CENTRAL EUROPEAN MEDIA ENTERPRISES LTD
Form 10-Q
October 30, 2014
Index

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

FORM 10-Q

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

For the quarterly period ended September 30, 2014

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

Commission File Number: 0-24796

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

BERMUDA	98-0438382
(State or other jurisdiction of incorporation and organization)	(IRS Employer Identification No.)
O'Hara House, 3 Bermudiana Road, Hamilton, Bermuda	HM 08
(Address of principal executive offices)	(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 T 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 T 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 T Non-accelerated filer £ Smaller reporting company £

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

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

Class	Outstanding as of October 24, 2014
Class A Common Stock, par value $0.08	135,335,258

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CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.
FORM 10-Q
For the quarterly period ended September 30, 2014

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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)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$72,681	$103,624
Accounts receivable, net (Note 7)	130,106	174,081
Program rights, net (Note 6)	117,632	109,238
Other current assets (Note 8)	44,050	45,182
Assets held for sale (Note 3)	1,110	22,661
Total current assets	365,579	454,786
Non-current assets		
Property, plant and equipment, net (Note 9)	172,383	198,292
Program rights, net (Note 6)	248,276	288,344
Goodwill (Note 4)	714,824	782,870
Broadcast licenses and other intangible assets, net (Note 4)	194,997	223,815
Other non-current assets (Note 8)	57,712	13,766
Total non-current assets	1,388,192	1,507,087
Total assets	$1,753,771	$1,961,873
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	$222,154	$290,377
Current portion of long-term debt and other financing arrangements (Note 5)	1,034	2,111
Other current liabilities (Note 11)	32,736	16,629
Liabilities held for sale (Note 3)	1,110	7,105
Total current liabilities	257,034	316,222
Non-current liabilities		
Long-term debt and other financing arrangements (Note 5)	805,839	962,943
Other non-current liabilities (Note 11)	63,532	33,817
Total non-current liabilities	869,371	996,760
Commitments and contingencies (Note 20)		
Temporary equity		
200,000 shares of Series B Convertible Redeemable Preferred Stock of $0.08 each (December 31, 2013 - 200,000) (Note 13)	219,770	207,890
EQUITY		
CME Ltd. shareholders' equity (Note 14):		
One share of Series A Convertible Preferred Stock of $0.08 each (December 31, 2013 – one)	—	—
135,335,258 shares of Class A Common Stock of $0.08 each (December 31, 2013 – 134,837,442)	10,827	10,787
Nil shares of Class B Common Stock of $0.08 each (December 31, 2013 – nil)	—	—
Additional paid-in capital	1,932,722	1,704,066
Accumulated deficit	(1,415,407)	(1,262,916)
Accumulated other comprehensive loss	(120,954)	(11,829)

Total CME Ltd. shareholders’ equity	407,188	440,108
Noncontrolling interests	408	893
Total equity	407,596	441,001
Total liabilities and equity	$1,753,771	$1,961,873

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Net revenues	$140,149	$130,988	$496,256	$437,214
Operating expenses:				
Content costs	76,582	90,555	259,435	276,465
Other operating costs	25,823	30,938	82,593	92,731
Depreciation of property, plant and equipment	8,496	8,557	26,091	27,630
Amortization of broadcast licenses and other intangibles (Note 4)	3,081	3,791	9,592	11,418
Cost of revenues	113,982	133,841	377,711	408,244
Selling, general and administrative expenses	34,465	36,888	110,294	103,467
Restructuring costs (Note 15)	342	4,192	8,628	8,890
Operating loss	(8,640)	(43,933)	(377)	(83,387)
Interest income	59	166	354	579
Interest expense (Note 16)	(37,103)	(23,816)	(104,112)	(87,002)
Loss on extinguishment of debt (Note 5)	—	—	(24,161)	(23,115)
Foreign currency exchange (loss) / gain, net	(6,018)	43,711	(6,410)	8,906
Change in fair value of derivatives (Note 12)	—	—	2,311	104
Other income / (expense), net	22	(232)	(1,746)	(657)
Loss from continuing operations before tax	(51,680)	(24,104)	(134,141)	(184,572)
(Provision) / credit for income taxes	(658)	2,296	(948)	13,609
Loss from continuing operations	(52,338)	(21,808)	(135,089)	(170,963)
Loss from discontinued operations, net of tax (Note 3)	(144)	(1,465)	(18,532)	(2,361)
Net loss	(52,482)	(23,273)	(153,621)	(173,324)
Net loss attributable to noncontrolling interests	344	182	1,130	995
Net loss attributable to CME Ltd.	$(52,138)	$(23,091)	$(152,491)	$(172,329)
Net loss	$(52,482)	$(23,273)	$(153,621)	$(173,324)
Currency translation adjustment	(101,543)	70	(108,480)	(8,874)
Comprehensive loss	(154,025)	(23,203)	(262,101)	(182,198)
Comprehensive (income) / loss attributable to noncontrolling interests	(240)	339	485	1,103
Comprehensive loss attributable to CME Ltd.	$(154,265)	$(22,864)	$(261,616)	$(181,095)
PER SHARE DATA (Note 18):				
Net loss per share:				
Continuing operations attributable to CME Ltd. - Basic	$(0.38)	$(0.17)	$(1.00)	$(1.46)
Continuing operations attributable to CME Ltd. - Diluted	$(0.38)	$(0.17)	$(1.00)	$(1.46)
Discontinued operations attributable to CME Ltd. - Basic	$(0.00)	$(0.01)	$(0.12)	$(0.02)
Discontinued operations attributable to CME Ltd. - Diluted	$(0.00)	$(0.01)	$(0.12)	$(0.02)
Net loss attributable to CME Ltd. – Basic	$(0.38)	$(0.18)	$(1.12)	$(1.48)
Net loss attributable to CME Ltd. – Diluted	$(0.38)	$(0.18)	$(1.12)	$(1.48)

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

Basic	146,610	145,695	146,477	118,944
Diluted	146,610	145,695	146,477	118,944

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. Series A Convertible Preferred Stock		Class A Common Stock		Class B Common Stock						
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Equity
BALANCE December 31, 2013	1	$—	134,837,442	$10,787	—	$—	$1,704,066	$(1,262,916)	$(11,829)	$893	$441,001
Stock-based compensation	—	—	—	—	—	—	990	—	—	—	990
Warrant issuance, net	—	—	—	—	—	—	239,586	—	—	—	239,586
Share issuance, stock-based compensation	—	—	497,816	40	—	—	(40)	—	—	—	—
Preferred dividend paid in-kind	—	—	—	—	—	—	(11,880)	—	—	—	(11,880)
Net loss	—	—	—	—	—	—	—	(152,491)	—	(1,130)	(153,621)
Currency translation adjustment	—	—	—	—	—	—	—	—	(109,125)	645	(108,480)
BALANCE September 30, 2014	1	$—	135,335,258	$10,827	—	$—	$1,932,722	$(1,415,407)	$(120,954)	$408	$407,596

	CME Ltd. Series A Convertible Preferred Stock		Class A Common Stock		Class B Common Stock						
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Equity
BALANCE December 31, 2012	1	$—	77,185,129	$6,174	—	$—	$1,556,250	$(982,513)	$46,150	$5,206	$631,267

Stock-based compensation	—	—	—	—	—	—	3,886	—	—	—	3,886
Share issuance, net	—	—	57,132,931	4,571	—	—	147,082	—	—	—	151,653
Reclassification of capped call options	—	—	—	—	—	—	2,752	(2,752)	—	—	—
Share issuance, stock-based compensation	—	—	171,125	14	—	—	(14)	—	—	—	—
Preferred dividend paid in-kind	—	—	—	—	—	—	(4,032)	—	—	—	(4,032)
Dividends	—	—	—	—	—	—	—	—	—	(445)	(445)
Acquisition of noncontrolling interests	—	—					(261)			261	—
Net loss	—	—	—	—	—	—	—	(172,329)	—	(995)	(173,324)
Currency translation adjustment	—	—	—	—	—	—	—	—	(8,766)	(108)	(8,874)
BALANCE September 30, 2013	1	$—	134,489,185	$10,759	—	$—	$1,705,663	$(1,157,594)	$37,384	$3,919	$600,131

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 Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(153,621)	$(173,324)
Adjustments to reconcile net loss to net cash used in continuing operating activities:		
Loss from discontinued operations, net of tax (Note 3)	18,532	2,361
Amortization of program rights	251,754	269,948
Depreciation and other amortization	62,486	47,584
Loss on extinguishment of debt (Note 5)	24,161	23,115
Loss on disposal of fixed assets	949	110
Stock-based compensation (Note 17)	990	3,886
Change in fair value of derivatives (Note 12)	—	(104)
Foreign currency exchange gain, net	(851)	(8,906)
Net change in (net of effects of disposals of businesses):		
Accounts receivable, net	31,701	46,199
Accounts payable and accrued liabilities	(12,191)	11,943
Program rights	(287,854)	(266,789)
Other assets	1,097	(2,728)
Accrued interest	23,424	(9,183)
Income taxes payable	2,429	(6,307)
Deferred revenue	13,790	17,808
Deferred taxes	284	(11,562)
VAT and other taxes payable	4,503	1,214
Net cash used in continuing operating activities	$(18,417)	$(54,735)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	$(20,376)	$(20,884)
Disposal of property, plant and equipment	162	246
Net cash used in continuing investing activities	$(20,214)	$(20,638)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Senior Debt	$221,374	$—
Repayments of Senior Debt	(400,673)	(310,322)
Debt transaction costs	(12,779)	(785)
Change in restricted cash	—	20,467
Proceeds from credit facilities	16,824	826
Payment of credit facilities and capital leases	(1,370)	(1,715)
Issuance of common stock	—	157,116
Issuance of common stock warrants	191,825	—
Issuance of preferred stock	—	200,000

Equity issuance costs	—	(5,410)
Dividends paid to holders of noncontrolling interests	(46)	(273)
Net cash provided by continuing financing activities	$15,155	$59,904
Net cash used in discontinued operations - operating activities	(673)	(1,047)
Net cash (used in) / provided by discontinued operations - financing activities	(107)	273
Impact of exchange rate fluctuations on cash and cash equivalents	(6,687)	(434)
Net decrease in cash and cash equivalents	$(30,943)	$(16,677)
CASH AND CASH EQUIVALENTS, beginning of period	103,624	138,679
CASH AND CASH EQUIVALENTS, end of period	$72,681	$122,002

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

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES		
Accretion on Series B Convertible Redeemable Preferred Stock	$11,880	$4,032
Interest paid in-kind	727	—

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

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.

We have market leading broadcast operations in six countries in Central and Eastern Europe broadcasting a total of 33 television channels. Each country also develops and produces content for their television channels and we license content to third parties. 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. Our main general entertainment television channels in each country are distributed on a free-to-air basis terrestrially and are also distributed via cable and satellite. Our other channels are generally distributed via cable and satellite. 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.BG, 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 five other channels, NOVA CINEMA, NOVA SPORT, FANDA, SMICHOV and TELKA.

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 two other channels, DOMA (Slovak Republic) and DAJTO.

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 korunas; 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, 2013 included in the unaudited condensed consolidated financial statements have been derived from audited consolidated financial statements as of that date, adjusted for discontinued operations. 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, 2013 filed with the Securities and Exchange Commission ("SEC") on February 28, 2014. Our significant accounting policies have not changed since December 31, 2013, 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.

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

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.

During the first quarter of 2014, we concluded a comprehensive review of the future benefit of program rights and of the appropriateness of our program rights policy. We perform our review on a triennial basis or when events occur or circumstances change that would so require. This triennial review included a study of the relative value generated by all runs of a license in past periods. We concluded that the existing allocation for acquired program rights with an estimated two or three runs was still appropriate. However, we estimate that the first run of our own-produced program rights library will generate more value relative to subsequent runs than our previous estimate. As a result, the prospective change in estimate had following impacts on results for three and nine months ended September 30, 2014:

	For the Three Months Ended September 30, 2014	For the Nine Months Ended September 30, 2014
(Decrease) / increase in content costs	$(1,540)	$4,270
(Decrease) / increase in loss from continuing operations	(1,540)	4,270
(Decrease) / increase in net loss attributable to CME Ltd.	(1,540)	4,270
PER SHARE DATA:		
(Decrease) / increase in loss from continuing operations - basic and diluted	$(0.01)	$0.03
(Decrease) / increase in net loss attributable to CME Ltd. - basic and diluted	(0.01)	0.03

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.

Discontinued Operations

We present our results of operations, financial position and cash flows of operations that have either been sold or that meet the criteria for "held-for-sale accounting" as discontinued operations if the cash flows associated with the group of assets will be significantly eliminated from the ongoing operations of the Company and we will have no significant continuing involvement in the group of assets after the disposal transaction. At the time an operation qualifies for held-for-sale accounting, the operation is evaluated to determine whether or not the carrying amount exceeds its fair value less cost to sell. Any loss as a result of carrying amounts in excess of fair value less cost to sell is recorded in the period the operation meets held-for-sale accounting. Management judgment is required to (1) assess the criteria required to meet held-for-sale accounting, and (2) estimate fair value. Changes to the operation could cause it to no longer qualify for held-for-sale accounting and changes to fair value could result in an increase or decrease to previously recognized losses. In 2013, we expressed our commitment to focusing on our core broadcasting assets and seeking alternatives, including potential divestiture, of our non-core assets. We continue to assess the status of our non-core assets and if we ultimately divest these assets, it is possible that we may recognize losses on their disposal, which may be material.

Fair Value Estimates

Fair value is the price an asset or liability could be exchanged in an arm's-length orderly transaction between knowledgeable, able and willing parties that is not a forced sale or liquidation. US GAAP requires significant management estimates in determining fair value. The extent of management's judgments is highly dependent on the valuation model employed and the observability of inputs to the fair value model. The level of management judgment required in establishing fair value of financial instruments is more significant where there is no active market in which the instrument is traded. For financial instruments that are not remeasured through net income, including the Initial Warrants and the Unit Warrants (see Note 5, "Long-term Debt and Other Financing Arrangements" and Note 14, "Equity"), we estimate fair value at issuance and account for the instrument at amortized cost. For financial instruments that are remeasured through net income, we assess the fair value of the instrument at each period end or earlier when events occur or circumstances change that would so require (see Note 12, "Financial Instruments and Fair Value Measurements").

Recent Accounting Pronouncements

Accounting Pronouncements Adopted

There are no accounting pronouncements adopted in the current period that are expected to have an impact on our condensed consolidated financial statements.

Recent Accounting Pronouncements Issued

In April 2014, the Financial Accounting Standards Board (the "FASB") issued new guidance which is intended to change the requirements for reporting discontinued operations. Upon adoption of the guidance, the disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations only if the disposal represents a strategic shift that will have a major effect on an entity's operations and financial results. The guidance is effective for all disposals that occur subsequent to January 1, 2015. The adoption of this guidance may impact how we present and disclose discontinued operations in our 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)

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 the fiscal year beginning January 1, 2017. The Company is currently in the process of evaluating the impact of the adoption of this guidance on our condensed consolidated financial statements.

3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Bontonfilm

On June 6, 2014, we completed the sale of Bontonfilm, our theatrical and home video distribution business operating in the Czech Republic and Slovak Republic, and a component of our Czech Republic reporting unit. We classified Bontonfilm as held for sale in our condensed consolidated balance sheets and as a discontinued operation in our condensed consolidated statements of operations and comprehensive income and condensed consolidated statements of cash flows. These impacts have been retroactively applied to all periods presented. The proceeds from the sale were not material.

Pro Video

In the second quarter of 2014, we committed to a plan to sell Pro Video Romania and Pro Video Hungary, our home video distribution businesses operating in Romania and Hungary, respectively, both of which are components of our Romania reporting unit. We met the criteria to classify these businesses as held for sale in our condensed consolidated balance sheets. In addition, as the expected continuing cash flows and continuing involvement will not be significant, we classified these businesses as discontinued operations in our condensed consolidated statements of operations and comprehensive income and condensed consolidated statements of cash flows. These impacts have been retroactively applied to all periods presented.

The carrying amounts of the major classes of assets and liabilities held for sale in the condensed consolidated balance sheets at September 30, 2014 and December 31, 2013 were:

	September 30, 2014	December 31, 2013
Assets held for sale		
Cash and cash equivalents	$515	$1,372
Accounts receivable, net	1,330	10,496
Inventory	1,357	5,863
Other assets	2,052	4,930
Total assets held for sale	5,254	22,661
Fair value adjustment	(4,144)	—
Assets held for sale, net	$1,110	$22,661
Liabilities held for sale		
Accounts payable and accrued liabilities	$1,056	$6,029
Other liabilities	54	1,076
Total liabilities held for sale	$1,110	$7,105

Loss from discontinued operations, net of taxes, comprised the following for the three and nine months ended September 30, 2014 and 2013:

	For the Three Months Ended September 30,	For the Nine Months Ended September 30,

	2014	2013	2014	2013
Net revenues	$1,362	$4,850	$9,765	$15,911
Loss from discontinued operations before income taxes	(284)	(1,140)	(2,207)	(2,492)
Credit / (provision) for income taxes	(13)	(325)	18	131
Loss from discontinued operations, net of taxes, before loss on sale	(297)	(1,465)	(2,189)	(2,361)
Gain / (loss) on sale of divested businesses, net of taxes [1]	153	—	(16,343)	—
Loss from discontinued operations, net of taxes	$(144)	$(1,465)	$(18,532)	$(2,361)

(1) Amount includes the loss on the sale of Bontonfilm and the fair value adjustment required to measure assets held for sale at fair value less costs to sell of our Pro Video businesses.

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4. GOODWILL AND INTANGIBLE ASSETS

Goodwill:

Goodwill by reporting unit as at September 30, 2014 and December 31, 2013 is summarized as follows:

	Gross Balance, December 31, 2013	Accumulated Impairment Losses	Balance, December 31, 2013	Foreign Currency	Balance, September 30, 2014	Accumulated Impairment Losses	Gross Balance, September 30, 2014
Bulgaria	$ 179,609	$ (144,639)	$ 34,970	$ (3,043)	$ 31,927	$ (144,639)	$ 176,566
Croatia	11,149	(10,454)	695	(55)	640	(10,454)	11,094
Czech Republic	876,447	(287,545)	588,902	(52,834)	536,068	(287,545)	823,613
Romania	109,028	(11,028)	98,000	(6,832)	91,168	(11,028)	102,196
Slovak Republic	60,303	—	60,303	(5,282)	55,021	—	55,021
Slovenia	19,400	(19,400)	—	—	—	(19,400)	19,400
Total	$ 1,255,936	$ (473,066)	$ 782,870	$ (68,046)	$ 714,824	$ (473,066)	$ 1,187,890

Broadcast licenses and other intangible assets:

Changes in the net book value of our broadcast licenses and other intangible assets as at September 30, 2014 and December 31, 2013 are summarized as follows:

		Amortized Intangible Assets			
	Trademarks	Broadcast Licenses	Customer Relationships	Other	Total
BALANCE December 31, 2013	$ 112,477	$ 97,807	$ 12,042	$ 1,489	$ 223,815
Amortization	—	(6,488)	(2,879)	(225)	(9,592)
Disposal	—	—	—	(683)	(683)
Foreign currency movements	(9,375)	(8,302)	(820)	(46)	(18,543)
BALANCE September 30, 2014	$ 103,102	$ 83,017	$ 8,343	$ 535	$ 194,997

Our broadcast licenses above represents our license in the Czech Republic, which is amortized on a straight-line basis through the expiration date of the license, which is 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. Trademarks have an indefinite life.

The gross value and accumulated amortization of broadcast licenses and other intangible assets was as follows as at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Gross value	$ 289,325	$ 318,600
Accumulated amortization	(197,430)	(207,262)
Net book value of amortized intangible assets	91,895	111,338
Indefinite-lived trademarks	103,102	112,477
Total broadcast licenses and other intangible assets, net	$ 194,997	$ 223,815

5. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Summary

	September 30, 2014	December 31, 2013
Senior debt	$ 782,176	$ 956,956
Total credit facilities and capital leases	24,697	8,098
Total long-term debt and other financing arrangements	806,873	965,054

Less: current maturities	(1,034)	(2,111)
Total non-current long-term debt and other financing arrangements	$805,839	$962,943

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Financing Transactions

On February 28, 2014, we announced our intention to conduct a rights offering (the "Rights Offering") and a series of related financing transactions with Time Warner Media Holdings B.V. ("TW Investor") and Time Warner Inc. ("Time Warner"). The Rights Offering and related financing transactions have been undertaken pursuant to a framework agreement (the "Framework Agreement") dated February 28, 2014 among the Company, TW Investor and Time Warner.

On May 2, 2014, we issued and sold 4,000,000 units in the Rights Offering and related financing transactions for gross proceeds of US$ 400.0 million. Time Warner and TW Investor purchased 3,377,476 of the units, including 581,533 units in a private placement to Time Warner conducted contemporaneously with the Rights Offering and 566,299 units purchased by Time Warner in a private placement pursuant to a backstop it provided for the Rights Offering. Each unit consisted of (i) a 2017 PIK Note (as defined below) in the original principal amount of US$ 100.00 and (ii) 21 unit warrants (each, a "Unit Warrant"), with each Unit Warrant entitling a holder to purchase one share of our Class A common stock for US$ 1.00 per share. We issued US$ 400.0 million in aggregate original principal amount of 2017 PIK Notes (as defined below) and 84,000,000 Unit Warrants in the Rights Offering and related financing transactions. Concurrently with the closing of the Rights Offering and pursuant to a term loan credit agreement between us and Time Warner (the "2017 Term Loan Agreement"), Time Warner funded the 2017 Term Loan (as defined below). In addition, at the closing of the Rights Offering, we entered into an agreement with Time Warner for a revolving credit facility in the aggregate principal amount of US$ 115.0 million that will mature on December 1, 2017 (the "2017 Revolving Credit Facility"). In connection with these transactions, we issued Time Warner and TW Investor warrants to purchase 30,000,000 shares of Class A common stock (the "Initial Warrants") with substantially the same terms as the Unit Warrants.

We applied the net proceeds of the Rights Offering and related financing transactions and a portion of the 2017 Term Loan to discharge the indenture governing the 11.625% Senior Notes due 2016 (the "2016 Fixed Rate Notes") on May 2, 2014, including the early redemption premium and accrued interest thereon of approximately EUR 15.9 million (approximately US$ 22.0 million, at transaction date exchange rates) and EUR 6.7 million (approximately US$ 9.3 million, at transaction date exchange rates), respectively. We recognized a loss on extinguishment of the 2016 Fixed Rate Notes of US$ 24.2 million upon redemption.

Overview

Total senior debt and credit facilities comprised the following at September 30, 2014:

	Principal Amount of Liability Component	Unamortized (Discount) / Premium	Net Carrying Amount	Equity Component
2015 Convertible Notes	$261,034	$(12,217)	$248,817	$11,907
2017 Fixed Rate Notes	301,992	4,215	306,207	—
2017 PIK Notes [1]	400,000	(172,848)	227,152	178,626
2017 Term Loan [2] [3]	30,727	(12,774)	17,953	13,199
2017 Revolving Credit Facility [3]	—	—	—	50,596
Other credit facilities [4]	3,580	(491)	3,089	—
Total senior debt and credit facilities	$997,333	$(194,115)	$803,218	

(1) The 2017 PIK Notes were issued, along with the Unit Warrants, as a unit in the Rights Offering and related financing transactions. The equity component above represents the fair value ascribed to the Unit Warrants (see Note 14, "Equity"). The fair value is accounted for as a discount on the 2017 PIK Notes and is being

amortized over the life of the 2017 PIK Notes using the effective interest method.

(2) The original principal amount of the 2017 Term Loan was US$ 30.0 million. Amount presented represents original principal amount plus interest paid-in-kind by adding such amount to the outstanding principal amount.

(3) The equity component of the 2017 Term Loan and 2017 Revolving Credit Facility represents the fair value ascribed to the Initial Warrants (see Note 14, "Equity") based on the relative borrowing capacity of these facilities. The fair value is accounted for as a discount on the 2017 Term Loan, which is being amortized over the life of the 2017 Term Loan using the effective interest method; and as debt issuance costs for the 2017 Revolving Credit Facility, which are being amortized on a straight-line basis over the lives of the respective instruments.

(4) The unamortized discount on the Other credit facilities represents the fair value adjustment recorded on issuance of the CNC loans (as defined and further described in item (e) under the heading 'Credit Facilities and Capital Lease Obligations' below).

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Senior Debt

Our senior debt comprised the following at September 30, 2014 and December 31, 2013:

	Carrying Amount	
	September 30, 2014	December 31, 2013
2015 Convertible Notes	$248,817	$ 241,193
2016 Fixed Rate Notes	—	379,182
2017 Fixed Rate Notes	306,207	336,581
2017 PIK Notes	227,152	—
	$782,176	$ 956,956

Convertible Notes

2015 Convertible Notes

As at September 30, 2014, the principal amount of our 5.0% Senior Convertible Notes due 2015 (the “2015 Convertible Notes”), outstanding was US$ 261.0 million.

Interest is payable semi-annually in arrears on each May 15 and November 15. The 2015 Convertible Notes mature on November 15, 2015. The fair value of the liability component of the 2015 Convertible Notes as at September 30, 2014 of US$ 255.5 million (December 31, 2013: US$ 237.0 million) was calculated by multiplying the outstanding debt by the traded market price. This measurement of estimated fair value uses Level 2 inputs as described in Note 12, "Financial Instruments and Fair Value Measurements".

The 2015 Convertible Notes are secured senior obligations and rank pari passu with all existing and future senior indebtedness and are effectively subordinated to all existing and future indebtedness of our subsidiaries. The amounts outstanding are jointly and severally guaranteed by Central European Media Enterprises N.V. (“CME NV”) and CME Media Enterprises B.V. ("CME BV") and are secured by a pledge of shares of those companies.

Prior to August 15, 2015, the 2015 Convertible Notes are convertible following certain events and from that date, at any time, based on an initial conversion rate of 20 shares of our Class A common stock per US$ 1,000 principal amount of 2015 Convertible Notes (which is equivalent to an initial conversion price of US$ 50.00 per share). The conversion rate is subject to adjustment if we make certain distributions to the holders of shares of our Class A common stock, undergo certain corporate transactions or a fundamental change, and in other circumstances specified in the 2015 Convertible Notes. From time to time up to and including August 15, 2015, we will have the right to elect to deliver (i) shares of our Class A common stock, (ii) cash, or (iii) cash and, if applicable, shares of our Class A common stock upon conversion of the 2015 Convertible Notes. At present, we have elected to deliver cash and, if applicable, shares of our Class A common stock. As at September 30, 2014, the 2015 Convertible Notes may not be converted. In addition, the holders of the 2015 Convertible Notes have the right to put the 2015 Convertible Notes to us for cash equal to the aggregate principal amount of the 2015 Convertible Notes plus accrued but unpaid interest thereon following the occurrence of certain specified fundamental changes (including a change of control (which includes the acquisition by a person or group (as such term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership of more than 50% of the outstanding shares of our Class A common stock), certain mergers, insolvency and a delisting).

We separately account for the liability and equity components of the 2015 Convertible Notes. The embedded conversion option is not accounted for as a derivative.

	Principal Amount of Liability	Unamortized Discount	Net Carrying Amount	Equity Component

	Component			
BALANCE December 31, 2013	$261,034	$(19,841)	$241,193	$11,907
Amortization of debt issuance discount	—	7,624	7,624	—
BALANCE September 30, 2014	$261,034	$(12,217)	$248,817	$11,907

The issuance discount is being amortized over the life of the 2015 Convertible Notes using the effective interest method. The effective interest rate on the liability component was 10.0%.
Certain other derivative instruments have been identified as being embedded in the 2015 Convertible Notes, but as they are considered to be clearly and closely related to the 2015 Convertible Notes they are not accounted for separately.
Fixed Rate Notes
2017 Fixed Rate Notes
As at September 30, 2014, the principal amount of the 9.0% Senior Secured Notes due 2017 ("the 2017 Fixed Rate Notes") outstanding was EUR 240.0 million (approximately US$ 302.0 million).

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Interest is payable semi-annually in arrears on each May 1 and November 1. The 2017 Fixed Rate Notes mature on November 1, 2017. The fair value of the 2017 Fixed Rate Notes as at September 30, 2014 of US$ 312.9 million (December 31, 2013: US$ 344.2 million) was calculated by multiplying the outstanding debt by the traded market price. This measurement of estimated fair value uses Level 2 inputs as described in Note 12, "Financial Instruments and Fair Value Measurements".

In the first quarter of 2014, our wholly-owned subsidiary CET 21 spol. s r.o. ("CET 21") solicited and received consents from holders of the 2017 Fixed Rate Notes. We solicited consent to certain amendments to the indenture governing the 2017 Fixed Rate Notes to permit the financing transaction described above. We paid a consent fee to holders of the 2017 Fixed Rate Notes of EUR 0.6 million (US$ 0.8 million at the transaction date), which is being amortized over the life of the 2017 Fixed Rate Notes using the straight-line method, which approximates the effective interest method.

The 2017 Fixed Rate Notes are secured senior obligations of CET 21. The 2017 Fixed Rate Notes rank pari passu with all existing and future senior indebtedness of CET 21 and are effectively subordinated to all existing and future indebtedness of our other subsidiaries. The amounts outstanding are jointly and severally guaranteed by CME Ltd. and by our wholly-owned subsidiaries CME NV, CME BV, CME Investments B.V., CME Slovak Holdings B.V. ("CME SH") and MARKÍZA-SLOVAKIA, spol. s r.o. ("Markiza") and are secured by a pledge of the shares of CME NV, CME BV, CET 21 and CME SH, as well as an assignment of certain contractual rights. The terms of the 2017 Fixed Rate Notes restrict the manner in which the Company's and CET 21's business is conducted, including the incurrence of additional indebtedness, the making of investments, the payment of dividends or the making of other distributions, entering into certain affiliate transactions and the sale of assets.

In the event that (A) there is a change in control by which (i) any party other than certain of our present shareholders becomes the beneficial owner of more than 35% of our total voting power; (ii) we agree to sell substantially all of our operating assets; or (iii) there is a specified change in the composition of a majority of our Board of Directors; and (B) on the 60th day following any such change of control the rating of the 2017 Fixed Rate Notes is either withdrawn or downgraded from the rating in effect prior to the announcement of such change of control, we can be required to repurchase the 2017 Fixed Rate Notes at a purchase price in cash equal to 101.0% of the principal amount of the 2017 Fixed Rate Notes plus accrued and unpaid interest to the date of purchase.

The 2017 Fixed Rate Notes are redeemable at our option, in whole or in part, at the redemption prices set forth below:

From	Fixed Rate Notes Redemption Price	
November 1, 2014 to October 31, 2015	104.50	%
November 1, 2015 to October 31, 2016	102.25	%
November 1, 2016 and thereafter	100.00	%

Certain derivative instruments, including redemption call options and change of control and asset disposition put options, have been identified as being embedded in the 2017 Fixed Rate Notes but as they are considered clearly and closely related to the 2017 Fixed Rate Notes, they are not accounted for separately.

2017 PIK Notes

As at September 30, 2014, the principal amount of the 15.0% Senior Secured Note due 2017 (the "2017 PIK Notes") outstanding was US$ 400.0 million. Interest is payable semi-annually in arrears on each June 1 and December 1, commencing on December 1, 2014, which the Company must pay in-kind on a semi-annual basis until November 15, 2015 by adding such accrued interest to the principal amount of the 2017 PIK Notes and thereafter may pay such accrued interest in cash or in-kind. The 2017 PIK Notes mature on December 1, 2017. The fair value of the 2017 PIK Notes as at September 30, 2014 of US$ 424.9 million was calculated by a combination of trade history of the 2017

PIK Notes in a market that is not active and based on comparable instruments that trade in markets that are active. These measurements of estimated fair value both use Level 2 inputs as described in Note 12, "Financial Instruments and Fair Value Measurements".

The 2017 PIK Notes are senior secured obligations of CME, and are jointly and severally guaranteed by CME NV and CME BV and are secured by a pledge over 100% of the outstanding shares of each of CME NV and CME BV. The terms of the 2017 PIK Notes contain limitations on CME’s ability to incur indebtedness, incur guarantees, grant liens, enter into certain affiliate transactions, consolidate, merge or effect a corporate reconstruction, and make certain investments.

In the event that (A) there is a change in control by which (i) any party other than certain of our present shareholders becomes the beneficial owner of more than 35% of our total voting power; (ii) we agree to sell substantially all of our operating assets; (iii) there is a specified change in the composition of a majority of our Board of Directors; or (iv) the adoption by our shareholders of a plan to liquidate; and (B) on the 60th day following any such change of control the rating of the 2017 PIK Notes is either withdrawn or downgraded from the rating in effect prior to the announcement of such change of control, we can be required to repurchase the 2017 Fixed Rate Notes at a purchase price in cash equal to 101.0% of the principal amount of the 2017 PIK Notes plus accrued and unpaid interest to the date of purchase.

The 2017 PIK Notes are redeemable at our option, in whole or in part, at a redemption price equal to 100% of the principal amount thereof.

Certain derivative instruments, including contingent event of default and change of control put options, have been identified as being embedded in the 2017 PIK Notes. The embedded derivatives are not considered clearly and closely related to the 2017 PIK Notes, and as such are required to be accounted for separately. The probability-weighted fair value of the embedded derivatives was not material at issuance or at September 30, 2014.

Indenture Covenants

Under the terms of the indentures governing the 2017 Fixed Rate Notes and the 2017 PIK Notes, we are largely restricted from raising debt at the corporate level or making certain payments or investments if the ratio of Consolidated EBITDA to Consolidated Interest Expense of CME Ltd. and its Restricted Subsidiaries (as each is defined in the respective indentures) is less than 2.0 times. In addition, under the indenture governing the 2017 Fixed Rate Notes, CET 21 and its subsidiaries are restricted from incurring indebtedness if the ratio of Consolidated Indebtedness to Consolidated EBITDA of CET 21 and its Restricted Subsidiaries (as each is defined therein) would exceed 2.25 times.

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Credit Facilities and Capital Lease Obligations

Credit facilities and capital lease obligations comprised the following at September 30, 2014 and December 31, 2013:

		September 30, 2014	December 31, 2013
2017 Term Loan	(a)	$ 17,953	$ —
2017 Revolving Credit Facility	(b)	—	—
Credit facilities	(c) – (e)	3,089	3,755
Capital leases		3,655	4,343
Total credit facilities and capital leases		24,697	8,098
Less: current maturities		(1,034)	(2,111)
Total non-current credit facilities and capital leases		$ 23,663	$ 5,987

(a) As at September 30, 2014, the principal amount outstanding of the 15.0% term loan facility due 2017 (the "2017 Term Loan") was US$ 30.7 million. The carrying value of the 2017 Term Loan is comprised of the original outstanding principal amount of US$ 30.0 million less an issuance discount plus interest for which we made an election to pay in-kind. Interest is payable semi-annually in arrears on each June 30 and December 31, which the Company may pay in cash or in-kind. The 2017 Term Loan matures on December 1, 2017. The fair value of the 2017 Term Loan as at September 30, 2014 of US$ 32.3 million was determined based on comparable instruments that trade in markets that are active. This measurement of estimated fair value uses Level 2 inputs as described in Note 12, "Financial Instruments and Fair Value Measurements".

The 2017 Term Loan 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 terms of the 2017 Term Loan 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 2017 Term Loan also contains maintenance covenants in respect of interest cover, cash flow cover and total leverage ratios, and has more restrictive provisions, including covenants in respect of incurring indebtedness, the provision of guarantees, making investments and granting security and certain events of defaults, than corresponding provisions contained in the indenture governing the 2017 Fixed Rate Notes and the 2017 PIK Notes.

Under the terms of the 2017 Term Loan, we are permitted to prepay the 2017 Term Loan in whole, but not in part, subject to the concurrent repayment and discharge of the 2017 PIK Notes.

Certain derivative instruments, including contingent event of default and change of control put options, have been identified as being embedded in the 2017 Term Loan. The embedded derivatives are not considered clearly and closely related to the 2017 Term Loan, and as such are required to be accounted for separately. The probability-weighted fair value of the embedded derivatives was not material at issuance or at September 30, 2014.

(b) As at September 30, 2014, we had no drawings outstanding under the 2017 Revolving Credit Facility. The 2017 Revolving Credit Facility bears interest at a rate per annum based on, at our option, an alternative base rate plus 13.0% or an amount equal to the greater of (i) an adjusted LIBO rate and (ii) 1.0%, plus, in each case, 14.0%, which the Company may pay in cash or in-kind by adding such accrued interest to the applicable principal amount drawn under the 2017 Revolving Credit Facility. The 2017 Revolving Credit Facility matures on December 1, 2017.

The 2017 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 covenants are substantially the same as under the 2017 Term Loan.

Each borrowing under the 2017 Revolving Credit Facility must be in integral multiples of US$ 1.0 million and not less than US$ 20.0 million. The 2017 Revolving Credit Facility permits prepayment at our option in whole or in part without penalty.

(c) We have a cash pooling arrangement with Bank Mendes Gans (“BMG”), a subsidiary of ING Bank N.V. (“ING”), 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 September 30, 2014, we had deposits of US$ 21.0 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, 2013, we had deposits of US$ 21.8 million in and drawings of US$ 0.8 million on the BMG cash pool.

(d) As at September 30, 2014 and December 31, 2013, there were no drawings outstanding under a CZK 910.0 million (approximately US$ 41.6 million) factoring framework agreement with Factoring Ceska Sporitelna (“FCS”). Under this facility up to CZK 910.0 million (approximately US$ 41.6 million) may be factored on a recourse or non-recourse basis. The facility bears interest at one-month PRIBOR plus 2.5% for the period that actively assigned accounts receivable are outstanding.

(e) At September 30, 2014, our operations in Romania had an aggregate principal amount of RON 12.5 million (approximately US$ 3.6 million) (December 31, 2013, RON 12.5 million, approximately US$ 3.6 million based on September 30, 2014 rates) of loans outstanding with the Central National al Cinematografei ("CNC"), a Romanian governmental organization which provides financing for qualifying filmmaking projects. Upon acceptance of a particular project, the CNC awards an agreed level of funding to each project in the form of an interest-free loan. Loans from the CNC are typically advanced for a period of ten years and are repaid through the proceeds from the distribution of the film content. At September 30, 2014, we had 15 loans outstanding with the CNC with maturity dates ranging from 2014 to 2024. The carrying amounts at September 30, 2014 and December 31, 2013 are net of a fair value adjustment of US$ 0.5 million and US$ 0.6 million, respectively, arising on acquisition.

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Total Group

At September 30, 2014, the maturity of our senior debt and credit facilities was as follows:

2014	$—
2015	261,034
2016	—
2017	733,113
2018	485
2019 and thereafter	2,701
Total senior debt and credit facilities	997,333
Net discount	(194,115)
Carrying amount of senior debt and credit facilities	$803,218

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 September 30, 2014:

2014	$307
2015	1,117
2016	898
2017	739
2018	409
2019 and thereafter	426
Total undiscounted payments	3,896
Less: amount representing interest	(241)
Present value of net minimum lease payments	$3,655

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6. PROGRAM RIGHTS

Program rights comprised the following at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Program rights:		
Acquired program rights, net of amortization	$256,707	$266,352
Less: current portion of acquired program rights	(117,632)	(109,238)
Total non-current acquired program rights	139,075	157,114
Produced program rights – Feature Films:		
Released, net of amortization	6,728	6,529
Completed and not released	—	550
In production	242	1,600
Development and pre-production	572	804
Produced program rights – Television Programs:		
Released, net of amortization	65,928	76,984
Completed and not released	11,811	24,755
In production	21,331	17,109
Development and pre-production	2,589	2,899
Total produced program rights	109,201	131,230
Total non-current acquired program rights and produced program rights	$248,276	$288,344

7. ACCOUNTS RECEIVABLE

Accounts receivable comprised the following at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Unrelated customers	$147,414	$189,082
Less: allowance for bad debts and credit notes	(17,405)	(16,191)
Related parties	182	1,479
Less: allowance for bad debts and credit notes	(85)	(289)
Total accounts receivable	$130,106	$174,081

At September 30, 2014, there were CZK 155.4 million (approximately US$ 7.1 million) (December 31, 2013: CZK 13.1 million, approximately US$ 0.6 million based on September 30, 2014 rates) of receivables subject to the factoring framework agreement (see Note 5, "Long-term Debt and Other Financing Arrangements").

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8. OTHER ASSETS

Other current and non-current assets comprised the following at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Current:		
Prepaid acquired programming	$25,277	$22,566
Other prepaid expenses	7,212	6,617
Deferred tax	5,451	1,483
VAT recoverable	3,167	4,465
Income taxes recoverable	391	3,236
Restricted cash	113	606
Other	2,439	6,209
Total other current assets	$44,050	$45,182

	September 30, 2014	December 31, 2013
Non-current:		
Capitalized debt costs	$54,692	$9,272
Deferred tax	705	829
Other	2,315	3,665
Total other non-current assets	$57,712	$13,766

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. The increase in capitalized debt costs from December 31, 2013 is primarily due to the issuance of the Initial Warrants pursuant to the Framework Agreement, a portion of which is accounted for as capitalized debt costs related to the 2017 Revolving Credit Facility (see Note 5, "Long-term Debt and Other Financing Arrangements").

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Land and buildings	$161,439	$174,144
Machinery, fixtures and equipment	195,960	214,066
Other equipment	39,620	42,680
Software licenses	59,087	60,114
Construction in progress	8,200	11,836
Total cost	464,306	502,840
Less: Accumulated depreciation	(291,923)	(304,548)
Total net book value	$172,383	$198,292
Assets held under capital leases (included in the above)		
Land and buildings	$4,398	$4,778
Machinery, fixtures and equipment	3,540	4,740
Total cost	7,938	9,518
Less: Accumulated depreciation	(3,088)	(3,741)
Total net book value	$4,850	$5,777

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The movement in the net book value of property, plant and equipment during the nine months ended September 30, 2014 and 2013 is comprised of:

	For the Nine Months Ended September 30,	
	2014	2013
Opening balance	$198,292	$206,310
Additions	16,538	16,184
Disposals	(1,111)	(351)
Depreciation	(26,091)	(27,630)
Foreign currency movements	(15,245)	2,633
Ending balance	$172,383	$197,146

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised the following at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Accounts payable and accrued expenses	$63,996	$83,110
Related party accounts payable	252	478
Programming liabilities	52,002	74,774
Related party programming liabilities	48,314	70,131
Duties and other taxes payable	14,671	12,200
Accrued staff costs	16,930	20,397
Accrued interest payable	16,255	19,516
Related party accrued interest payable	1,174	—
Income taxes payable	303	636
Accrued professional fees	2,024	4,477
Authors' rights	4,721	2,700
Other accrued liabilities	1,512	1,958
Total accounts payable and accrued liabilities	$222,154	$290,377

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11. OTHER LIABILITIES

Other current and non-current liabilities comprised the following at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Current:		
Deferred revenue	$22,664	$10,973
Deferred tax	1,827	933
Restructuring provision (Note 15)	829	3,305
Legal provision (Note 20)	7,296	1,158
Other	120	260
Total other current liabilities	$32,736	$16,629

	September 30, 2014	December 31, 2013
Non-current:		
Deferred tax	$32,262	$31,286
Programming liabilities	5,010	1,962
Related party programming liabilities	103	386
Accrued interest	3,865	—
Related party accrued interest	20,968	—
Other	1,324	183
Total other non-current liabilities	$63,532	$33,817

Non-current accrued interest and non-current related party accrued interest represents interest on the 2017 PIK Notes, which the Company must pay in-kind on a semi-annual basis in arrears on each June 1 and December 1, from December 1, 2014 until November 15, 2015 by adding such accrued interest to the principal amount of the 2017 PIK Notes.

12. 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 5, "Long-term Debt and Other Financing Arrangements".

The change in fair value of derivatives comprised the following for the three and nine months ended September 30, 2014 and 2013:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Currency swap	$—	$—	$2,311	$—
Interest rate swap	—	—	—	104
Change in fair value of derivatives	$—	$—	$2,311	$104

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Foreign Currency Exchange Swap
On March 24, 2014, we entered into a foreign currency forward exchange contract to reduce our exposure to movements in the USD to EUR exchange rate from the expected proceeds of the Rights Offering. Under the contract, we received EUR 290.2 million in exchange for US$ 400.0 million on May 2, 2014, the maturity date. It was considered to be an economic hedge but was not designated as a hedging instrument, so changes in the fair value of the derivative were recorded in the condensed consolidated statements of operations and comprehensive income. This instrument was 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 instrument, were readily observable. We recognized a derivative gain of US$ 2.4 million on the maturity date.

13. CONVERTIBLE REDEEMABLE PREFERRED SHARES

On June 25, 2013, we issued and sold 200,000 shares of our Series B Convertible Redeemable Preferred Stock, par value US$ 0.08 per share (the "Series B Preferred Shares"), to TW Investor, for an aggregate purchase price of US$ 200.0 million. As at September 30, 2014 and December 31, 2013, the carrying value of the Series B Preferred Shares was US$ 219.8 million and US$ 207.9 million, respectively.

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 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 US$ 2.42 at September 30, 2014, 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 will 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 and nine months ended September 30, 2014 and 2013, we recognized accretion on the Series B Preferred Shares of US$ 4.1 million and US$ 11.9 million; and US$ 3.8 million and US$ 4.0 million, respectively, with corresponding decreases in additional paid-in capital.

14. EQUITY

Preferred Stock

5,000,000 shares of Preferred Stock were authorized at September 30, 2014 and December 31, 2013.

One share of Series A Convertible Preferred Stock (the "Series A Preferred Share") was issued and outstanding as at September 30, 2014 and December 31, 2013. 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 September 30, 2014 and December 31, 2013 (see Note 13, "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 and 300,000,000 shares of Class A common stock were authorized as at September 30, 2014 and December 31, 2013, respectively, and 15,000,000 shares of Class B common stock were authorized as at September 30, 2014 and December 31, 2013. 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 135.3 million and 134.8 million shares of Class A common stock outstanding at September 30, 2014 and December 31, 2013, respectively, and no shares of Class B common stock outstanding at September 30, 2014 and December 31, 2013.

As at September 30, 2014, TW Investor owns 45.4% of the outstanding shares of Class A common stock and has a 49.6% voting interest in the Company due to its ownership of the Series A Preferred Share.

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Common Stock Warrants

On May 2, 2014, we issued 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 the second anniversary of the issue date to the fourth anniversary of the issue date. 100,926,996 (approximately 88.5%) of these warrants are held by Time Warner and TW Investor.

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 determines the volatility assumption for these stock options using historical volatilities data from its traded Class A common stock. The expected term is estimated based on management's expectation of future exercises. The risk-free rate assumed in valuing the warrants is 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 12, "Financial Instruments and Fair Value Measurements".

We determined the fair value of each warrant was US$ 2.1265 at the date of issuance. The warrants are classified in additional paid-in capital, a component of equity and are not subject to subsequent revaluation. The fair value of the Initial Warrants is accounted for as a discount on the 2017 Term Loan and as debt issuance costs for the 2017 Revolving Credit Facility. The fair value of the Unit Warrants is accounted for as a discount to the 2017 PIK Notes (see Note 5, "Long-term Debt and Other Financing Arrangements").

As at September 30, 2014, warrants to purchase up to 850,000 shares of Class A common stock for a six-year period terminating December 2015 at a price of US$ 21.75 per share were also outstanding.

15. RESTRUCTURING COSTS

Segment Reorganization Plan

In the first quarter of 2013, the Company changed the composition of its operating segments. From January 1, 2013, the Broadcast, Media Pro Entertainment and New Media operating segments were reorganized to streamline central resources and create six new operating segments: Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia. In connection with this change in segments, we incurred restructuring costs to reorganize our businesses through these geographic segments (the "Segment Reorganization Plan"). Actions under the Segment Reorganization Plan were completed as of December 31, 2013; and payments related to these actions were completed by September 30, 2014.

2014 Initiatives

During 2014, we have undertaken further restructuring actions as our new segment management teams seek to optimize their cost base across all departments (the "2014 Initiatives"). We currently expect to incur total restructuring charges, primarily employee termination benefits, under the 2014 Initiatives of approximately US$ 9.0 million, and expect to complete actions by the end of 2014.

Information relating to restructuring by type of cost is as follows:

	Segment Reorganization Plan			2014 Initiatives			
	Employee Termination Costs	Other Exit Costs	Total	Employee Termination Costs	Other Exit Costs	Total	Grand Total
BALANCE December 31, 2013	$2,674	$631	$3,305	$—	$—	$—	$3,305
Costs incurred	—	—	—	8,851	337	9,188	9,188
Cash paid	(2,674)	(82)	(2,756)	(8,146)	(126)	(8,272)	(11,028)
Accrual reversal	—	(560)	(560)	—	—	—	(560)

Foreign currency movements	—	11	11	(55)	(32)	(87)	(76)
BALANCE September 30, 2014	$—	$—	$—	$650	$179	$829	$829

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A summary of restructuring charges for the three and nine months ended September 30, 2014 and 2013, by operating segment is as follows:

	For the Three Months Ended September 30,					
	2014			2013		
	Employee Termination Costs	Other Exit Costs	Total	Employee Termination Costs	Other Exit Costs	Total
Bulgaria	$51	$30	$81	$414	$—	$414
Croatia	—	—	—	62	—	62
Czech Republic	—	—	—	353	9	362
Romania	6	—	6	162	2	164
Slovak Republic	13	—	13	—	—	—
Slovenia	—	—	—	203	—	203
Corporate	—	242	242	2,981	6	2,987
Total restructuring costs	$70	$272	$342	$4,175	$17	$4,192

	For the Nine Months Ended September 30,						
	2014				2013		
	Employee Termination Costs	Other Exit Costs	Accrual Reversal	Total	Employee Termination Costs	Other Exit Costs	Total
Bulgaria	$3,368	$72	$—	$3,440	$414	$—	$414
Croatia	—	—	—	—	62	—	62
Czech Republic	1,341	—	—	1,341	813	68	881
Romania	3,729	—	—	3,729	162	2	164
Slovak Republic	413	23	(560)	(124)	204	—	204
Slovenia	—	—	—	—	615	—	615
Corporate	—	242	—	242	6,454	96	6,550
Total restructuring costs	$8,851	$337	$(560)	$8,628	$8,724	$166	$8,890

16. INTEREST EXPENSE

Interest expense comprised the following for the three and nine months ended September 30, 2014 and 2013:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest on senior debt	$25,408	$20,996	$74,714	$78,084
Interest on capital leases and other financing arrangements	1,425	97	2,595	382
	26,833	21,093	77,309	78,466
Amortization of capitalized debt issuance costs	4,155	902	14,216	3,192
Amortization of debt issuance discount and premium, net	6,115	1,821	12,587	5,344
	10,270	2,723	26,803	8,536
Total interest expense	$37,103	$23,816	$104,112	$87,002

We paid cash interest of US$ 52.9 million and US$ 87.1 million during the nine months ended September 30, 2014 and 2013, respectively.

17. STOCK-BASED COMPENSATION

7,500,000 shares have been authorized for issuance in respect of equity awards under our Amended and Restated Stock Incentive Plan (the "Plan"). Under the Plan, awards are made to employees at the discretion of the Compensation Committee and to non-employee directors pursuant to an annual automatic grant under the Plan or at the discretion of the Board of Directors.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Selling, general and administrative expenses	$409	$964	$990	$3,144
Restructuring costs (Note 15)	—	742	—	742
Total stock-based compensation charge	$409	$1,706	$990	$3,886

Stock Options

A summary of option activity for the nine months ended September 30, 2014 is presented below:

	Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at January 1, 2014	390,500	$27.26	1.40	$—
Forfeited	(114,500)	30.87		
Expired	(121,000)	20.48		
Outstanding at September 30, 2014	155,000	$29.88	1.17	—
Vested	155,000	29.88	1.17	—
Exercisable at September 30, 2014	155,000	$29.88	1.17	$—

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 third quarter of September 30, 2014 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 September 30, 2014. This amount changes based on the fair value of our Class A common stock. As at September 30, 2014, there was no unrecognized compensation expense related to stock options.

Restricted Stock Units

Pursuant to the Plan, we may grant RSUs to our employees and non-employee directors. 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 the 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. The grant date fair value of RSUs is calculated as the closing price of shares of our Class A common stock on the date of grant. For certain awards with market conditions for vesting, 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 September 30, 2014:

	Number of Shares / Units	Weighted Average Grant Date Fair Value
Unvested at December 31, 2013	1,017,622	$3.79

Granted	1,146,489	3.00
Vested	(535,168)	3.95
Forfeited	(228,256)	3.92
Unvested at September 30, 2014	1,400,687	$3.06

As at September 30, 2014, the intrinsic value of unvested RSUs was US$ 3.2 million. Total unrecognized compensation expense related to unvested RSUs as at September 30, 2014 was US$ 3.7 million and is expected to be recognized over a weighted-average period of 3.0 years.

18. 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 Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Net loss attributable to CME Ltd.				
Net loss	$(52,138)	$(23,091)	$(152,491)	$(172,329)
Less: preferred dividend paid in-kind	4,077	3,785	11,880	4,032
Net loss attributable to CME Ltd. – Basic	$(56,215)	$(26,876)	$(164,371)	$(176,361)
Effect of dilutive securities				
Preferred dividend paid in-kind	—	—	—	—
Net loss attributable to CME Ltd. – Diluted	$(56,215)	$(26,876)	$(164,371)	$(176,361)
Weighted average outstanding shares of common stock - basic (1)	146,610	145,695	146,477	118,944
Dilutive effect of employee stock options,RSUs and common stock warrants	—	—	—	—
Weighted average outstanding shares of common stock - diluted	146,610	145,695	146,477	118,944
Net loss per share:				
Basic	$(0.38)	$(0.18)	$(1.12)	$(1.48)
Diluted	$(0.38)	$(0.18)	$(1.12)	$(1.48)

(1) 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, primarily 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 September 30, 2014, 1,398,166 (December 31, 2013: 1,425,477) stock options, warrants and RSUs were antidilutive to income from continuing operations and excluded from the calculation of earnings per share. These may become dilutive in the future. Shares of Class A common stock potentially issuable under our 2015 Convertible Notes may also become dilutive in the future, although they were antidilutive to net income at September 30, 2014. Our Series B Preferred Shares were not considered for dilution as they are not convertible until June 25, 2016.

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19. 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 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.

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.

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, 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. Intersegment revenues and profits have been eliminated in consolidation.

OIBDA may not be comparable to similar measures reported by other companies.

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 and nine months ended September 30, 2014 and 2013 for condensed consolidated statements of operations and comprehensive income data and condensed consolidated statements of cash flow data; and as at September 30, 2014 and December 31, 2013 for condensed consolidated balance sheet data.

Net revenues:	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Bulgaria	$17,711	$17,925	$60,899	$58,594
Croatia	10,917	10,938	43,884	40,827
Czech Republic	38,080	35,987	136,412	110,794
Romania	46,839	43,980	157,543	136,011
Slovak Republic	17,679	13,275	60,036	52,198
Slovenia	9,598	10,212	41,444	43,412
Intersegment revenues[1]	(675)	(1,329)	(3,962)	(4,622)
Total net revenues	$140,149	$130,988	$496,256	$437,214

[1] Reflects revenues earned from the sale of content to other country segments in CME. All other revenues are third party revenues.

OIBDA:	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013

Bulgaria	$2,162	$1,601	$5,050	$3,105
Croatia	(549)	16	4,978	3,585
Czech Republic	9,694	(3,269)	33,107	(9,222)
Romania	4,872	(3,347)	22,875	5,834
Slovak Republic	(2,070)	(6,092)	(2,172)	(10,216)
Slovenia	(3,426)	(4,000)	(234)	2,072
Elimination	32	(170)	307	231
Total operating segments	10,715	(15,261)	63,911	(4,611)
Corporate	(7,778)	(16,324)	(21,720)	(39,728)
Total OIBDA	$2,937	$(31,585)	$42,191	$(44,339)

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Reconciliation to condensed consolidated statements of operations and comprehensive income:	For the Three Months Ended September 30, 2014	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013
Total OIBDA	$2,937	$(31,585)	$42,191	$(44,339)
Depreciation of property, plant and equipment	(8,496)	(8,557)	(26,091)	(27,630)
Amortization of intangible assets	(3,081)	(3,791)	(9,592)	(11,418)
Other items [(1)]	—	—	(6,885)	—
Operating loss	(8,640)	(43,933)	(377)	(83,387)
Interest expense, net	(37,044)	(23,650)	(103,758)	(86,423)
Loss on extinguishment of debt (Note 5)	—	—	(24,161)	(23,115)
Foreign currency exchange (loss) / gain, net	(6,018)	43,711	(6,410)	8,906
Change in fair value of derivatives	—	—	2,311	104
Other income / (expense), net	22	(232)	(1,746)	(657)
(Provision) / credit for income taxes	(658)	2,296	(948)	13,609
Loss from discontinued operations, net of tax	(144)	(1,465)	(18,532)	(2,361)
Net loss	$(52,482)	$(23,273)	$(153,621)	$(173,324)

(1) Other items for the nine months ended September 30, 2014 is comprised of a fine the competition agency in Slovenia is seeking to impose which was accrued in the second quarter of 2014 (see Note 20, "Commitments and Contingencies").

Total assets(1):	September 30, 2014	December 31, 2013
Bulgaria	$ 154,869	$ 172,189
Croatia	61,698	72,301
Czech Republic	837,921	920,630
Romania	397,617	452,876
Slovak Republic	136,921	150,562
Slovenia	75,461	99,619
Total operating segments	1,664,487	1,868,177
Corporate	88,174	71,035
Assets held for sale	1,110	22,661
Total assets	$ 1,753,771	$ 1,961,873

(1) Segment assets exclude any intercompany balances.

Capital Expenditures:	For the Three Months Ended September 30, 2014	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013
Bulgaria	$695	$502	$1,773	$1,152
Croatia	576	352	1,423	1,086
Czech Republic	1,142	1,031	6,505	6,610
Romania	1,501	1,571	3,614	3,749
Slovak Republic	328	284	1,258	1,272
Slovenia	1,135	996	2,849	3,220

Total operating segments	5,377	4,736	17,422	17,089
Corporate	900	1,351	2,954	3,795
Total capital expenditures	$6,277	$6,087	$20,376	$20,884

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Long-lived assets[1]:	September 30, 2014	December 31, 2013
Bulgaria	$ 12,464	$ 13,742
Croatia	4,747	6,234
Czech Republic	41,000	47,683
Romania	71,796	81,111
Slovak Republic	16,771	20,299
Slovenia	17,425	20,226
Total operating segments	164,203	189,295
Corporate	8,180	8,997
Total long-lived assets	$ 172,383	$ 198,292

[1] Reflects property, plant and equipment.

Revenue by type:	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Television advertising	$104,918	$96,866	$379,918	$340,012
Carriage fees and subscriptions	20,232	15,216	61,153	41,907
Other	14,999	18,906	55,185	55,295
Total net revenues	$140,149	$130,988	$496,256	$437,214

20. COMMITMENTS AND CONTINGENCIES

Commitments

a) Programming Rights Agreements and Other Commitments

At September 30, 2014, we had total commitments of US$ 193.9 million (December 31, 2013: US$ 253.6 million) in respect of future programming, including contracts signed with license periods starting after the balance sheet date. These are presented with 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 purchase obligations	Digital transmission obligations	Operating leases	Capital expenditures
2014	$24,008	$7,260	$2,118	$3,192
2015	65,658	20,125	3,472	1,130
2016	63,088	11,700	2,391	—
2017	28,028	5,569	1,682	—
2018	10,607	3,612	1,256	—
2019 and thereafter	2,546	1,438	6,909	—
Total	$193,935	$49,704	$17,828	$4,322

b) Factoring of Trade Receivables

CET 21 has a CZK 910 million (approximately US$ 41.6 million) factoring framework agreement with FCS. Under this facility up to CZK 910 million (approximately US$ 41.6 million) may be factored on a recourse or non-recourse basis. As at September 30, 2014, there were CZK 155.4 million (approximately US$ 7.1 million) (December 31, 2013: CZK 13.1 million, approximately US$ 0.6 million at September 30, 2014 rates) of receivables subject to the factoring framework agreement.

c) Other

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, including the proceeding described below. 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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Slovenian Competition Proceeding

On April 24, 2013 the Competition Protection Agency of the Republic of Slovenia ("CPA") adopted a decision finding that our wholly-owned subsidiary Produkcija Plus d.o.o. ("Pro Plus") has abused a dominant position on the Slovenian television advertising market in breach of applicable competition law, by requiring exclusivity from its advertising customers and by applying loyalty discounts in favor of its customers. Pro Plus filed an appeal with the Slovenian Supreme Court on May 24, 2013. On December 3, 2013, the Slovenian Supreme Court affirmed the decision of the CPA. On July 21, 2014 the CPA adopted a decision to impose a fine of EUR 5.1 million (approximately US$ 6.9 million at transaction date rates). Pro Plus has appealed the decision. No fine is payable during the pendency of such an appeal. In the second quarter of 2014, we accrued the full amount of the fine in other current liabilities in our condensed consolidated balance sheet.

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.

21. 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 49.6% voting interest in CME Ltd. as at September 30, 2014, as material related party transactions.

Related Party Transactions

Time Warner

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Purchases of programming	$5,936	$10,972	$16,723	$46,414
Sales	19	27	37	87
Interest expense	20,817	—	39,318	—

	September 30, 2014	December 31, 2013
Programming liabilities	$ 48,113	$ 70,371
Other accounts payable and accrued liabilities	364	—
Accounts receivable, gross	178	168
Long-term debt and other financing arrangements [1]	209,753	—
Accrued interest payable [2]	22,143	—

[1] Amount represents the principal amount outstanding of the 2017 PIK Notes held by Time Warner and the amounts drawn on the 2017 Term Loan, less respective issuance discounts, plus interest for which we made an election to pay in-kind.

(2) Amount represents the accrued interest on the principal amount of the outstanding 2017 PIK Notes held by Time Warner, which is payable in-kind in arrears until November 15, 2015 and the outstanding balance of the 2017 Term Loan, which the Company may elect to pay in cash or in-kind.

22. GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

As discussed in Note 5, "Long-term Debt and Other Financing Arrangements", our 100% owned subsidiaries, CME NV and CME BV (collectively, the "Guarantor Subsidiaries"), have agreed to fully and unconditionally, and jointly and severally, guarantee (the “Guarantees”), the 2017 PIK Notes. The Guarantor Subsidiaries are subject to the requirements of Rule 3-10 of Regulation S-X regarding financial statements of guarantors and issuers of guaranteed securities registered or being registered with the SEC. Our remaining subsidiaries (the “Non-Guarantor Subsidiaries”) are presented separately from CME Ltd. (the “Parent Issuer”) and the Guarantor Subsidiaries in the condensed consolidating financial statements presented below.

The Guarantees are senior obligations of the Guarantors and rank equal in right of payment with all of the Guarantor Subsidiaries’ existing and future senior indebtedness, including in respect of their guarantees of the 2015 Convertible Notes, the 2017 Term Loan and the 2017 Revolving Credit Facility. In addition, the Guarantees rank senior in right of payment to any other existing and future obligations of the Guarantor Subsidiaries expressly subordinated in right of payment to the Guarantees. The Guarantees effectively rank junior to all of the future indebtedness and other liabilities of our Non-Guarantor Subsidiaries, including with respect to their obligations in respect of the 2017 PIK Notes.

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CME Ltd. and the Guarantor Subsidiaries are holding companies with no revenue-generating operations and rely on the repayment of intercompany indebtedness and the declaration of dividends to receive distributions of cash from our operating subsidiaries and affiliates. There are no significant restrictions on CME Ltd.'s ability to obtain funds from the Guarantor Subsidiaries.
The following tables present condensed consolidating financial information relating to the Guarantor Subsidiaries as at September 30, 2014 and December 31, 2013, and for the three and nine months ended September 30, 2014 and September 30, 2013:
Condensed Consolidating Balance Sheets as at September 30, 2014

	Parent Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$3,963	$1,425	$ 67,293	$—	$72,681
Accounts receivable, net	—	—	130,106	—	130,106
Program rights, net	—	—	117,632	—	117,632
Other current assets	1,011	255	42,784	—	44,050
Assets held for sale	—	—	1,110	—	1,110
Intercompany current assets	8,185	34,049	32,774	(75,008)	—
Total current assets	13,159	35,729	391,699	(75,008)	365,579
Non-current assets					
Investments in subsidiaries	—	501,235	—	(501,235)	—
Property, plant and equipment, net	—	—	172,383	—	172,383
Program rights, net	—	—	248,276	—	248,276
Goodwill	—	—	714,824	—	714,824
Broadcast licenses and other intangible assets, net	—	—	194,997	—	194,997
Other non-current assets	48,858	—	8,854	—	57,712
Intercompany non-current assets	1,525,959	294,694	21,805	(1,842,458)	—
Total non-current assets	1,574,817	795,929	1,361,139	(2,343,693)	1,388,192
Total assets	$1,587,976	$831,658	$ 1,752,838	$(2,418,701)	$1,753,771
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	$8,558	$253	$213,343	$—	$222,154
Current portion of long-term debt and other financing arrangements	—	—	1,034	—	1,034
Other current liabilities	325	—	32,411	—	32,736
Liabilities held for sale	—	—	1,110	—	1,110
Intercompany current liabilities	2,752	32,624	39,632	(75,008)	—
Total current liabilities	11,635	32,877	287,530	(75,008)	257,034
Non-current liabilities					
Deficiency in excess of investments in subsidiaries	135,062	—	—	(135,062)	—

Long-term debt and other financing arrangements	493,921	—	311,918	—	805,839
Other non-current liabilities	24,833	500	38,199	—	63,532
Intercompany non-current liabilities	295,159	1,547,299	—	(1,842,458)	—
Total non-current liabilities	948,975	1,547,799	350,117	(1,977,520)	869,371
Temporary equity	219,770	—	—	—	219,770
Total equity / (deficit)	407,596	(749,018)	1,115,191	(366,173)	407,596
Total liabilities and equity	$1,587,976	$831,658	$1,752,838	$(2,418,701)	$1,753,771

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Condensed Consolidating Balance Sheets as at December 31, 2013

	Parent Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$19,461	$5,422	$ 78,741	$—	$103,624
Accounts receivable, net	—	—	174,081	—	174,081
Program rights, net	—	—	109,238	—	109,238
Other current assets	2,638	31	42,513	—	45,182
Assets held for sale	—	—	22,661	—	22,661
Intercompany current assets	53,396	2,052	—	(55,448)	—
Total current assets	75,495	7,505	427,234	(55,448)	454,786
Non-current assets					
Investments in subsidiaries	—	479,435	—	(479,435)	—
Property, plant and equipment, net	—	—	198,292	—	198,292
Program rights, net	—	—	288,344	—	288,344
Goodwill	—	—	782,870	—	782,870
Broadcast licenses and other intangible assets, net	—	—	223,815	—	223,815
Other non-current assets	3,976	—	9,790	—	13,766
Intercompany non-current assets	1,822,966	315,017	18,887	(2,156,870)	—
Total non-current assets	1,826,942	794,452	1,521,998	(2,636,305)	1,507,087
Total assets	$1,902,437	$801,957	$ 1,949,232	$(2,691,753)	$1,961,873
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	$18,234	$41	$272,102	$—	$290,377
Current portion of long-term debt and other financing arrangements	—	71	2,040	—	2,111
Other current liabilities	500	—	16,129	—	16,629
Liabilities held for sale	—	—	7,105	—	7,105
Intercompany current liabilities	7,788	45,988	1,672	(55,448)	—
Total current liabilities	26,522	46,100	299,048	(55,448)	316,222
Non-current liabilities					
Deficiency in excess of investments in subsidiaries	296,351	—	—	(296,351)	—
Long-term debt and other financing arrangements	620,375	—	342,568	—	962,943
Other non-current liabilities	—	—	33,817	—	33,817
Intercompany non-current liabilities	310,298	1,846,572	—	(2,156,870)	—
Total non-current liabilities	1,227,024	1,846,572	376,385	(2,453,221)	996,760
Temporary equity	207,890	—	—	—	207,890
Total equity / (deficit)	441,001	(1,090,715)	1,273,799	(183,084)	441,001
Total liabilities and equity	$1,902,437	$801,957	$1,949,232	$(2,691,753)	$1,961,873

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	Parent Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net revenues	$—	$ —	$ 140,149	$ —	$ 140,149
Cost of revenues	—	—	113,982	—	113,982
Selling, general and administrative expenses	3,757	608	30,100	—	34,465
Restructuring costs	—	—	342	—	342
Operating loss	(3,757)	(608)	(4,275)	—	(8,640)
Interest income	33,114	6,800	56	(39,911)	59
Interest expense	(36,480)	(33,046)	(7,488)	39,911	(37,103)
Loss on extinguishment of debt	—	—	—	—	—
Foreign currency exchange gain / (loss), net	3,799	(224)	(9,593)	—	(6,018)
Change in fair value of derivatives	—	(3,150)	3,150	—	—
Other income, net	—	—	22	—	22
Loss from continuing operations before tax and loss from investment in subsidiaries	(3,324)	(30,228)	(18,128)	—	(51,680)
Credit / (provision) for income taxes	—	2,398	(3,056)	—	(658)
Loss from continuing operations before loss from investment in subsidiaries	(3,324)	(27,830)	(21,184)	—	(52,338)
Loss from investment in subsidiaries	(150,941)	(2,381)	—	153,322	—
Loss from continuing operations	(154,265)	(30,211)	(21,184)	153,322	(52,338)
Loss from discontinued operations, net of tax	—	—	(144)	—	(144)
Net loss	(154,265)	(30,211)	(21,328)	153,322	(52,482)
Net loss attributable to noncontrolling interests	—	—	344	—	344
Net loss attributable to CME Ltd.	(154,265)	(30,211)	(20,984)	153,322	(52,138)
Comprehensive loss attributable to CME Ltd.	$(154,265)	$ (150,941)	$ (2,381)	$ 153,322	$ (154,265)

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	Parent Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net revenues	$—	$ —	$ 496,256	$ —	$ 496,256
Cost of revenues	—	—	377,711	—	377,711
Selling, general and administrative expenses	12,713	1,135	96,446	—	110,294
Restructuring costs	—	—	8,628	—	8,628
Operating (loss) / income	(12,713)	(1,135)	13,471	—	(377)
Interest income	106,842	20,905	337	(127,730)	354
Interest expense	(101,104)	(106,652)	(24,086)	127,730	(104,112)
Loss on extinguishment of debt	(24,161)	—	—	—	(24,161)
Foreign currency exchange gain / (loss), net	4,761	(3,946)	(7,225)	—	(6,410)
Change in fair value of derivatives	2,311	(5,579)	5,579	—	2,311
Other expense, net	—	—	(1,746)	—	(1,746)
Loss from continuing operations before tax and loss from investment in subsidiaries	(24,064)	(96,407)	(13,670)	—	(134,141)
Credit / (provision) for income taxes	—	10,327	(11,275)	—	(948)
Loss from continuing operations before loss from investment in subsidiaries	(24,064)	(86,080)	(24,945)	—	(135,089)
Loss from investment in subsidiaries	(237,552)	(30,929)	—	268,481	—
Loss from continuing operations	(261,616)	(117,009)	(24,945)	268,481	(135,089)
Loss from discontinued operations, net of tax	—	—	(18,532)	—	(18,532)
Net loss	(261,616)	(117,009)	(43,477)	268,481	(153,621)
Net loss attributable to noncontrolling interests	—	—	1,130	—	1,130
Net loss attributable to CME Ltd.	(261,616)	(117,009)	(42,347)	268,481	(152,491)
Comprehensive loss attributable to CME Ltd.	$(261,616)	$ (237,552)	$ (30,929)	$ 268,481	$ (261,616)

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	Parent Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net revenues	$—	$ —	$ 130,988	$ —	$ 130,988
Cost of revenues	—	—	133,841	—	133,841
Selling, general and administrative expenses	14,702	1	22,185	—	36,888
Restructuring costs	742	24	3,426	—	4,192
Operating loss	(15,444)	(25)	(28,464)	—	(43,933)
Interest income	32,121	741	159	(32,855)	166
Interest expense	(17,071)	(29,064)	(10,536)	32,855	(23,816)
Foreign currency exchange gain, net	36,176	956	6,579	—	43,711
Other expense, net	—	—	(232)	—	(232)
Income / (loss) from continuing operations before tax and loss on investment in subsidiaries	35,782	(27,392)	(32,494)	—	(24,104)
Credit / (provision) for income taxes	—	2,416	(120)	—	2,296
Income / (loss) from continuing operations before loss on investment in subsidiaries	35,782	(24,976)	(32,614)	—	(21,808)
Loss on investment in subsidiaries	(58,646)	(1,295)	—	59,941	—
Loss from continuing operations	(22,864)	(26,271)	(32,614)	59,941	(21,808)
Loss from discontinued operations, net of tax	—	—	(1,465)	—	(1,465)
Net loss	(22,864)	(26,271)	(34,079)	59,941	(23,273)
Net loss attributable to noncontrolling interests	—	—	182	—	182
Net loss attributable to CME Ltd.	(22,864)	(26,271)	(33,897)	59,941	(23,091)
Comprehensive loss attributable to CME Ltd.	$(22,864)	$ (58,646)	$ (1,295)	$ 59,941	$ (22,864)

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	Parent Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net revenues	$—	$ —	$ 437,214	$ —	$ 437,214
Cost of revenues	—	—	408,244	—	408,244
Selling, general and administrative expenses	25,361	2	78,104	—	103,467
Restructuring costs	742	24	8,124	—	8,890
Operating loss	(26,103)	(26)	(57,258)	—	(83,387)
Interest income	100,210	1,555	552	(101,738)	579
Interest expense	(66,306)	(87,441)	(34,993)	101,738	(87,002)
Loss on extinguishment of debt	(23,115)	—	—	—	(23,115)
Foreign currency exchange gain / (loss), net	15,520	1,592	(8,206)	—	8,906
Change in fair value of derivatives	—	—	104	—	104
Other expense, net	—	—	(657)	—	(657)
Income / (loss) from continuing operations before tax and loss on investment in subsidiaries	206	(84,320)	(100,458)	—	(184,572)
Credit for income taxes	—	7,990	5,619	—	13,609
Income / (loss) from continuing operations before loss on investment in subsidiaries	206	(76,330)	(94,839)	—	(170,963)
Loss on investment in subsidiaries	(181,301)	(72,985)	—	254,286	—
Loss from continuing operations	(181,095)	(149,315)	(94,839)	254,286	(170,963)
Loss from discontinued operations, net of tax	—	—	(2,361)	—	(2,361)
Net loss	(181,095)	(149,315)	(97,200)	254,286	(173,324)
Net loss attributable to noncontrolling interests	—	—	995	—	995
Net loss attributable to CME Ltd.	(181,095)	(149,315)	(96,205)	254,286	(172,329)
Comprehensive loss attributable to CME Ltd.	$(181,095)	$ (181,301)	$ (72,985)	$ 254,286	$ (181,095)

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Condensed Consolidating Statements of Cash Flows for the nine months ended September 30, 2014

	Parent Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) / generated from continuing operating activities	$(13,808)	$(34,282)	$ 29,673	$—	$(18,417)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	—	—	(20,376)	—	(20,376)
Disposal of property, plant and equipment	—	—	162	—	162
Intercompany investing receipts	342,908	41,186	—	(384,094)	—
Intercompany investing payments	(362,740)	(30,671)	—	393,411	—
Net cash (used in) / provided by continuing investing activities	(19,832)	10,515	(20,214)	9,317	(20,214)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayments of Senior Debt	(400,673)	—	—	—	(400,673)
Debt transaction costs	(11,185)	—	(1,594)	—	(12,779)
Issuance of Senior Debt	221,374	—	—	—	221,374
Proceeds from credit facilities	16,801	—	23	—	16,824
Payment of credit facilities and capital leases	—	—	(1,370)	—	(1,370)
Issuance of common stock warrants	191,825	—	—	—	191,825
Dividends paid to holders of noncontrolling interests	—	—	(46)	—	(46)
Intercompany financing receipts	—	362,740	30,671	(393,411)	—
Intercompany financing payments	—	(342,908)	(41,186)	384,094	—
Net cash provided by / (used in) continuing financing activities	18,142	19,832	(13,502)	(9,317)	15,155
Net cash used in discontinued operations - operating activities	—	—	(673)	—	(673)
Net cash used in discontinued operations - financing activities	—	—	(107)	—	(107)
Impact of exchange rate fluctuations on cash	—	(62)	(6,625)	—	(6,687)
Net decrease in cash and cash equivalents	(15,498)	(3,997)	(11,448)	—	(30,943)
CASH AND CASH EQUIVALENTS, beginning of period	19,461	5,422	78,741	—	103,624
CASH AND CASH EQUIVALENTS, end of period	$3,963	$1,425	$ 67,293	$—	$72,681

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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)

Condensed Consolidating Statements of Cash Flows for the nine months ended September 30, 2013

	Parent Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) / generated from continuing operating activities	$(63,923)	$225,141	$ (215,953)	$—	$(54,735)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	—	—	(20,884)	—	(20,884)
Disposal of property, plant and equipment	—	—	246	—	246
Intercompany investing receipts	566,193	9,323	—	(575,516)	—
Intercompany investing payments	(544,769)	(205,886)	—	750,655	—
Net cash provided by / (used in) continuing investing activities	21,424	(196,563)	(20,638)	175,139	(20,638)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayments of Senior Debt	(310,322)	—	—	—	(310,322)
Debt transactions costs	(639)	—	(146)	—	(785)
Change in restricted cash	20,467	—	—	—	20,467
Proceeds from credit facilities	—	—	826	—	826
Payment of credit facilities and capital leases	—	—	(1,715)	—	(1,715)
Issuance of common stock	157,116	—	—	—	157,116
Issuance of preferred stock	200,000	—	—	—	200,000
Equity issuance costs	(5,410)	—	—	—	(5,410)
Dividends paid to holders of noncontrolling interests	—	—	(273)	—	(273)
Intercompany financing receipts	—	544,769	205,886	(750,655)	—
Intercompany financing payments	—	(566,193)	(9,323)	575,516	—
Net cash provided by / (used in) financing activities	61,212	(21,424)	195,255	(175,139)	59,904
Net cash used in discontinued operations - operating activities	—	—	(1,047)	—	(1,047)
Net cash provided by discontinued operations - financing activities	—	—	273	—	273
Impact of exchange rate fluctuations on cash	—	139	(573)	—	(434)
Net increase / (decrease) in cash and cash equivalents	18,713	7,293	(42,683)	—	(16,677)
CASH AND CASH EQUIVALENTS, beginning of period	9,372	2,836	126,471	—	138,679
	$28,085	$10,129	$ 83,788	$—	$122,002

CASH AND CASH EQUIVALENTS, end of period

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

As used herein, the term “2016 Fixed Rate Notes” refers to our 11.625% senior notes due 2016; the term “2017 Fixed Rate Notes” refers to the 9.0% senior secured notes due 2017 issued by our wholly owned subsidiary, CET 21 spol. s r.o. (“CET 21”); the term "2017 PIK Notes" refers to the 15.0% senior secured notes due 2017; the term “2015 Convertible Notes” refers to our 5.0% senior convertible notes due 2015; the term “Senior Debt” refers collectively to the 2015 Convertible Notes, 2016 Fixed Rate Notes, 2017 Fixed Rate Notes and the 2017 PIK Notes; the term "2017 Term Loan" refers to the 15.0% term loan due 2017; the term "2017 Revolving Credit Facility" refers to our senior secured floating rate revolving credit facility due 2017; the term "Framework Agreement" refers to the framework agreement dated February 28, 2014 among Time Warner, TW Investor and the Company, pursuant to which the Company conducted a rights offering (the "Rights Offering") and certain related financing transactions; the term "2014 Warrants" refers to the warrants issued under the Rights Offering and certain related financing transactions. The term "Time Warner" refers to Time Warner Inc. The term “TW Investor” refers to Time Warner Media Holdings B.V. The exchange rates used in this report are as at September 30, 2014, unless otherwise indicated.

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I. Forward-looking Statements
II. Overview
III. Analysis of the Results of Operations and Financial Position
IV. Liquidity and Capital Resources
V. Critical Accounting Policies and Estimates

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”, “foreca “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 the global economic slowdown and Eurozone instability in our markets and the extent and timing of any recovery; our success in implementing our initiatives to diversify and enhance our revenue streams; the extent to which our liquidity constraints and debt service obligations restrict our business; our ability to refinance our existing indebtedness; our ability to make cost-effective investments in television broadcast operations, including investments in programming; our ability to develop and acquire necessary programming and attract audiences; changes in the political and regulatory environments where we operate and application of relevant laws and regulations; 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. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and notes included elsewhere in this report.

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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 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. Intersegment revenues and profits have been eliminated on consolidation.

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 is useful as a measure of our ability to generate cash.

OIBDA, as defined above, and free cash flow 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, see Item 1, Note 19, "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 or constant currency percentage movements as well as actual percentage movements ("% Act") (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 and nine months ended September 30, 2014 and 2013.

Executive Summary

Our financial results for the first nine months of 2014 reflect continuing progress on management's top priorities: increasing and diversifying revenues, improving operating leverage, maintaining audience share leadership, and addressing our liquidity needs.

Net revenues during the three and nine months ended September 30, 2014 increased 7% and 14% compared to the same periods in 2013, respectively, primarily due to significant increases in both television advertising revenue and carriage fees and subscription revenues. The changes made to the sales policy for 2014 in the Czech Republic have resulted in a significant increase in the consumption of advertising on our channels in that country when compared to the same periods in 2013. Carriage fees and subscription revenues also increased significantly following the successful negotiation of contracts with major cable and satellite operators in Bulgaria toward the beginning of 2013 and in Romania in the second half of 2013.

On a constant currency basis, OIBDA improved at a faster pace than net revenues due to our focus on improving our cost base. Costs charged in arriving at OIBDA during the first nine months of 2014 decreased 6% at constant rates compared to the same period in 2013. This was due in part to savings from severance charges in the prior year. Content costs declined 7% at constant rates during the first nine months of 2014 compared to 2013 as efficiencies in production, savings on costs associated with MTV Czech and fewer program rights impairments more than offset the additional content costs of US$ 4.3 million recognized year-to-date in 2014 resulting from a prospective change in estimate regarding the amortization of own-produced program rights. This change in estimate will result in additional

content costs for the full year 2014. However, we expect these additional costs to be largely offset by savings and anticipate content costs overall in 2014 will remain broadly in line with 2013 prior to that year's impairment charges. Costs charged in arriving at OIBDA during the first nine months of 2014 exclude a one-off charge of US$ 6.9 million which we accrued for in the second quarter for a fine the competition agency in Slovenia is seeking to impose relating to operations there prior to 2012. The cost is not considered by our chief operating decision makers when assessing the performance of the business. We have appealed the decision (see Item 1, Note 20, "Commitments and Contingencies").

We ended the quarter with US$ 72.7 million of cash. Our free cash flow in the nine months ended September 30, 2014 was negative US$ 38.6 million, compared to free cash flow of negative US$ 75.4 million in the same period in 2013. Following the closing of the Rights Offering and related financing transactions during the second quarter of 2014, we have been making higher payments to suppliers of foreign programming in order to improve our payables position. We expect to continue reducing our programming liabilities during the remainder of 2014, utilizing the liquidity available to us under the 2017 Revolving Credit Facility as necessary. As a result, we expect negative free cash flow for the full year 2014 to be more negative than that of 2013. We expect the refinancing of the 2016 Fixed Rate Notes completed in the second quarter will reduce cash interest costs by approximately US$ 25.5 million during 2014 because interest on the 2017 PIK Notes will be paid in-kind until November 15, 2015 and may be paid in-kind at our election thereafter. Following the closing of the financing transactions, we believe we are positioned to be free cash flow positive beginning in 2015.

We continue to make progress on the disposal of certain non-core assets, including our theatrical and home video distribution businesses, and we believe that the Company is better served by a focus on our core broadcast businesses in each country. We completed the divestiture of Bontonfilm during the second quarter of 2014 for nominal consideration. Additionally, we expect to complete the divestiture of the home video distribution business in Romania during the fourth quarter and the results of this business have been included as discontinued operations for the periods presented. We remain actively engaged in a process involving a number of interested parties to sell other non-core assets.

We continue to expect a significant improvement in net revenues in the Czech Republic in 2014 when compared to 2013, but do not expect to reach 2012 levels this year as it will take more than one year for us to regain the advertising market share lost during 2013. Given the significance of this segment to the Company, we expect a similar trend in the consolidated results. We do not anticipate the year-to-date rate of growth in television advertising revenue in the Czech Republic and carriage fees and subscription revenues in Romania will continue at these same levels for the full year 2014 because certain clients began advertising in the Czech Republic again during the second half of 2013, and we began realizing the benefit of certain carriage agreements in Romania concluded in 2013 toward the end of last year.

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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 nine months ended September 30, 2014:

	For the Nine Months Ended September 30, 2014					
Country	Real GDP Growth		Real Private Consumption Growth		Net TV Ad Market Growth	
Bulgaria	1.9	%	1.6	%	(4	)%
Croatia	(0.4	)%	(0.3	)%	7	%
Czech Republic	2.8	%	1.3	%	6	%
Romania*	2.4	%	3.6	%	5	%
Slovak Republic	2.5	%	2.5	%	0	%
Slovenia	1.6	%	0.2	%	(7	)%
Total CME Markets	2.1	%	1.9	%	3	%

*Romanian market excludes Moldova.

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

After adjusting for inflation, we estimate that overall GDP growth in the countries in which we operate maintained recent gains during the third quarter, as downward revisions in Romania were mostly offset by improvements in Bulgaria, the Czech Republic, the Slovak Republic and Slovenia. Real private consumption is estimated to have increased overall during the nine months ended September 30, 2014. Recent downward revisions to the GDP outlook for Germany for 2014 and 2015 has renewed concern over weakness in the Eurozone, which can impact the export-oriented economies of the countries in which we operate. However, private consumption in our three largest markets improved overall during the last three months compared to the corresponding period of 2013, with domestic demand in the Czech Republic in particular contributing to the improvement in retail sales in that country.

We estimate that the TV advertising markets in the countries in which we operate increased by 3% on average in the nine months ended September 30, 2014 compared to the previous year. The most notable increase was in the Czech Republic, where the market was estimated to have increased by 6% due in large part to an increase in the consumption of GRPs from our channels following the changes made to our sales policy in that country. These changes also had a positive impact on the consumption of television advertising in the Slovak Republic. The magnitude of the increase in the advertising market in Croatia is not expected to persist for the duration of 2014. Romania continued to benefit from increased demand for advertising while Bulgaria and Slovenia remain very competitive resulting in downward pressure on prices.

Segment Performance

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

	NET REVENUES							
	For the Three Months Ended September 30, (US$ 000's)							
					Movement			
	2014		2013		% Act		% Lfl	
Bulgaria	$17,711		$17,925		(1.2	)%	(0.5	)%
Croatia	10,917		10,938		(0.2	)%	1.7	%
Czech Republic	38,080		35,987		5.8	%	14.7	%
Romania	46,839		43,980		6.5	%	6.5	%
Slovak Republic	17,679		13,275		33.2	%	34.3	%
Slovenia	9,598		10,212		(6.0	)%	(4.9	)%
Intersegment revenues	(675	)	(1,329	)	NM [(1)]		NM [(1)]	
Total net revenues	$140,149		$130,988		7.0	%	9.8	%

[(1)] Number is not meaningful.

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NET REVENUES
For the Nine Months Ended September 30, (US$ 000's)

	2014	2013	Movement % Act	% Lfl
Bulgaria	$60,899	$58,594	3.9 %	0.6 %
Croatia	43,884	40,827	7.5 %	4.7 %
Czech Republic	136,412	110,794	23.1 %	27.8 %
Romania	157,543	136,011	15.8 %	13.2 %
Slovak Republic	60,036	52,198	15.0 %	11.2 %
Slovenia	41,444	43,412	(4.5)%	(7.7)%
Intersegment revenues	(3,962)	(4,622)	NM [1]	NM [1]
Total net revenues	$496,256	$437,214	13.5 %	12.1 %

[1] Number is not meaningful.

OIBDA
For the Three Months Ended September 30, (US$ 000's)

	2014	2013	Movement % Act	% Lfl
Bulgaria	$2,162	$1,601	35.0 %	46.9 %
Croatia	(549)	16	NM [1]	NM [1]
Czech Republic	9,694	(3,269)	NM [1]	NM [1]
Romania	4,872	(3,347)	NM [1]	NM [1]
Slovak Republic	(2,070)	(6,092)	66.0 %	66.1 %
Slovenia	(3,426)	(4,000)	14.4 %	15.4 %
Eliminations	32	(170)	NM [1]	NM [1]
Total operating segments	10,715	(15,261)	NM [1]	NM [1]
Corporate	(7,778)	(16,324)	52.4 %	49.9 %
Consolidated OIBDA	$2,937	$(31,585)	NM [1]	NM [1]

[1] Number is not meaningful.

OIBDA
For the Nine Months Ended September 30, (US$ 000's)

	2014	2013	Movement % Act	% Lfl
Bulgaria	$5,050	$3,105	62.6 %	58.6 %
Croatia	4,978	3,585	38.9 %	32.4 %
Czech Republic	33,107	(9,222)	NM [1]	NM [1]
Romania	22,875	5,834	NM [1]	NM [1]
Slovak Republic	(2,172)	(10,216)	78.7 %	79.0 %
Slovenia	(234)	2,072	NM [1]	NM [1]
Eliminations	307	231	NM [1]	NM [1]
Total operating segments	63,911	(4,611)	NM [1]	NM [1]
Corporate	(21,720)	(39,728)	45.3 %	44.4 %
Consolidated OIBDA	$42,191	$(44,339)	NM [1]	NM [1]

[1] Number is not meaningful.

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Bulgaria

	For the Three Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$11,531	$12,183	(5.4)%	(4.7)%
Carriage fees and subscriptions	5,024	4,160	20.8 %	21.3 %
Other	1,156	1,582	(26.9)%	(26.2)%
Net revenues	17,711	17,925	(1.2)%	(0.5)%
Costs charged in arriving at OIBDA	15,549	16,324	(4.7)%	(4.8)%
OIBDA	$2,162	$1,601	35.0 %	46.9 %

	For the Nine Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$41,576	$43,462	(4.3)%	(7.5)%
Carriage fees and subscriptions	15,020	11,397	31.8 %	28.1 %
Other	4,303	3,735	15.2 %	12.6 %
Net revenues	60,899	58,594	3.9 %	0.6 %
Costs charged in arriving at OIBDA	55,849	55,489	0.6 %	(2.6)%
OIBDA	$5,050	$3,105	62.6 %	58.6 %

The television advertising market in Bulgaria declined 4% in the nine months ended September 30, 2014 compared to the same period in 2013. The Bulgaria segment reported net revenues of US$ 17.7 million and US$ 60.9 million for the three and nine months ended September 30, 2014, respectively, compared to US$ 17.9 million and US$ 58.6 million in the same periods in 2013, a decrease of 1% and an increase of 4% on an actual basis, or a decrease of 1% and an increase of 1% on a constant currency basis. Television advertising revenues continued to decline during the third quarter of 2014 due to heavy competition for market share, which has resulted in sustained downward pressure on our average prices. The decrease in television advertising revenues during the three and nine months ended September 30, 2014 was offset by an increase in carriage fees from cable, satellite and IPTV operators that commenced during 2013 with the increase in the third quarter resulting primarily from an increase in the overall number of reported subscribers.

Costs charged in arriving at OIBDA for the three and nine months ended September 30, 2014 decreased by 5% and increased by 1%, respectively, compared to the same periods in 2013. On a constant currency basis, costs decreased by 5% during the third quarter of 2014 due to lower transmission costs following the transition from analogue transmission to digital as well as operating fewer channels. Costs decreased by 3% on a constant currency basis during the first nine months of 2014 due primarily to the decrease in transmission costs as well as lower personnel costs, which more than offset restructuring charges of US$ 3.4 million.

Our Bulgaria segment reported OIBDA of US$ 2.2 million and US$ 5.1 million for the three and nine months ended September 30, 2014, respectively, compared to US$ 1.6 million and US$ 3.1 million in the same periods in 2013, increases of US$ 0.6 million and US$ 2.0 million, respectively.

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Croatia

	For the Three Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$9,483	$9,564	(0.8)%	1.1%
Carriage fees and subscriptions	507	421	20.4%	21.9%
Other	927	953	(2.7)%	(1.6)%
Net revenues	10,917	10,938	(0.2)%	1.7%
Costs charged in arriving at OIBDA	11,466	10,922	5.0%	6.6%
OIBDA	$(549)	$16	NM [1]	NM [1]

[1] Number is not meaningful.

	For the Nine Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$39,456	$35,541	11.0%	8.2%
Carriage fees and subscriptions	1,515	1,287	17.7%	15.2%
Other	2,913	3,999	(27.2)%	(29.2)%
Net revenues	43,884	40,827	7.5%	4.7%
Costs charged in arriving at OIBDA	38,906	37,242	4.5%	2.0%
OIBDA	$4,978	$3,585	38.9%	32.4%

The television advertising market in Croatia increased 7% in the nine months ended September 30, 2014 compared to the same period in 2013. The Croatia segment reported net revenues of US$ 10.9 million and US$ 43.9 million for the three and nine months ended September 30, 2014, respectively, compared to US$ 10.9 million and US$ 40.8 million in the same periods in 2013, broadly flat and an increase of 8% on an actual basis, or increases of 2% and 5% on a constant currency basis. The increase in television advertising revenues at constant rates during the third quarter was driven by an increase in average prices compared to the same period of the prior year and the year-to-date period also benefited from an increase in GRPs sold. We believe the growth in television advertising revenues during the fourth quarter of 2014 will be more consistent with the third quarter of 2014 because the increase in the level of annual commitments for advertising spending compared to last year is less than the growth in revenues realized during the first nine months of 2014. The decrease in other revenues during the first nine months of 2014 compared to 2013 was due primarily to a decrease in the sale of original programming during the second quarter.

Costs charged in arriving at OIBDA for the three and nine months ended September 30, 2014 both increased by 5% compared to the same periods in 2013. On a constant currency basis costs increased by 7% during the third quarter driven by an increase in marketing costs related to the rebranding of a niche channel and an increase in staff-related costs. This more than offset decreases in year-to-date content and transmission costs, leading to an increase in overall costs during the first nine months of 2014.

Our Croatia segment generated an OIBDA loss of US$ 0.5 million and OIBDA of US$ 5.0 million for the three and nine months ended September 30, 2014, respectively, compared to OIBDA of less than US$ 0.1 million and US$ 3.6 million in the same periods in 2013, a decrease of US$ 0.5 million and an increase of US$ 1.4 million.

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Czech Republic

	For the Three Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$34,424	$31,055	10.8 %	20.3 %
Carriage fees and subscriptions	1,676	2,714	(38.2)%	(33.8)%
Other	1,980	2,218	(10.7)%	(3.1)%
Net revenues	38,080	35,987	5.8 %	14.7 %
Costs charged in arriving at OIBDA	28,386	39,256	(27.7)%	(22.4)%
OIBDA	$9,694	$(3,269)	NM [1]	NM [1]

[1] Number is not meaningful.

	For the Nine Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$122,924	$95,368	28.9 %	33.8 %
Carriage fees and subscriptions	5,884	8,363	(29.6)%	(27.0)%
Other	7,604	7,063	7.7 %	11.8 %
Net revenues	136,412	110,794	23.1 %	27.8 %
Costs charged in arriving at OIBDA	103,305	120,016	(13.9)%	(10.7)%
OIBDA	$33,107	$(9,222)	NM [1]	NM [1]

[1] Number is not meaningful.

Following the changes made to the sales policy for 2014 in the Czech Republic, the consumption of the volume of advertising on our channels increased significantly in the first three quarters of 2014 compared to the same periods in 2013. Since the increase in GRPs consumed is estimated to have outpaced the decline in competitor's GRPs consumed, the television advertising market in the Czech Republic is estimated to have increased by 6% in the nine months ended September 30, 2014 compared to the same period in the prior year. Net revenues from our Czech Republic segment amounted to US$ 38.1 million and US$ 136.4 million for the three and nine months ended September 30, 2014, respectively, compared to US$ 36.0 million and US$ 110.8 million in the same periods in 2013, increases of 6% and 23% on an actual basis. On a constant currency basis, net revenues increased 15% and 28% due primarily to the increase in television advertising revenues. Due to the recovery in our television advertising revenues in the Czech Republic during the fourth quarter of 2013, we believe the year-on-year improvement during the fourth quarter of 2014 will be lower than the third quarter of 2014. Carriage fees and subscription revenues decreased during the first nine months of 2014 because we stopped transmitting MTV Czech at the end of 2013. Additionally, Nova Sport was not carried by one cable operator in the Czech Republic, which also impacted the results of the second and third quarters of 2014. Bontonfilm was disposed of during June 2014 and its results are not included in segment performance and are presented as discontinued operations for all periods.

Costs charged in arriving at OIBDA for the three and nine months ended September 30, 2014 decreased by 28% and 14% compared to the same periods in 2013. On a constant currency basis costs decreased 22% and 11%, primarily reflecting lower content and transmission costs, including cost savings from our discontinuing the transmission of MTV Czech.

Our Czech Republic segment reported OIBDA of US$ 9.7 million and US$ 33.1 million for the three and nine months ended September 30, 2014, respectively, compared to an OIBDA loss of US$ 3.3 million and US$ 9.2 million in the same periods in 2013, an increase of US$ 13.0 million and US$ 42.3 million.

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Romania

	For the Three Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$25,132	$23,019	9.2 %	9.4 %
Carriage fees and subscriptions	11,784	6,813	73.0 %	72.7 %
Other	9,923	14,148	(29.9)%	(30.0)%
Net revenues	46,839	43,980	6.5 %	6.5 %
Costs charged in arriving at OIBDA	41,967	47,327	(11.3)%	(10.9)%
OIBDA	$4,872	$(3,347)	NM [1]	NM [1]

[1] Number is not meaningful.

	For the Nine Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$84,235	$79,239	6.3 %	3.8 %
Carriage fees and subscriptions	34,867	17,222	102.5 %	98.7 %
Other	38,441	39,550	(2.8)%	(4.9)%
Net revenues	157,543	136,011	15.8 %	13.2 %
Costs charged in arriving at OIBDA	134,668	130,177	3.4 %	1.5 %
OIBDA	$22,875	$5,834	NM [1]	NM [1]

[1] Number is not meaningful.

The television advertising market in Romania increased 5% in the nine months ended September 30, 2014 compared to the same period in 2013. The Romania segment reported net revenues of US$ 46.8 million and US$ 157.5 million for the three and nine months ended September 30, 2014, respectively, compared to US$ 44.0 million and US$ 136.0 million in the same periods in 2013, increases of 7% and 16% on an actual basis, or 7% and 13% on a constant currency basis. Net revenues benefited primarily from an increase in carriage fees and subscription revenues following the successful negotiation of contracts with all major cable and satellite operators in Romania during 2013. We expect to continue to benefit from strong year-on-year growth in carriage fees in Romania; however, we do not expect the trend of the first nine months of 2014 to be representative of the expected results for the full year because we began realizing the benefit of certain agreements concluded in 2013 during the second half of last year. The increase in television advertising revenues during the third quarter of 2014 at constant rates outpaced the growth in the television advertising market due to an increase in average prices that is not expected to repeat in future periods. The decrease in other revenues during the third quarter of 2014 was due primarily to lower distribution revenues, which in the year-to-date period more than offset the strong performance of titles distributed to theaters during the first quarter of 2014. The results for our home video distribution businesses are not included in segment performance and are presented as discontinued operations for all periods.

Costs charged in arriving at OIBDA for the three and nine months ended September 30, 2014 decreased 11% and increased 3% compared to the same periods in 2013. On a constant currency basis costs decreased 11% and increased 2%, primarily as a result of lower content costs in the third quarter of 2014 due to US$ 9.0 million of impairment of program rights having been recorded in the corresponding period of the prior year, which mostly offset restructuring charges and an increase in costs related to the distribution business in the nine months ended September 30, 2014.

Our Romania segment generated OIBDA of US$ 4.9 million and US$ 22.9 million for the three and nine months ended September 30, 2014, respectively, compared to an OIBDA loss of US$ 3.3 million and OIBDA of US$ 5.8 million in the same periods in 2013, increases of US$ 8.2 million and US$ 17.1 million, respectively.

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Slovak Republic

	For the Three Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$16,574	$12,475	32.9 %	34.1 %
Carriage fees and subscriptions	217	264	(17.8)%	(17.5)%
Other	888	536	65.7 %	65.7 %
Net revenues	17,679	13,275	33.2 %	34.3 %
Costs charged in arriving at OIBDA	19,749	19,367	2.0 %	2.5 %
OIBDA	$(2,070)	$(6,092)	66.0 %	66.1 %

	For the Nine Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$56,241	$49,101	14.5 %	10.8 %
Carriage fees and subscriptions	760	782	(2.8)%	(5.6)%
Other	3,035	2,315	31.1 %	26.4 %
Net revenues	60,036	52,198	15.0 %	11.2 %
Costs charged in arriving at OIBDA	62,208	62,414	(0.3)%	(3.3)%
OIBDA	$(2,172)	$(10,216)	78.7 %	79.0 %

The television advertising market in the Slovak Republic was flat in the nine months ended September 30, 2014 compared to the same period in 2013. Our Slovak Republic operations reported net revenues of US$ 17.7 million and US$ 60.0 million for the three and nine months ended September 30, 2014, respectively, compared to US$ 13.3 million and US$ 52.2 million in the same periods in 2013, increases of 33% and 15% on an actual basis, or 34% and 11% on a constant currency basis. Our television advertising revenues have increased significantly in 2014 due to an increase in consumption of advertising on our channels, and the significant growth in the third quarter of 2014 is the result of a particularly challenging third quarter in 2013 during which our clients' behavior in the Slovak Republic was affected by the advertising pricing initiatives undertaken in the Czech Republic last year.

Costs charged in arriving at OIBDA for the three and nine months ended September 30, 2014 increased by 2% and were broadly flat, respectively, compared to the same periods in 2013. On a constant currency basis costs increased by 3% and decreased by 3%, respectively, reflecting an increase in content costs during the third quarter due to the change in estimate regarding the amortization of produced program rights, which more than offset lower costs in the first half of the year, including cost savings from the closure of a channel at the end of 2013.

Our Slovak Republic segment reported OIBDA losses of US$ 2.1 million and US$ 2.2 million for the three and nine months ended September 30, 2014, respectively, compared to OIBDA losses of US$ 6.1 million and US$ 10.2 million in the same period in 2013, an improvement of US$ 4.0 million and US$ 8.0 million.

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Slovenia

	For the Three Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$7,774	$8,570	(9.3)%	(8.1)%
Carriage fees and subscriptions	1,024	844	21.3%	21.8%
Other	800	798	0.3%	1.1%
Net revenues	9,598	10,212	(6.0)%	(4.9)%
Costs charged in arriving at OIBDA	13,024	14,212	(8.4)%	(7.9)%
OIBDA	$(3,426)	$(4,000)	14.4%	15.4%

	For the Nine Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Television advertising	$35,486	$37,301	(4.9)%	(8.1)%
Carriage fees and subscriptions	3,107	2,856	8.8%	5.5%
Other	2,851	3,255	(12.4)%	(15.3)%
Net revenues	41,444	43,412	(4.5)%	(7.7)%
Costs charged in arriving at OIBDA	41,678	41,340	0.8%	(2.0)%
OIBDA	$(234)	$2,072	NM [1]	NM [1]

[1] Number is not meaningful.

The television advertising market in Slovenia declined 7% in the nine months ended September 30, 2014 compared to the same period in 2013. Our Slovenia segment reported net revenues of US$ 9.6 million and US$ 41.4 million for the three and nine months ended September 30, 2014, respectively, compared to US$ 10.2 million and US$ 43.4 million in the same periods in 2013, decreases of 6% and 5% on an actual basis, or 5% and 8% on a constant currency basis, reflecting a decline in television advertising revenues in the first nine months of 2014 in line with the decline in the television advertising market during the same period.

Costs charged in arriving at OIBDA for the three and nine months ended September 30, 2014 decreased 8% and increased 1% compared to the same periods in 2013. On a constant currency basis costs decreased 8% during the third quarter due to savings on staff related costs and decreased 2% during the first nine months of 2014 as these savings were partially offset by an increase in transmission costs and authors' rights in the first quarter.

Costs charged in arriving at OIBDA during the nine months ended September 30, 2014 exclude a one-off charge of US$ 6.9 million which we accrued for in the second quarter for a fine the competition agency in Slovenia is seeking to impose relating to operations there prior to 2012. The cost is not considered by our chief operating decision makers when assessing the performance of the business. We have appealed the decision (see Item 1, Note 20, "Commitments and Contingencies").

Our Slovenia segment generated OIBDA losses of US$ 3.4 million and US$ 0.2 million for the three and nine months ended September 30, 2014, respectively, compared to an OIBDA loss of US$ 4.0 million and OIBDA of US$ 2.1 million in the same periods in 2013, an increase of US$ 0.6 million and decrease of US$ 2.3 million, respectively.

Free Cash Flow

	For the Nine Months Ended September 30, (US$ 000's)		
	2014	2013	Movement
Net cash used in continuing operating activities	$(18,417)	$(54,735)	66.4%
Capital expenditures, net	(20,214)	(20,638)	2.1%
Free cash flow	$(38,631)	$(75,373)	48.7%

(US$ 000's)	September 30, 2014	December 31, 2013	Movement
Cash and cash equivalents	$ 72,681	$ 103,624	(29.9)%

Our free cash flow in the nine months ended September 30, 2014 was negative US$ 38.6 million, compared to negative US$ 75.4 million in the same period in 2013. Following the closing of the Rights Offering and related financing transactions during the second quarter of 2014, we have been making higher payments to suppliers of

foreign programming in order to improve our payables position. We expect to continue reducing our programming liabilities during the remainder of 2014, utilizing the liquidity available to us under the 2017 Revolving Credit Facility as necessary. As a result, we expect negative free cash flow for the full year 2014 to be more negative than that of 2013.

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III. Analysis of the Results of Operations and Financial Position

	For the Three Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Revenue:				
Television advertising	$104,918	$96,866	8.3 %	11.8 %
Carriage fees and subscriptions	20,232	15,216	33.0 %	34.7 %
Other revenue	14,999	18,906	(20.7)%	(19.9)%
Net Revenues	140,149	130,988	7.0 %	9.8 %
Operating expenses:				
Content costs	76,582	90,555	(15.4)%	(13.5)%
Other operating costs	25,823	30,938	(16.5)%	(15.0)%
Depreciation of property, plant and equipment	8,496	8,557	(0.7)%	1.4 %
Amortization of broadcast licenses and other intangibles	3,081	3,791	(18.7)%	(15.0)%
Cost of revenues	113,982	133,841	(14.8)%	(12.9)%
Selling, general and administrative expenses	34,465	36,888	(6.6)%	(3.5)%
Restructuring costs	342	4,192	(91.8)%	(91.4)%
Operating loss	$(8,640)	$(43,933)	80.3 %	79.9 %

	For the Nine Months Ended September 30, (US$ 000's)			
			Movement	
	2014	2013	% Act	% Lfl
Revenue:				
Television advertising	$379,918	$340,012	11.7 %	10.5 %
Carriage fees and subscriptions	61,153	41,907	45.9 %	44.2 %
Other revenue	55,185	55,295	(0.2)%	(1.9)%
Net Revenues	496,256	437,214	13.5 %	12.1 %
Operating expenses:				
Content costs	259,435	276,465	(6.2)%	(7.0)%
Other operating costs	82,593	92,731	(10.9)%	(11.8)%
Depreciation of property, plant and equipment	26,091	27,630	(5.6)%	(6.4)%
Amortization of broadcast licenses and other intangibles	9,592	11,418	(16.0)%	(14.7)%
Cost of revenues	377,711	408,244	(7.5)%	(8.3)%
Selling, general and administrative expenses	110,294	103,467	6.6 %	6.4 %
Restructuring costs	8,628	8,890	(2.9)%	0.0 %
Operating loss	$(377)	$(83,387)	NM [1]	NM [1]

[1] Number is not meaningful.

Television advertising revenues: On a constant currency basis, television advertising spending in our markets grew in the aggregate by 3% in the nine months ended September 30, 2014, positively impacting our television advertising revenues. We continued to increase revenue in the Czech Republic following changes made to the our policy for 2014. See "Segment Performance" above for additional information on television advertising revenues.

Carriage fees and subscriptions: Carriage fees and subscriptions revenue increased by 35% and 44% on a constant currency basis during the three and nine months ended September 30, 2014, respectively, as compared to the same periods in 2013, primarily as a result of successful negotiations in Bulgaria and Romania to increase carriage fees. See "Segment Performance" above for additional information on carriage fees and subscription revenues.

Other revenues: Other revenues include primarily distribution and internet advertising revenues. On a constant currency basis, other revenues declined 20% and 2% during the three and nine months ended September 30, 2014 as

compared to the same periods in the prior year. The strong performance of titles distributed in theaters in the first quarter of 2014 was offset by lower revenues from sales of content to third parties and weaker home video and theatrical distribution performance.

Cost of revenues: Our total cost of revenues decreased by 15% and 7% during the three and nine months ended September 30, 2014, respectively, compared to the same periods in September 30, 2013. On a constant currency basis, our total cost of revenues decreased by 13% and 8% for the three and nine months ended September 30, 2014, respectively, compared to the same period in September 30, 2013. These decreases reflect personnel cost savings as a result of our prior period cost optimization programs and restructuring efforts as well as decreased content costs resulting from our discontinuing the transmission of MTV Czech.

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Content costs: Content costs (including production costs; and amortization and impairment of program rights) decreased by US$ 14.0 million, or 15%, and US$ 17.0 million, or 6%, during the three and nine months ended September 30, 2014, respectively, compared to the same periods in September 30, 2013. On a constant currency basis, the decreases of 14% and 7% primarily reflect cost savings related to foreign acquired programs and restructuring efforts on local productions, our discontinuing MTV Czech at the end of 2013 and a smaller programming impairment in Romania in the third quarter of 2014 compared to 2013. These decreases were partially offset by increased amortization of programming rights of US$ 4.3 million during the nine months ended September 30, 2014, due to the change in estimate of the relative value generated by each run of a program.

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$ 5.1 million, or 17%, and US$ 10.1 million, or 11% during the three and nine months ended September 30, 2014, respectively, compared to the same periods in September 30, 2013. On a constant currency basis, costs decreased by 15% and 12% during the three and nine months ended September 30, 2014, respectively, compared to the same periods in September 30, 2013, primarily due to lower costs following the execution of cost optimization programs and restructuring efforts implemented subsequent to September 30, 2013.

Depreciation of property, plant and equipment: On a constant currency basis, total depreciation of property, plant and equipment for the three and nine months ended September 30, 2014 decreased by 1% and 6%, respectively, compared to the same periods in 2013 reflecting a decrease in capital expenditures in recent years.

Amortization of broadcast licenses and other intangibles: Total amortization of broadcast licenses and other intangibles decreased US$ 0.7 million and US$ 1.8 million during the three and nine months ended September 30, 2014, or 19% and 16%, respectively, compared to the same periods in September 30, 2013. On a constant currency basis, the decreases of 15% each reflect a decrease in amortization of broadcast licenses and customer relationship intangible assets following impairments recorded in the fourth quarter of 2013.

Selling, general and administrative expenses: Selling, general and administrative expenses decreased by US$ 2.4 million and increased by US$ 6.8 million during the three and nine months ended September 30, 2014, respectively, compared to the same periods in September 30, 2013. The increase in the nine months ended September 30, 2014 is primarily due to a fine the competition agency in Slovenia is seeking to impose, which was accrued in the second quarter of 2014 (see Item 1, Note 20, "Commitments and Contingencies").

Central costs decreased by US$ 5.8 million and US$ 11.8 million, or 44% and 35% during the three and nine months ended September 30, 2014 compared to the same periods in September 30, 2013, reflecting savings due to lower headcount as a result of our restructuring efforts in the prior year. Central costs for the three and nine months ended September 30, 2014 also include charges of US$ 0.4 million and US$ 1.0 million, in respect of non-cash stock-based compensation, decreases of US$ 1.3 million and US$ 2.9 million, respectively, as compared to September 30, 2013 (see Item 1, Note 17, "Stock-based Compensation").

Restructuring costs: Restructuring costs totaled US$ 0.3 million and US$ 8.6 million during the three and nine months ended September 30, 2014, respectively, as we continue to streamline resources and operate with a more efficient cost base, specifically in our segment operations. We currently expect to incur total restructuring costs of approximately US$ 9.0 million in 2014. We expect to complete our current restructuring efforts by the end of 2014.

Operating loss: Operating loss for the three and nine months ended September 30, 2014 was US$ 8.6 million and US$ 0.4 million, respectively, compared to US$ 43.9 million and US$ 83.4 million during the same periods in September 30, 2013, as television advertising and carriage fee revenues increased, while our cost control efforts were effective.

Our operating margin, which is determined as operating income / loss divided by net revenues, was negative 6.2% and negative 0.1% during the three and nine months ended September 30, 2014, respectively, compared to negative 33.5% and negative 19.1% during the same periods in September 30, 2013.

	For the Three Months Ended September 30, (US$ 000's)			
	2014	2013	% Act	
Interest income	$59	$166	(64.5	)%

Interest expense	(37,103)	(23,816)	(55.8)%
Foreign currency exchange (loss) / gain, net	(6,018)	43,711	NM[1]
Other income / (expense), net	22	(232)	NM[1]
(Provision) / credit for income taxes	(658)	2,296	NM[1]
Loss from discontinued operations, net of tax	(144)	(1,465)	90.2 %
Net loss attributable to noncontrolling interests	344	182	89.0 %
Currency translation adjustment, net	(101,543)	70	NM[1]

[1] Number is not meaningful.

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	For the Nine Months Ended September 30, (US$ 000's)		
	2014	2013	% Act
Interest income	$354	$579	(38.9)%
Interest expense	(104,112)	(87,002)	(19.7)%
Loss on extinguishment of debt	(24,161)	(23,115)	(4.5)%
Foreign currency exchange (loss) / gain, net	(6,410)	8,906	NM(1)
Change in fair value of derivatives	2,311	104	NM(1)
Other expense, net	(1,746)	(657)	(165.8)%
(Provision) / credit for income taxes	(948)	13,609	NM(1)
Loss from discontinued operations, net of tax	(18,532)	(2,361)	NM(1)
Net loss attributable to noncontrolling interests	1,130	995	13.6%
Currency translation adjustment, net	(108,480)	(8,874)	NM(1)

(1) Number is not meaningful.

Interest income: We recognized interest income of US$ 0.1 million and US$ 0.4 million during the three and nine months ended September 30, 2014, respectively, compared to US$ 0.2 million and US$ 0.6 million in the three and nine months ended September 30, 2013, respectively.

Interest expense: Interest expense during the three and nine months ended September 30, 2014 was US$ 37.1 million and US$ 104.1 million, respectively, compared to US$ 23.8 million and US$ 87.0 million in the three and nine months ended September 30, 2013, respectively. The increase in interest expense is due to the refinancing of the 2016 Fixed Rate Notes with the 2017 PIK Notes and 2017 Term Loan, both of which bear a higher interest rate per annum. The increase is furthered by the amortization of debt issuance costs and discount on issuance of the 2017 PIK Notes and 2017 Term Loan. (see Item 1, Note 16, "Interest Expense")

Loss on extinguishment of debt: During the nine months ended September 30, 2014, we recognized a loss of US$ 24.2 million on the extinguishment of debt related to the repurchase of the remaining outstanding principal amount of our 2016 Fixed Rate Notes. During the nine months ended September 30, 2013, we recognized a loss on extinguishment of debt of US$ 23.1 million related to the repurchase of a portion of our 2016 Fixed Rate Notes.

Foreign currency exchange (loss) / gain, 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 our 2017 Fixed Rate Notes, 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. Beginning in the fourth quarter of 2013, we classified certain of our intercompany loans as long-term in nature, and therefore no longer record gains or losses on revaluation through the statement of operations and comprehensive income. See the discussion under "Currency translation adjustment, net" below.

During the nine months ended September 30, 2014, we recognized a net loss of US$ 6.4 million, comprised of transaction gains of US$ 9.6 million relating to the revaluation of intercompany loans; a transaction loss of approximately US$ 3.2 million on our senior debt, and transaction losses of US$ 12.8 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 nine months ended September 30, 2013, we recognized a net gain of US$ 8.9 million, comprised of transaction gains of US$ 23.4 million relating to the revaluation of intercompany loans; a transaction loss of approximately US$ 13.6 million on our senior debt due to the overall weakening of the dollar against the Euro between January 1, 2013 and September 30, 2013, and transaction losses of US$ 0.9 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 nine months ended September 30, 2014, we recognized a gain of US$ 2.3 million as a result of the change in the fair value of a foreign currency forward contract which was settled during

the second quarter. During the nine months ended September 30, 2013, we recognized a gain of US$ 0.1 million as a result of the change in the fair value of the interest rate swap that terminated on April 15, 2013. See Note 12, "Financial Instruments and Fair Value Measurements".

Other income / (expense), net: We recognized other income of less than US$ 0.1 million and other expense of US$ 1.7 million during the three and nine months ended September 30, 2014, respectively, compared to other expense of US$ 0.2 million and US$ 0.7 million, respectively, for the same periods in 2013.

(Provision) / credit for income taxes: The provision for income taxes for the three and nine months ended September 30, 2014 was US$ 0.7 million and US$ 0.9 million, respectively, which principally reflects the reversal of tax previously deferred on intercompany profit.

The credit for income taxes for the three and nine months ended September 30, 2013 was US$ 2.3 million and US$ 13.6 million, respectively, which reflected the value of tax losses expected to be realized.

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

Loss from discontinued operations, net of tax: The loss from discontinued operations during the three and nine months ended September 30, 2014 was US$ 0.1 million and US$ 18.5 million, respectively, compared to losses from discontinued operations of US$ 1.5 million and US$ 2.4 million in the three and nine months ended September 30, 2013, respectively. The increase is due to the loss on the sale of Bontonfilm and the fair value adjustment required to measure assets held for sale at fair value less costs to sell our Pro Video businesses.

Net loss attributable to noncontrolling interests: During the three and nine months ended September 30, 2014, the net loss was US$ 0.3 million and US$ 1.1 million in respect of the noncontrolling interest in consolidated subsidiaries as compared to US$ 0.2 million and US$ 1.0 million for the same periods in September 30, 2013. The net loss attributable to noncontrolling interests relates primarily 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.

The dollar strengthened against the functional currencies of our other operations for the nine months ended September 30, 2014, most notably in the three months ended September 30, 2014. In the nine months ended September 30, 2014, we recognized other comprehensive loss of US$ 108.5 million on the revaluation of our net investments in subsidiaries compared to other comprehensive loss of US$ 8.9 million in the nine months ended September 30, 2013. During the fourth quarter of 2013, we designated certain intercompany loans to be of a long-term investment nature as the repayment of these loans is neither planned nor anticipated for the foreseeable future. For the three and nine months ended September 30, 2014, we recorded foreign exchange losses of US$ 110.5 million and US$ 122.2 million on the retranslation of these intercompany loans as an adjustment to accumulated other comprehensive loss, a component of shareholders' equity.

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 September 30, 2014 and 2013, respectively:

	For the Nine Months Ended September 30,	
	2014	2013
Bulgarian Lev	10 %	(2)%
Croatian Kuna	9 %	(1)%
Czech Koruna	10 %	— %
Euro	10 %	(2)%
New Romanian Lei	8 %	(2)%

The dollar strengthened against the functional currencies of our operations between January 1 and September 30, 2014, as compared to a slight weakening of the dollar in the same period in September 30, 2013. The following table illustrates the change in the average exchange rates of the dollar to the functional currencies of our operations between the nine months ended September 30, 2014 and 2013.

	Change in Average Rates
Bulgarian Lev	(3)%
Croatian Kuna	(2)%
Czech Koruna	4 %
Euro	(3)%
New Romanian Lei	(2)%

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 nine months ended September 30, 2014 and September 30, 2013.
Percent Change During the Nine Months Ended September 30, 2014
Percent Change During the Nine Months Months Ended September 30, 2013

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Consolidated balance sheet as at September 30, 2014 and December 31, 2013:

	Summarized Consolidated Balance Sheet (US$ 000’s)			
	September 30, 2014	December 31, 2013	Movement	
Current assets	$365,579	$454,786	(19.6	)%
Non-current assets	1,388,192	1,507,087	(7.9	)%
Current liabilities	257,034	316,222	(18.7	)%
Non-current liabilities	869,371	996,760	(12.8	)%
Temporary equity	219,770	207,890	5.7	%
CME Ltd. shareholders’ equity	407,188	440,108	(7.5	)%
Noncontrolling interests in consolidated subsidiaries	408	893	(54.3	)%

In the third quarter of 2014, our functional currencies weakened significantly against the U.S. Dollar. Our condensed consolidated balance sheet at September 30, 2014 is impacted as a result. The analysis below is intended to highlight the key business factors that led to the movements from December 31, 2013, excluding the impact of foreign currency translation.

Current assets: Current assets at September 30, 2014 decreased by US$ 89.2 million compared to December 31, 2013, primarily as a result of lower accounts receivables due to seasonably lower sales volume in the third quarter of 2014 as compared to the fourth quarter of 2013. The decrease is also due to lower cash resulting from the settlement of payables and fewer assets held for sale reflecting the sale of Bontonfilm in the second quarter of 2014 and the adjustment recorded to carry our Pro Video businesses at fair value less costs to sell.

Non-current assets: Non-current assets at September 30, 2014 decreased by US$ 118.9 million compared to December 31, 2013. Excluding the negative impact of foreign currency translation, non-current assets at September 30, 2014 increased compared to December 31, 2013 primarily due to increased non-cash capitalized debt costs due to our issuance of common stock warrants in connection with the Rights Offering and related financing transactions, which was partially offset by a decrease in produced program rights as previously produced and not released content was broadcast in the period and lower property, plant, and equipment and amortizing intangible assets as depreciation and amortization outpaced expenditures.

Current liabilities: Current liabilities at September 30, 2014 decreased by US$ 59.2 million compared to December 31, 2013, primarily due to payments made to providers of programming content and lower trade payables, particularly in the third quarter of 2014. These decreases were partially offset by higher deferred revenue due to customer prepayments and an accrual related to a fine the competition agency in Slovenia is seeking to impose, which was accrued in the second quarter of 2014 (see Item 1, Note 20, "Commitments and Contingencies").

Non-current liabilities: Non-current liabilities at September 30, 2014 decreased by US$ 127.4 million compared to December 31, 2013, primarily due to lower carrying values of our Senior Debt following the completion of the Rights Offering and related financing transactions, which is partially offset by accrued interest on the 2017 PIK Notes, which the Company must pay in-kind on a semi-annual basis until November 15, 2015 by adding such accrued interest to the principal amount of the 2017 PIK Notes.

Temporary equity: Temporary equity at September 30, 2014 increased by US$ 11.9 million compared to December 31, 2013, 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$ 32.9 million compared to December 31, 2013. This reflects the comprehensive loss attributable to CME Ltd. of US$ 261.6 million during the nine months ended September 30, 2014; increased accumulated other comprehensive income due to currency translation adjustments and accretion of the preferred dividend paid in-kind on our Series B Preferred Shares of US$ 11.9 million. The decrease was partially offset by an increase in additional paid-in capital as as result of the issuance of the 2014 Warrants.

Noncontrolling interests in consolidated subsidiaries: Noncontrolling interests in consolidated subsidiaries at September 30, 2014 decreased US$ 0.5 million compared to December 31, 2013, primarily due to the net loss attributable to noncontrolling interests, particularly in Bulgaria.

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IV. Liquidity and Capital Resources

IV (a) Summary of Cash Flows

Cash and cash equivalents decreased by US$ 30.9 million during the nine months ended September 30, 2014. The change in cash and cash equivalents for the periods presented below is summarized as follows:

	For the Nine Months Ended September 30, (US$ 000's)	
	2014	2013
Net cash used in continuing operating activities	$(18,417)	$(54,735)
Net cash used in continuing investing activities	(20,214)	(20,638)
Net cash provided by continuing financing activities	15,155	59,904
Net cash used in discontinued operations	(780)	(774)
Impact of exchange rate fluctuations on cash	(6,687)	(434)
Net decrease in cash and cash equivalents	$(30,943)	$(16,677)

Operating Activities

Cash used in operations during the nine months ended September 30, 2014 was US$ 18.4 million, compared to cash used in operations of US$ 54.7 million during the nine months ended September 30, 2013. The improvement over the prior period was primarily due to the higher revenue and OIBDA performance as compared to the same period in the prior year. The operating cash flows for the nine months ended September 30, 2014 reflect the payments we have been making to suppliers of foreign programming in order to improve our payables position. We paid cash interest of US$ 52.9 million during the nine months ended September 30, 2014 compared to US$ 87.1 million during the nine months ended September 30, 2013 due to the repurchase of a portion of our 2016 Fixed Rate Notes in the second quarter of 2013 and the repurchase of the remaining outstanding 2016 Fixed Rate Notes in the second quarter of 2014.

Investing Activities

Our net cash used in investing activities of US$ 20.2 million and US$ 20.6 million for the nine months ended September 30, 2014 and 2013, respectively, related to capital expenditures.

Financing Activities

Cash provided by financing activities during the nine months ended September 30, 2014 was US$ 15.2 million compared to US$ 59.9 million during the nine months ended September 30, 2013. The amount of net cash provided by financing activities in the nine months ended September 30, 2014 primarily reflected the proceeds of the Rights Offering and related financing transactions concluded in the second quarter of 2014, partially offset by the payment made to redeem and discharge the 2016 Fixed Rate Notes. The amount of net cash used in financing activities in the nine months ended September 30, 2013 reflected the proceeds from the public and private equity offerings partially offset by the repurchase of a portion of our 2016 Fixed Rate Notes during the second quarter of 2013.

Discontinued Operations

Net cash used in discontinued operations during the nine months ended September 30, 2014 was US$ 0.8 million compared to US$ 0.8 million during the nine months ended September 30, 2013 which primarily represents the net cash flows used in the operations of Bontonfilm and Pro Video businesses.

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. From May 2, 2014, we also have available the 2017 Revolving Credit Facility in the aggregate principal amount of US$ 115.0 million which we intend to draw upon as necessary to improve our payables position (see Item 1, Note 5, "Long-term Debt and Other Financing Arrangements"). 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 September 30, 2014 are as follows:

	Payments due by period (US$ 000's)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt – principal	$997,333	$—	$261,183	$733,773	$2,377
Long-term debt – interest	408,057	40,798	62,051	305,208	—
Unconditional purchase obligations	198,257	78,882	102,285	17,028	62
Operating leases	17,828	3,484	4,424	2,432	7,488
Capital lease obligations	3,896	1,137	1,752	836	171
Other long-term obligations	49,704	23,254	20,443	5,921	86
Total contractual obligations	$1,675,075	$147,555	$452,138	$1,065,198	$10,184

Long-Term Debt

For more information on our long-term debt, see Item 1, Note 5, "Long-term Debt and Other Financing Arrangements". Interest payable on our long-term debt is calculated using exchange rates as at September 30, 2014. For the purposes of the above table, it is assumed that interest on the 2017 PIK Notes and the 2017 Term Loan will be paid in-kind at each interest payment date up to maturity on December 1, 2017.

Unconditional Purchase Obligations

Unconditional purchase obligations primarily comprise future programming commitments. At September 30, 2014, we had commitments in respect of future programming of US$ 193.9 million. This includes contracts signed with license periods starting after September 30, 2014.

Operating Leases

For more information on our operating lease commitments see Item 1, Note 20, "Commitments and Contingencies".

Other Long-Term Obligations

Other long-term obligations include US$ 49.7 million 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 the nine months ended September 30, 2014. Because our cash flows from operating activities were insufficient to cover operating expenses and interest payments, we have sought other capital resources to fund our operations, our debt service and other obligations.

On May 2, 2014, we closed the Rights Offering and certain related financing transactions with Time Warner and received net proceeds, after deducting fees and expenses, of approximately US$ 386.6 million, in addition to the US$ 30.0 million of proceeds from the 2017 Term Loan (see Item 1, Note 5, "Long-term Debt and Other Financing Arrangements" and Note 14, "Equity"). We applied the net proceeds, together with a portion of the proceeds from the 2017 Term Loan, to discharge the 2016 Fixed Rate Notes on May 2, 2014, including the early redemption premium and accrued interest thereon of approximately EUR 15.9 million (approximately US$ 22.0 million at transaction date exchange rates) and EUR 6.7 million (approximately US$ 9.3 million at transaction date exchange rates), respectively. These financing transactions significantly reduced the amount of cash interest to be paid in the coming years by refinancing cash pay indebtedness with non-cash pay indebtedness and provide sufficient liquidity to fund our operations and relieve pressure on our working capital position. We are continuing to take other actions to conserve cash, including targeted reductions to our operating cost base through cost optimization programs. We are also actively considering options to refinance a portion of our existing indebtedness, including the 2015 Convertible Notes, which mature on November 15, 2015. Based on our current projections, we expect that the Company will be free cash flow positive beginning for the year ended December 31, 2015, and we expect to use this positive free cash flow to repay any amounts drawn under the 2017 Revolving Credit Facility such that the entire balance drawn is repaid at or prior to its maturity on December 1, 2017.

Following the closing of the Rights Offering and related financing transactions on May 2, 2014, we have been making payments to suppliers of foreign programming in order to improve our payables position. We expect to continue to reduce our programming liabilities during the remainder of 2014, utilizing the liquidity available to us under the 2017 Revolving Credit Facility as necessary (see Item 1, Note 5, "Long-term Debt and Other Financing Arrangements"). As a result, we expect negative free cash flow for the full year 2014 in an amount exceeding that of 2013 despite the expectation of significantly improved revenue and OIBDA performance in 2014.

With our current cash balances and available liquidity, we believe we will have adequate cash resources to meet our debt service and other financial obligations for the next twelve months.

Credit ratings and future debt issuances

Our corporate credit is rated Caa1 by Moody's Investors Service and B- by Standard & Poor's, both with negative 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 under our indentures for the 2017 Fixed Rate Notes and 2017 PIK Notes (other than refinancing indebtedness) or under the agreements for the 2017 Term Loan and the 2017 Revolving Credit Facility.

Credit risk of financial counterparties

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

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, 2013 filed with the Securities and Exchange Commission ("SEC") on February 28, 2014. 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 changes in accounting estimates since December 31, 2013 and recently issued accounting standards not yet adopted.

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Discontinued Operations

We present our results of operations, financial position and cash flows of operations that have either been sold or that meet the criteria for "held-for-sale accounting" as discontinued operations if the cash flows associated with the group of assets will be significantly eliminated from the ongoing operations of the Company and we will have no significant continuing involvement in the group of assets after the disposal transaction. At the time an operation qualifies for held-for-sale accounting, the operation is evaluated to determine whether or not the carrying amount exceeds its fair value less cost to sell. Any loss as a result of carrying amounts in excess of fair value less cost to sell is recorded in the period the operation meets held-for-sale accounting. Management judgment is required to (1) assess the criteria required to meet held-for-sale accounting, and (2) estimate fair value. Changes to the operation could cause it to no longer qualify for held-for-sale accounting and changes to fair value could result in an increase or decrease to previously recognized losses. In 2013, we expressed our commitment to focusing on our core broadcasting assets and seeking alternatives, including potential divestiture, with respect to our non-core assets. We continue to assess the status of our non-core assets and if we ultimately divest these assets, it is possible that we may recognize losses on their disposal, which may be material.

Fair Value Estimates

Fair value is the price an asset or liability could be exchanged in an arm’s-length orderly transaction between knowledgeable, able and willing parties that is not a forced sale or liquidation. US GAAP requires significant management estimates in determining fair value. The extent of management’s judgments is highly dependent on the valuation model employed and the observability of inputs to the fair value model. The level of management judgment required in establishing fair value of financial instruments is more significant where there is no active market in which the instrument is traded. For financial instruments that are not remeasured through net income, including the warrants issued in the Rights Offering and related financing transactions (see Item 1, Note 5, "Long-term Debt and Other Financing Arrangements" and Note 14, "Equity"), we estimate fair value at issuance and account for the instrument at amortized cost. For financial instruments that are remeasured through net income, we assess the fair value of the instrument at each period end or earlier when events occur or circumstances change that would so require (see Note 12, "Financial Instruments and Fair Value Measurements"). The assumptions used in the determination of the fair value of our financial instruments is highly subjective and had we made different assumptions, the fair value of our financial instruments, including the Initial Warrants and the Unit Warrants, could have been materially different.

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 September 30, 2014:

Expected Maturity Dates	2014	2015	2016	2017	2018	Thereafter
Total debt in Euro (000's)						
Fixed rate	—	—	—	240,000	—	—
Average interest rate (%)	—	—	—	9.0 %	—	—
Total debt in US$ (000's)						
Fixed rate	—	261,034	—	430,727	—	—
Average interest rate (%)	—	5.0 %	—	15.0 %	—	—

Foreign Currency Exchange Risk Management

Although our functional currency is the dollar, we conduct business in a number of foreign currencies and our 2017 Fixed Rate Notes are denominated in Euros. 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, we enter into forward foreign exchange contracts to minimize foreign currency exchange rate risk.

We have not attempted to hedge the 2017 Fixed Rate Notes and therefore may continue to experience significant gains and losses on the translation of the 2017 Fixed Rate Notes into dollars due to movements in exchange rates between

the Euro and the dollar.

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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 September 30, 2014 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 September 30, 2014 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, including the proceeding described below. 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.

Slovenian Competition Proceeding

On April 24, 2013 the Competition Protection Agency of the Republic of Slovenia (“CPA”) adopted a decision finding that our wholly-owned subsidiary Produkcija Plus d.o.o. (“Pro Plus”) has abused a dominant position on the Slovenian television advertising market in breach of applicable competition law, by requiring exclusivity from its advertising customers and by applying loyalty discounts in favor of its customers. Pro Plus filed an appeal with the Slovenian Supreme Court on May 24, 2013. On December 3, 2013, the Slovenian Supreme Court affirmed the decision of the CPA. On July 21, 2014 the CPA adopted a decision to impose a fine of EUR 5.1 million (approximately US$ 6.9 million at transaction date rates). Pro Plus has appealed the decision. No fine is payable during the pendency of such an appeal.

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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 continue to 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 had a negative effect on television advertising prices because of pressure to reduce prices from advertisers and discounting by competitors. We attempted to combat this fall in prices by implementing a new pricing strategy in 2013. There was an adverse reaction to this strategy from agencies and advertisers, particularly in the Czech Republic, which resulted in a significant decrease in revenues in 2013 compared to 2012. While Czech advertising revenues increased in the three and nine months ended September 30, 2014 as compared to the same periods in the prior year, and we expect a significant improvement in Czech advertising revenues in 2014, we do not expect advertising revenues in the Czech Republic to reach 2012 levels in 2014.

In addition to general economic conditions, other factors that may affect our advertising sales are the pricing of advertising time as well as audience ratings, changes in programming strategy, changes in audience preferences, our channels’ technical reach, technological developments relating to media and broadcasting, competition from other broadcasters and operators of other distribution platforms, 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. Accordingly, our advertising revenues also 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 our price increases and the 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, the credit crisis and concerns regarding the Eurozone 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 prevailing general and regional economic conditions. The economic uncertainty affecting the global financial markets and banking system since the beginning of 2009 has had an adverse impact on economic growth in our operating countries across Central and Eastern Europe, some of which are still contending with recession. There has been a widespread withdrawal of investment funding from the Central and Eastern European markets and companies with investments in them. Furthermore, the economic downturn has adversely affected consumer and business spending, access to credit, liquidity, investments, 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. GDP and private consumption weakened during 2012 due to continuing concerns regarding Europe’s sovereign debt crisis, the stability of the Eurozone, the sustainability of the Euro as a

common currency and the growth prospects of major emerging market and developed market economies globally. After adjusting for inflation, we estimate that GDP in our territories remained flat overall during 2013 compared to 2012. While real GDP is estimated to have grown slightly in our markets in the first nine months of 2014, we cannot predict if this represents the start of a recovery or how long it will last. Economic conditions of our operating countries remain challenging, particularly in Slovenia where recent banking sector problems and ongoing political instability contributed to a significant increase of the country’s sovereign risk. 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 and its ability to safeguard depositors’ funds. 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 the affected banks, countries and markets in Europe or elsewhere. Furthermore, the departure of a country from the Euro or the dissolution of the Euro by its members could negatively impact our business as well as cause significant volatility and disruption in the global economy. 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.

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

We are focused on creating additional revenue streams from our broadcast operations as well as enhancing revenues generated from broadcast advertising, which is how we generate the substantial majority of our revenues. Our main efforts with respect to this strategy are on increasing carriage fees from cable and direct-to-home (“DTH”) operators for carriage of our channels as well as continuing to seek improvements in advertising pricing. Some cable and DTH operators have suspended the broadcast of our channels during negotiations to implement our carriage fees strategy, 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 generate advertising revenues. There can be no assurances that these initiatives will ultimately be successful and this may also have an adverse impact on our results of operations and cash flows.

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

We and certain of our subsidiaries have significant debt service obligations under the 2015 Convertible Notes, the 2017 Fixed Rate Notes, the 2017 PIK Notes and the 2017 Term Loan. Despite the expectation of significantly improved revenue and OIBDA performance in 2014, we expect that our cash flows from operating activities will continue to be insufficient to cover operating expenses and these debt service obligations. Improving our payables position will result in increased operating cash outflows during 2014 compared to 2013, which we intend to fund with the 2017 Revolving Credit Facility, resulting in an increase in those debt service obligations. In addition, although interest on the 2017 PIK Notes is initially non-cash pay and on the 2017 Term Loan is non-cash pay at our option, reducing our cash interest costs in the near term, the 2017 PIK Notes and the 2017 Term Loan accrue interest at a significantly higher rate than the 2017 Fixed Rate Notes and the 2015 Convertible Notes which are be required to be repaid in cash by their maturity date. Accordingly, the payment of interest expense in-kind will increase our already significant leverage. As a result of our debt service obligations and covenants contained in the related indentures, we are restricted under the 2017 Fixed Rate Notes, the 2015 Convertible Notes, the 2017 PIK Notes, the 2017 Term Loan and the 2017 Revolving Credit Facility in the manner in which our business is conducted, including but not limited to our ability to obtain additional debt financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements. Furthermore, 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.

We may be unable to refinance our existing indebtedness and may not be able to obtain favorable refinancing terms.

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. Following the issuances of the 2017 PIK Notes and the drawdown of the 2017 Term Loan as well as any drawdown of the 2017 Revolving Credit Facility, we have a substantial amount of indebtedness, including approximately US$ 261.0 million of 2015 Convertible Notes that mature on November 15, 2015. Under the 2017 Term Loan Agreement and the 2017 Revolving Loan Agreement, we can incur only limited amounts of additional indebtedness, which includes indebtedness incurred to refinance existing indebtedness. In addition, the acquisition by Time Warner (or any other person or group (as such term is defined in Section 13(d)(3) of the Exchange Act)) of more than 50% of our outstanding shares of Class A Common Stock would constitute a fundamental change under the indenture governing the 2015 Convertible Notes. If such a fundamental change occurs, we would need to repurchase or refinance the 2015 Convertible Notes in the event the holders thereof exercise their repurchase option under the indenture governing the 2015 Convertible Notes. As a result, we may not be able to repurchase or refinance our indebtedness on acceptable terms or at all. 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.

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

Following a downgrade in September 2013, Moody’s Investors Service rates our corporate credit as Caa1 and the 2017 Fixed Rate Notes as B1, with a negative outlook. Standard & Poor’s rates our corporate credit B- and the 2017 Fixed Rate Notes B- , with a negative 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 monitor companies very closely and have made liquidity and the key ratios associated with it, such as gross leverage ratio, a particular priority. Our refinancing of the 2016 Fixed Rate Notes has extended the maturity profile of our indebtedness and will reduce our cash interest costs. However, we may be subject to further downgrades if we fail to maintain adequate levels of liquidity. In the event our debt or corporate credit ratings are further lowered by the ratings agencies, it will be more difficult for us to refinance indebtedness or raise new indebtedness that may be permitted under our indentures or the 2017 Term Loan Agreement and 2017 Revolving Loan 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 Item 1, Note 4, "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, business or assets in order to optimize our cost structure and capture operating efficiencies. For example, we expanded the scope of our restructuring plans announced last year to operate with a more effective cost base and incurred charges in 2013 of approximately US$ 18.6 million. We also incurred total severance costs of approximately US$ 7.1 million during the third and fourth quarters of 2013. We have continued to pursue restructuring initiatives in 2014 and currently expect to incur total restructuring charges of approximately US$ 9.0 million in 2014. Similar events in the future could also 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.

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 indentures governing the 2017 Fixed Rate Notes, the 2015 Convertible Notes and the 2017 PIK Notes and under the 2017 Term Loan Agreement and the 2017 Revolving Loan 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. In addition, pursuant to the indenture governing the 2017 Fixed Rate Notes, we pledged our ownership interests in CET 21 and substantially all of CET 21's assets, including issued shares of CME Slovak Holdings B.V. If we or our restricted subsidiaries were to default under the terms of any of the indentures governing such notes or agreements governing the 2017 Term Loan Agreement or 2017 Revolving Loan Agreement, the secured parties under such indentures or 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. In addition, in the event of a default under the indenture governing the 2017 Fixed Rate Notes, the secured parties thereunder can enforce against assets that are not part of the collateral for the 2015 Convertible Notes, the 2017 PIK Notes, the 2017 Term Loan or the 2017 Revolving Credit Facility, including the shares and business of CET 21. Any such event could result in our inability to conduct our business.

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Fluctuations in exchange rates may adversely affect our results of operations.
Our reporting currency is the dollar but our consolidated revenues and costs, including programming rights expenses and interest on debt, are divided across a range of currencies. The 2017 Fixed Rate Notes are denominated in Euros. We have not attempted to hedge the foreign exchange exposure on the principal amount of these notes. Furthermore, general market conditions or the global macroeconomic environment may increase our exposure to currency fluctuations. We may continue to experience significant gains and losses on the translation of our revenues or the 2017 Fixed Rate Notes into U.S. dollars due to movements in exchange rates between the Euro, applicable local currency and the U.S. dollar, which may have a material adverse effect on our financial position, results of operations and cash flows.
We may be subject to changes in tax rates and exposure to additional tax liabilities.
The Company is subject to taxes in a number of foreign jurisdictions. Significant judgment is required in determining our provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are subject to regular review and audit by tax authorities. 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. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related proceedings could be materially different from our historical tax provisions and accruals. The results of an audit or proceedings, which may include additional taxes, fines, interest and other penalties, could have a material effect on our financial position, results of operations and cash flows.
Risks Relating to Our Operations
Programming 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. Furthermore, the cost of acquiring content attractive to our viewers, such as feature films and popular television series and formats, may increase as a result of greater competition from existing and new television broadcasting channels. 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 we can predict whether such programming will perform well 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 such underperforming programming, as was the case in certain of our operating segments in 2013. Any material increase in content costs could have a material adverse effect on our financial condition, 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.

Our businesses are vulnerable to significant changes in technology that could adversely affect us.

The television broadcasting industry is affected by rapid innovations in technology. The implementation of new technologies and the introduction of broadcasting distribution systems other than analog terrestrial broadcasting, such as digital terrestrial television ("DTT") broadcasting, direct-to-home cable and satellite distribution systems, the internet, video-on-demand, user-generated content sites and the availability of television programming 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 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. Business initiatives of ours to expand our distribution capabilities to adapt to changing patterns of consumption of content may not be embraced by consumers and therefore may not develop into profitable business models. New 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 impact our businesses. 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 additional channels could lower entry barriers for new channels and encourage the development of increasingly targeted niche programming on various distribution platforms. Our television broadcasting operations may be required to expend substantial financial and managerial resources to ensure necessary access to new broadcasting technologies or distribution systems. In addition, an expansion in competition due to technological innovation may increase competition for audiences and advertising revenue as well as the competitive demand for programming. Any requirement for substantial further investment to address competition that arises on account of technological innovations in broadcasting may 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.

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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.

The transition to digital television broadcasting may require substantial additional investments and the effectiveness of such investments is uncertain.

Countries in which we have operations have been migrating from analog terrestrial broadcasting to DTT broadcasting. Bulgaria, Croatia, the Czech Republic, the Slovak Republic and Slovenia have completed the analog switch-off. In Romania, migration is expected to be completed in 2015. We cannot predict whether our Romanian operations will receive rights or licenses to broadcast any existing or additional channels if additional rights or licenses to such broadcasting should be required once the digital switchover in Romania is completed. We also cannot predict the full effect of the migration to DTT broadcasting on our existing operations or the take up of DTT broadcasting by audiences in those markets. Substantial investment and the commitment of substantial other resources has been required to implement DTT broadcasting and secure distribution in advance of knowing the take up of DTT broadcasting versus competing alternative distribution systems, such as direct-to-home platforms. We may not receive an adequate return on such investment if the take up of DTT broadcasting is lower than expected.

Our operations are in developing markets where there are additional risks, including political and economic uncertainty, biased treatment and loss of business.

Our revenue-generating operations are located in Central and Eastern Europe where we must comply with various laws and other regulatory obligations related to our businesses. Compliance with foreign as well as applicable U.S. laws and regulations, such as broadcasting content and advertising regulations, competition regulations, tax laws, employment laws, data protection requirements, and anti-corruption laws, increases the costs of doing business in these jurisdictions. Although the Company has implemented policies and procedures to comply with these laws and regulations, a violation by the Company’s employees, contractors, or agents could nevertheless occur. The Company may also be significantly affected by other risks that may be different to those posed by investments in more developed markets, including, but 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. As a result, there may be legal and regulatory changes, or changes in the interpretation or application of existing laws or regulations, that require us to incur substantial costs, cause us to change our business practices, or expose us to unanticipated civil or criminal liability, including fines and other penalties that may be substantial, which would have a material adverse effect on our business financial position, results of operations and cash flows.

Other potential risks inherent in markets with evolving economic and political environments include exchange controls, higher tariffs and other levies as well as longer payment cycles. The relative level of development of our markets and the influence of local political parties also present a potential for biased treatment of us before regulators

or courts in the event of disputes involving our investments. 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. The loss of a material business would have a material impact on our 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 that 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 the management or employees of our operating companies 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 companies, whether or not we are aware of any business relationship between our employees and third parties, may present conflicts of interest which may in turn 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, we may be required to make additional disclosure and, if such contracts are material, may not be in compliance with certain covenants under the indentures governing the 2017 Fixed Rate Notes and the 2017 PIK Notes or the 2017 Term Loan Agreement and the 2017 Revolving Loan 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.

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. Our broadcasting licenses for our operations in Slovenia and the Slovak Republic are valid for indefinite time periods and our remaining 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.

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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.

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 unrestricted or 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, as well as 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 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% of the outstanding 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) at a conversion price of US$ 2.42, subject to adjustment in the event of equity issuances at a price per share less than this conversion price, on the date that is 61 days after the earlier of (a) the date on which the ownership of our outstanding shares of Class A Common Stock by a group would not be greater than 49.9% of the outstanding shares of Class A Common Stock and (b) the date on which such beneficial ownership would not give to any person any right of redemption, repurchase or acceleration under any indenture or other document governing any of our indebtedness outstanding as of June 25, 2013. The initial stated value of US$ 1,000 per share of the Series B Preferred Stock accretes at a rate of 7.5% per annum, compounded quarterly, for the first three years from the date of issuance and 3.75% per annum, compounded quarterly, for the fourth and fifth years. As of September 30, 2014, the 200,000 shares of Series B Preferred Stock were convertible into 90,649,241 shares of Class A Common Stock. The TW Warrants are convertible into shares of Class A Common Stock at an exercise price of US$ 1.00 per share from May 2, 2016 until May 2, 2018, subject to the right of Time Warner to exercise such 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). Time Warner has registration rights with respect to all its shares of Class A Common Stock now held or hereafter acquired by Time Warner. Furthermore, there are additional unregistered or restricted shares of our Class A Common Stock outstanding, as well as securities convertible into shares of Class A Common Stock, that may enter into trading.

We cannot predict what effect, if any, the entry into trading of previously issued unregistered or restricted 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 49.6% 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 to Time Warner, the aggregate economic interest of Time Warner in us is approximately 75.2%, (without giving effect to the accretion of the Series B Preferred Stock after September 30, 2014). 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. 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, following the issuance of the 2017 PIK Notes and the drawdown of the 2017 Term Loan, Time Warner is, in addition to being our largest shareholder, is our largest secured creditor. Subject to certain exceptions provided for by the Trust Indenture Act that would apply to the 2017 PIK Notes that limit Time Warner’s voting rights as a holder of the 2017 PIK Notes, Time Warner will be entitled to vote or otherwise make decisions in its capacity as a holder of the 2017 PIK Notes or as a lender under the 2017 Term Loan and, when drawn, the 2017 Revolving Credit Facility. The 2017 Term Loan and the 2017 Revolving Credit Facility contain maintenance covenants and have more restrictive provisions than equivalent provisions contained in the indenture governing the 2017 Fixed Rate Notes, including covenants in respect of the incurrence of indebtedness, the provision of guarantees, making investments and granting security and certain events of default. 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 or other indebtedness.

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.

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Item 6. Exhibits

Exhibit Number	Description
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
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

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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.

	/s/ David Sturgeon
	David Sturgeon
Date: October 30, 2014	Executive Vice President and Chief Financial Officer
	Principal Financial Officer and Principal Accounting Officer

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