks that may be different to those posed by investments in more developed markets. These risks include, but are not limited to, social and political instability, inconsistent regulatory or judicial practice, and increased taxes and other costs. The economic and political systems, legal and tax regimes, regulatory practices, standards of corporate governance and business practices of countries in this region continue to develop. Policies and practices may be subject to significant adjustments, including following changes in political leadership. This may result in social or political instability or disruptions and the potential for political influence on the media as well as inconsistent application of tax and legal regulations, arbitrary treatment before regulatory or judicial authorities and other general business risks. Other potential risks inherent in markets with evolving economic and political environments include exchange controls, higher taxes, tariffs and other levies as well as longer payment cycles. The relative level of development of our markets and the influence of local politics also present a potential for biased treatment of us before regulators or courts in the event of disputes. If such a dispute occurs, those regulators or courts might favor local interests over our interests. Ultimately, this could lead to the loss of one or more of our business operations.

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Furthermore, we must comply with a wide variety of laws and other regulatory obligations in these jurisdictions. Compliance with foreign as well as applicable U.S. laws and regulations related to our businesses, such as broadcasting content and advertising regulations, competition regulations, tax laws, employment laws, data protection requirements, and anti-corruption laws, increases the costs and risks of doing business in these jurisdictions. We have implemented policies and procedures that are designed to ensure our employees, contractors and agents comply with these laws and regulations; however, a violation of such laws and regulations or the Company's policies and procedures could occur. For example, we have become aware of provisions in the tax regulations of one of our markets that shift the liability for taxes on gains resulting from certain capital transactions from the seller to the buyer, which may have been applicable to an acquisition made by us. While we do not believe we have any liability connected to this transaction, any failure to comply with applicable laws and regulations, whether inadvertent or otherwise, may result in legal or regulatory proceedings being initiated against us. Any legal and regulatory proceedings or developments in respect of our compliance with, or changes in the interpretation or application of, existing laws or regulations, may require us to incur substantial costs, cause us to change our business practices, damage our reputation or expose us to unanticipated civil or criminal liability, including fines and other penalties that may be substantial. This could have a material adverse effect on our business, financial position, results of operations and cash flows.

We may not be aware of all related party transactions, which may involve risks of conflicts of interest and result in transactions being concluded on less favorable terms than could be obtained in arm's-length transactions. In our markets, the officers, general directors, other members of management or employees of our operating companies may have other business interests, including interests in television and other media-related companies. We may not be aware of all business interests or relationships that exist with respect to entities with which our operating companies enter into transactions. Transactions with related parties, whether or not we are aware of any such relationships between our employees and third parties, may present conflicts of interest and may result in the conclusion of transactions on terms that are not arm's-length. It is likely that we and our subsidiaries will continue to enter into related party transactions in the future. In the event there are transactions with persons who subsequently are determined to be related parties or affiliates, we may be required to make additional disclosure and, if such contracts are material, may not be in compliance with certain covenants under the 2021 Revolving Credit Facility (when drawn) or the Reimbursement Agreement. Any related party transaction that is entered into on terms that are not arm's-length may result in a negative impact on our financial position, results of operations and cash flows.

We rely on network and information systems and other technology that may be subject to disruption or misuse, which could harm our business or our reputation.

We make extensive use of network and information systems and other technologies, including those related to our internal network management as well as our broadcasting operations. These systems are central to many of our business activities. Network and information systems-related events, such as computer hackings, computer viruses, worms or other destructive or disruptive software, process breakdowns, malicious activities or other security breaches could result in a disruption or degradation of our services, the loss of information or the improper disclosure of personal data. The occurrence of any of these events could negatively impact our business by requiring us to expend resources to remedy such a security breach or by harming our reputation. In addition, improper disclosure of personal data could subject us to liability under laws that protect personal data in the countries in which we operate. The development and maintenance of systems to prevent these events from occurring requires ongoing monitoring and updating as efforts to overcome security measures become more sophisticated. As technologies evolve, we will need to expend additional resources to protect our technology and information systems, which could have an adverse impact on our results of operations.

Our broadcasting licenses may not be renewed and may be subject to revocation.

We require broadcasting and, in some cases, other operating licenses as well as other authorizations from national regulatory authorities in our markets in order to conduct our broadcasting business. While our broadcasting licenses for our operations in Slovenia and the Slovak Republic are valid for indefinite time periods, our other broadcasting licenses expire at various times through 2028. While we expect that our material licenses and authorizations will be renewed or extended as required to continue to operate our business, we cannot guarantee that this will occur or that

they will not be subject to revocation, particularly in markets where there is relatively greater political risk as a result of less developed political and legal institutions. The failure to comply in all material respects with the terms of broadcasting licenses or other authorizations or with applications filed in respect thereto may result in such licenses or other authorizations not being renewed or otherwise being terminated. Furthermore, no assurances can be given that renewals or extensions of existing licenses will be issued on the same terms as existing licenses or that further restrictions or conditions will not be imposed in the future. Any non-renewal or termination of any other broadcasting or operating licenses or other authorizations or material modification of the terms of any renewed licenses may have a material adverse effect on our financial position, results of operations and cash flows.

Our success depends on attracting and retaining key personnel.

Our success depends partly upon the efforts and abilities of our key personnel and our ability to attract and retain key personnel. Our management teams have significant experience in the media industry and have made important contributions to our growth and success. Although we have been successful in attracting and retaining such people in the past, competition for highly skilled individuals is intense. There can be no assurance that we will continue to be successful in attracting and retaining such individuals in the future. The loss of the services of any of these individuals could have an adverse effect on our businesses, results of operations and cash flows.

#### Risks Relating to Enforcement Rights

We are a Bermuda company and enforcement of civil liabilities and judgments may be difficult.

We are a Bermuda company. Substantially all of our assets and all of our operations are located, and all of our revenues are derived, outside the United States. In addition, several of our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, investors may be unable to effect service of process within the United States upon such persons, or to enforce against them judgments obtained in the United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws. There is uncertainty as to whether the courts of Bermuda and the countries in which we operate would enforce (a) judgments of United States courts obtained against us or such persons predicated upon the civil liability provisions of the United States federal and state securities laws or (b) in original actions brought in such countries, liabilities against us or such persons predicated upon the United States federal and state securities laws.

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Our bye-laws restrict shareholders from bringing legal action against our officers and directors.

Our bye-laws contain a broad waiver by our shareholders of any claim or right of action in Bermuda, both individually and on our behalf, against any of our officers or directors. The waiver applies to any action taken or concurred in by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty.

### Risks Relating to our Common Stock

Our share price may be adversely affected by sales of unregistered shares or future issuances of our shares.

Time Warner is the largest holder of shares of our Class A common stock, holding 61,407,775 unregistered shares of Class A common stock, one share of Series A preferred stock, 200,000 shares of Series B preferred stock and warrants to acquire 100,926,996 shares of our Class A common stock (the "TW Warrants"). The share of Series A preferred stock is convertible into 11,211,449 shares of Class A common stock. The shares of Series B preferred stock are convertible into shares of Class A common stock from June 25, 2016 at the option of Time Warner (subject to certain exceptions). As of March 31, 2016, the 200,000 shares of Series B preferred stock were convertible into approximately 101.4 million shares of Class A common stock. The TW Warrants are exercisable for shares of Class A common stock from May 2, 2016 until May 2, 2018, subject to the right of Time Warner to exercise such warrants prior to May 2, 2016 in certain circumstances. Time Warner has registration rights with respect to all its shares of Class A common stock now held or hereafter acquired. Furthermore, there are additional unregistered shares of our Class A common stock outstanding and shares of Class A common stock underlying other warrants that may enter into trading. For additional information on the Series A preferred stock, Series B preferred stock and TW Warrants, see Part I, Item I, Note 12, "Convertible Redeemable Preferred Shares" and Note 13, "Equity".

We cannot predict what effect, if any, the entry into trading of previously issued unregistered shares of Class A common stock will have on the market price of our shares. We may also issue additional shares of Class A common stock or securities convertible into our equity in the future. If more shares of our Class A common stock (or securities convertible into or exchangeable for shares of our Class A common stock) are issued to Time Warner, the economic interests of current shareholders may be diluted and the price of our shares may be adversely affected.

The interests of Time Warner may conflict with the interests of other investors.

Time Warner is able to exercise voting power in us with respect to 49.4% of our outstanding shares of Class A common stock. As such, Time Warner is in a position to exercise significant influence over the outcome of corporate actions requiring shareholder approval, such as the election of directors or certain transactions. Following the issuance of the TW Warrants, the aggregate economic interest of Time Warner in us is approximately 75.8%, (without giving effect to the accretion of the Series B Preferred Stock after March 31, 2016). Furthermore, Time Warner has the right to appoint one less than the number required to constitute a majority of our board of directors, provided that Time Warner continues to own not less than 40% of the voting power of the Company. In addition, we are party to an amended investor rights agreement with Time Warner and the other parties thereto under which, among other things, Time Warner was granted a contractual preemptive right (subject to certain exclusions) with respect to issuances of the Company's equity securities, which permits it to maintain its pro rata economic interest as well as a right to top any offer that would result in a change of control of the Company. Under Bermuda law, there is no takeover code or similar legislation requiring an acquirer of a certain percentage of our Class A common stock to tender for the remaining publically held shares. In certain circumstances, the interests of Time Warner as our largest shareholder could be in conflict with the interests of minority shareholders.

Furthermore, in addition to being our largest shareholder, Time Warner is our largest secured creditor, as it guarantees 100% of our outstanding senior indebtedness following our recent financing transactions and is the lender under the 2021 Revolving Credit Facility. The 2021 Revolving Credit Facility and the Reimbursement Agreement contain maintenance covenants in respect of interest cover, cash flow cover and total leverage ratios and includes covenants in respect of the incurrence of indebtedness (including refinancing indebtedness), the provision of guarantees, acquisitions and disposal and granting security. As such, Time Warner may be in a position to determine whether to permit transactions, waive defaults or accelerate such indebtedness or take other steps in its capacity as a secured



creditor in a manner that might not be consistent with the interests of the holders of our Class A common stock. The price of our Class A common stock is likely to remain volatile.

The market price of shares of our Class A common stock may be influenced by many factors, some of which are beyond our control, including those described above under “Risks Relating to Our Operations” as well as the following: general economic and business trends, variations in quarterly operating results, license renewals, regulatory developments in our operating countries and the European Union, the condition of the media industry in our operating countries, the volume of trading in shares of our Class A common stock, future issuances of shares of our Class A common stock and investors’ and securities analysts’ perception of us and other companies that investors or securities analysts deem comparable in the television broadcasting industry. In addition, stock markets in general have experienced extreme price and volume fluctuations that have often been unrelated to and disproportionate to the operating performance of broadcasting companies. These broad market and industry factors may materially reduce the market price of shares of our Class A common stock, regardless of our operating performance.

Our business could be negatively impacted as a result of shareholder activism.

On November 18, 2015, TCS Capital Management, LLC, a beneficial owner of more than 10% of our shares, submitted a letter to the Board of Directors and filed a Schedule 13D disclosing its ownership interest. In recent years, shareholder activists, such as TCS Capital, have become involved in numerous public companies. Shareholder activists frequently propose to involve themselves in the governance, strategic direction and operations of the Company. Such proposals may disrupt our business and divert the attention of our management and employees, and any perceived uncertainties as to our future direction resulting from such a situation could result in the loss of potential business opportunities, be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel and business partners, all of which could adversely affect our business. In addition, actions of activist shareholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

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Item 6. Exhibits

| Exhibit Number | Description  |
|----------------|--|
| 10.01*         | Credit Agreement dated as of February 19, 2016 among CME Media Enterprises B.V., as borrower, Central European Media Enterprises Ltd., as guarantor, BNP Paribas, as administrative agent, Time Warner Inc., as guarantor, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 22, 2016).   |
| 10.02*         | Amendment dated as of February 19, 2016 to the Credit Agreement dated as of November 14, 2014, among Central European Media Enterprises Ltd., as borrower, BNP Paribas, as administrative agent, Time Warner Inc., as guarantor, and the lenders party thereto (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 22, 2016).   |
| 10.03*         | Amendment dated as of February 19, 2016 to the Credit Agreement dated as of September 30, 2015, among Central European Media Enterprises Ltd., as borrower, BNP Paribas, as administrative agent, Time Warner Inc., as guarantor, and the lenders party thereto (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on February 22, 2016).  |
| 10.04*         | Amendment and Restatement Agreement in respect of the Amended and Restated Revolving Loan Facility Credit Agreement dated as of November 14, 2014, as amended and restated as of February 19, 2016 among Central European Media Enterprises Ltd., as borrower, Time Warner Inc. as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on February 22, 2016). |
| 10.05*         | Amended and Restated Reimbursement Agreement dated as of November 14, 2014 as amended and restated as of February 19, 2016 among Central European Media Enterprises Ltd., CME Media Enterprises B.V., and Time Warner Inc., as credit guarantor (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed on February 22, 2016).  |
| 10.06*         | Pledge Agreement on Shares in Central European Media Enterprises N.V. dated February 19, 2016 among Central European Media Enterprises Ltd., as pledgor, Time Warner Inc., as pledgee, and Central European Media Enterprises N.V. (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed on February 22, 2016).  |
| 10.07*         | Deed of Pledge of Shares (CME Media Enterprises B.V.) dated February 19, 2016 among Central European Media Enterprises N.V., as pledgor, Time Warner Inc. as pledgee, and CME Media Enterprises B.V. (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K filed on February 22, 2016).  |
| 10.08*         | Deed of Amendment dated February 19, 2016 to the Intercreditor Agreement dated July 21, 2006, as amended and restated, among Central European Media Enterprises Ltd., Central European Media Enterprises N.V., CME Media Enterprises B.V., and the other parties thereto (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K filed on February 22, 2016).  |
| 10.09*         | Intercreditor Agreement dated July 21, 2006, as amended and restated, among Central European Media Enterprises Ltd., Central European Media Enterprises N.V., CME Media Enterprises B.V., and the other parties thereto (incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K filed on February 22, 2016).   |

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| 10.10+  | Form of Restricted Stock Unit Award Agreement (performance-based vesting) (for use from March 2015).   |
| 10.11+  | Form of Restricted Stock Unit Award Agreement (time-based vesting) (2015 Plan, for use from March 2016).   |
| 31.01   | Certification of Co-Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                |
| 31.02   | Certification of Co-Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                |
| 31.03   | Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                   |
| 32.01   | Certifications of co-Principal Executive Officers and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only). |
| 101.INS | XBRL Instance Document   |
| 101.SCH | XBRL Taxonomy Schema Document  |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document  |

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101.DEF XBRL Taxonomy Definition Linkbase Document

101.LAB XBRL Taxonomy Label Linkbase Document

101.PRE XBRL Taxonomy Presentation Linkbase Document

\* Previously filed exhibits.

+ Exhibit is a management contract or compensatory plan.

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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.

/s/ David Sturgeon

David Sturgeon

Date: April 27, 2016 Executive Vice President and Chief Financial Officer  
Principal Financial Officer and Principal Accounting  
Officer

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