METROMEDIA INTERNATIONAL GROUP INC
Form 10-K/A
February 25, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

FORM 10-K/A

(Mark One)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For Fiscal Year Ended December 31, 2002
OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)**
For the transition period from _____________ to _____________

Commission File Number 1-5706

METROMEDIA INTERNATIONAL GROUP, INC.

(Exact name of registrant, as specified in its charter)

DELAWARE	**58-0971455**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8000 Tower Point Drive, Charlotte, North Carolina 28227
(Address and zip code of principal executive offices)

(704) 321-7380
(Registrant's telephone number, including area code)

505 Park Avenue, 21st Floor, New York, New York 10022
(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**

Common Stock, $1.00 par value	Over the Counter Bulletin Board
$7^{1}/_{4}$% Cumulative Convertible Preferred Stock	Over the Counter Bulletin Board

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such 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 o No ý

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

Indicate by check mark if disclosure whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934 Yes o No ý

The aggregate market value of voting stock of the registrant held by non-affiliates of the registrant at June 30, 2003 computed by reference to the last reported sale price of the Common Stock on the composite tape on such date was $15,410,722.

The number of shares of Common Stock outstanding as of June 30, 2003 was 94,034,947.

Documents Incorporated By Reference

None

Restatement of Prior Financial Information

The Company determined that the following accounting errors had been made in its past financial statements:

1. The Company has determined that it should have recorded a $2.1 million tax refund that it received on November 10, 2003 from the United States Department of Treasury, related to the carry-back of certain AMT losses which recovered taxes paid in prior years, in fiscal year 2002. Specifically, the Company has determined that it should have recorded an income tax benefit within the "Income tax expense" line item within its consolidated financial statements in each of the three months ended March 31, 2002, June 30, 2002, September 30, 2002 and December 31, 2002 of $1.1 million, $0.8 million, $41.0 thousand and $0.2 million, respectively;

2. The Company has determined that it should have recorded a $2.3 million tax refund from the United States Department of Treasury, related to the carry-back of certain AMT losses which recovered taxes paid in prior years, that the Company had previously recorded within the "Loss from discontinued components" line item within its consolidated financial statements for the three and twelve month periods ended December 31, 2002 in an earlier accounting period in 2002. Specifically, the Company has determined that it should have recorded the $2.3 million income tax benefit within the "Income tax expense" line item within its consolidated financial statements for the three months ended March 31, 2002. In connection with this adjustment, the Company reclassified $66.0 thousand of interest from discontinued components to "Interest income" in the three months ended December 31, 2002;

3. The Company has determined that it should have recorded a $0.8 million income tax receivable, related to a refund owed to the Company based on an amended state tax return filed in early January 2003, within the "Loss from discontinued components" line item within its consolidated financial statements for the three and twelve month periods ended December 31, 2002; and

4.

The Company historically accounted for unpaid dividends on its 7[1]/4% cumulative convertible preferred stock ("the Preferred Stock") on a simple interest basis; however, according to the Preferred Stock Certificate of Designation, cumulative unpaid dividends are subject to quarterly compounding. The Company has recalculated the cumulative unpaid dividend amount for 2002 and 2003 based on the date of the first unpaid dividend and has increased the quarterly dividend expense amounts in the 2002 and 2003 quarterly periods by $0.2 million, $0.3 million, $0.4 million, $0.4 million, $0.5 million and $0.6 million for the three months ended March 31, 2002, June 30, 2002, September 30, 2002, December 31, 2002, March 31, 2003 and June 30, 2003 respectively. Under-reported dividend expense amounts prior to 2002 were immaterial. With all quarterly compounding corrections applied, as of December 31, 2002 the total dividend in arrears was $28.4 million.

The effects of the tax adjustments resulted in an increase in "Prepaid expenses and other current assets" of $2.1 million; an increase in "Current assets of discontinued components" of $0.8 million; and a reduction of "Accumulated deficit" of $2.9 million at December 31, 2002. For the statement of cash flows, the tax adjustments resulted in a decrease in the "Net loss" of $2.9 million; an increase in the "Loss from discontinued components" of $1.6 million which resulted in a reduction of the "Loss from continuing operations" of $4.5 million; an increase in the use of cash from "Changes in Other Assets and Liabilities" of $2.1 million, all of which resulted in a net decrease in "Cash used in operating activities of $2.4 million, which was offset by a decrease in "Cash provided by discontinued components" of $2.4 million for the year ended December 31, 2002. The adjustment related to the dividends has no impact on the balance sheet or on the statement of cash flows.

The effects of the adjustments for income statement purposes are summarized in the following financial results tables:

	March 31, 2002		June 30, 2002			
	Three Months Ended		Three Months Ended		Six Months Ended	
	Originally Reported	Restated	Originally Reported	Restated	Originally Reported	Restated
Revenues	$ 31,257	$ 31,257	$ 23,940	$ 23,940	$ 55,197	$ 55,197
Operating loss	(8,566)	(8,566)	(9,886)	(9,886)	(18,452)	(18,452)
Income tax (expense) benefit	(1,819)	1,624	(1,575)	(815)	(3,394)	809
Loss from continuing operations	(16,551)	(13,108)	(19,199)	(18,439)	(35,750)	(31,547)
(Loss) income from discontinued components	(14,194)	(14,194)	767	767	(13,427)	(13,427)
Cumulative effect of a change in accounting principle	(3,157)	(3,157)			(3,157)	(3,157)
Net loss	(33,902)	(30,459)	(18,432)	(17,672)	(52,334)	(48,131)
Cumulative convertible preferred stock dividend	(3,752)	(3,960)	(3,752)	(4,031)	(7,504)	(7,991)
Net loss attributable to common stockholders	$ (37,654)	$ (34,419)	$ (22,184)	$ (21,703)	$ (59,838)	$ (56,122)
Income (loss) per common share attributable to common stockholders Basic & Diluted:						
Continuing operations	$ (0.22)	$ (0.19)	$ (0.24)	$ (0.24)	$ (0.46)	$ (0.43)
Discontinued components	(0.15)	(0.15)		0.01	(0.15)	(0.14)
Cumulative effect of a change in accounting principle	(0.03)	(0.03)			(0.03)	(0.03)
Net loss per common share attributable to common stockholders	$ (0.40)	$ (0.37)	$ (0.24)	$ (0.23)	$ (0.64)	$ (0.60)

	September 30, 2002	
	Three Months Ended	Nine Months Ended

	September 30, 2002			
	Originally Reported	Restated	Originally Reported	Restated
Revenues	$ 24,368	$ 24,368	$ 79,565	$ 79,565
Operating loss	(7,253)	(7,253)	(25,705)	(25,705)
Income tax expense	(1,707)	(1,666)	(5,101)	(857)
Loss from continuing operations	(36,684)	(36,643)	(72,434)	(68,190)
Loss from discontinued components	(7,913)	(7,913)	(21,340)	(21,340)
Cumulative effect of a change in accounting principle			(3,157)	(3,157)
Net loss	(44,597)	(44,556)	(96,931)	(92,687)
Cumulative convertible preferred stock dividend	(3,752)	(4,104)	(11,256)	(12,095)
Net loss attributable to common stockholders	$ (48,349)	$ (48,660)	$ (108,187)	$ (104,782)
Loss per common share attributable to common stockholders Basic & Diluted:				
Continuing Operations	$ (0.43)	$ (0.44)	$ (0.89)	$ (0.85)
Discontinued components	(0.08)	(0.08)	(0.23)	(0.23)
Cumulative effect of a change in accounting principle			(0.03)	(0.03)
Net loss per common share attributable to common stockholders	$ (0.51)	$ (0.52)	$ (1.15)	$ (1.11)

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	December 31, 2002			
	Three Months Ended		Twelve Months Ended	
	Originally Reported	Restated	Originally Reported	Restated
Revenues	$ 25,081	$ 25,081	$ 104,646	$ 104,646
Operating loss	(12,834)	(12,834)	(38,539)	(38,539)
Income tax expense	(1,086)	(927)	(6,187)	(1,784)
Loss from continuing operations	(19,907)	(19,682)	(92,341)	(87,872)
(Loss) income from discontinued components	5,464	3,894	(15,876)	(17,446)
Cumulative effect of a change in accounting principle			(3,157)	(3,157)
Net loss	(14,443)	(15,788)	(111,374)	(108,475)
Cumulative convertible preferred stock dividend	(3,752)	(4,179)	(15,008)	(16,274)
Net loss attributable to common stockholders	$ (18,195)	$ (19,967)	$ (126,382)	$ (124,749)
Income (loss) per common share attributable to common stockholders Basic & Diluted:				
Continuing operations	$ (0.25)	$ (0.25)	$ (1.14)	$ (1.11)
Discontinued components	0.06	0.04	(0.17)	(0.19)
Cumulative effect of a change in accounting Principle			(0.03)	(0.03)
Net loss per common share attributable to common stockholders	$ (0.19)	$ (0.21)	$ (1.34)	$ (1.33)

	December 31, 2002			

Amended Items

The Company hereby amends the following items, financial statements, exhibits or other portions of its Annual Report on Form 10-K for the year ended December 31, 2002, as amended, as set forth herein:

Item 6. ***Selected Financial Data.***

The selected financial information of the registrant for the five years ended December 31, 2002 is amended to read in its entirety as set forth at pages 1 through 2 herein and is incorporated herein by reference.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

The information set forth under the caption "Management's Discussion and Analysis" is amended to read in its entirety as set forth at pages 2 through 37 herein and is incorporated herein by reference.

Item 8. ***Financial Statements and Supplementary Data.***

The consolidated financial statements and supplementary data of the Company and the report of independent auditors thereon are amended to read in their entirety as set forth at page 37 herein and are incorporated herein by reference.

Item 14. ***Controls and Procedures.***

The information set forth under the caption "Controls and Procedures" is amended to read in its entirety as set forth at pages 37 through 40 herein and is incorporated by reference.

Item 15. ***Exhibits, Financial Statement Schedules and Exhibit Index.***

The list of exhibits set forth in, and incorporated by reference from, the Exhibit Index, is amended to include the following additional exhibits, filed herewith:

23.3 Consent of KPMG LLP, Independent Auditors.

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act, with respect to Amendment No. 1 on Form 10-K/A to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act, with respect to Amendment No. 1 on Form 10-K/A to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act, with respect to Amendment No. 1 on Form 10-K/A to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act, with respect to Amendment No. 1 on Form 10-K/A to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

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Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with "*Item 7: Management's Discussion and Analysis of Financial Conditions and Results of Operations*" and our consolidated financial statements, including the notes thereto, and the other consolidated financial data included elsewhere in this report. The consolidated statements of operations data and consolidated balance sheet data as of and for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 are derived from our consolidated financial statements and the notes related thereto, which were audited by KPMG LLP, independent certified public accountants. The consolidated financial statements as of December 31, 2002 and 2001 and for each of the years in the three-year period ended December 31, 2002 and the report of KPMG LLP thereon, are included elsewhere in this report. The report of KPMG LLP contains an explanatory paragraph that states that the Company has suffered recurring net losses and net operating cash deficiencies and does not presently have sufficient funds on hand to meet its current debt obligations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in *"Item 15:Exhibits, Financial Statements, Schedules and Reports on Form 8-K Notes to Consolidated Financial Statements-Note (1) Basis of Presentation,Going Concern and Recent Developments."* The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Certain reclassifications have been made to the consolidated financial statements for prior years to conform to the current presentation.

	Years ended December 31				
	2002	**2001**	**2000 (2)**	**1999 (6)**	**1998**
	(in thousands, except per share data)				
	(restated)				
Statement of Operations Data:					
Revenues	$ 104,646	$ 116,623	$ 129,622	$ 43,953	$ 30,208
Asset impairment and restructuring charges, net	(8,732)	(67,848)	1,511	(16,002)	(40,317)
Equity in losses of and write-downs of investment in unconsolidated investees	(28,351)	(48,384)	(15,089)	(18,910)	(17,111)
Loss from continuing operations before the cumulative effect of a change in accounting principle and discontinued components	(87,872)	(194,074)	(5,871)	(71,869)	(98,627)
Loss from discontinued components (1)	(17,446)	(54,457)	(18,433)	(70,114)	(25,043)
Cumulative effect of a change in accounting principle (3)	(3,157)				
Net loss	(108,475)	(248,531)	(24,304)	(141,983)	(123,670)
Net loss attributable to common stockholders	(124,749)	(263,539)	(39,312)	(156,991)	(138,678)
Loss per common share-Basic and diluted:					
Continuing operations before the cumulative effect of a change in accounting principle and discontinued components	$ (1.11)	$ (2.22)	$ (0.22)	$ (1.15)	$ (1.65)
Discontinued components (1)	(0.19)	(0.58)	(0.20)	(0.94)	(0.36)
Cumulative effect of a change in accounting principle (3)	(0.03)				
Net loss	$ (1.33)	$ (2.80)	$ (0.42)	$ (2.09)	$ (2.01)

	Years ended December 31				
Ratio of earnings to fixed charges (4)	n/a	n/a	n/a	n/a	n/a
Weighted average common shares outstanding	94,035	94,035	93,978	75,232	68,955
Dividends per common share					
Balance Sheet Data (at end of period):					
Cash and cash equivalents (5)	$ 30,331	$ 27,074	$ 75,484	$ 47,422	$ 135,841
Total assets	290,148	469,721	736,119	776,854	609,641
Notes and subordinated debt	217,372	207,798	232,469	183,090	5,000
Convertible preferred stock	207,000	207,000	207,000	207,000	207,000
Stockholders' equity (deficiency)	(22,498)	90,776	343,676	384,935	425,540

(1)

On January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* Accordingly, the Company has presented those business components that qualify as discontinued business components as of December 31, 2002 and restated previous periods as required. In addition, in April 1998, the Company completed the sale of the Landmark Theatre Group. This transaction has been treated as a discontinuance of business segments and,

accordingly, the Company's consolidated financial statements reflect the results of operations of Landmark as a discontinued segment.

(2)

In October 2000, the Company sold its indirect 22% interest in Baltcom GSM for a total cash consideration of $66.3 million and recorded an after tax gain on the sale of $57.4 million.

(3)

On January 1, 2002, the Company adopted the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. As a result of applying the provisions of SFAS No. 142, the Company recorded a transitional impairment charge of $3.2 million in continuing operations and $13.6 million in discontinued operations as of January 1, 2002. Amortization of Goodwill for the years ended December 31, 2001, 2000, 1999 and 1998 was $9.3 million, $8.4 million, $9.1 million, and $4.9 million, respectively. Goodwill amortization included in equity in losses and writedowns of investment in unconsolidated investees for the years ended December 31, 2001, 2000, 1999, and 1998 was $4.9 million, $5.1 million, $4.3 million, and $2.4 million, respectively.

(4)

For purposes of this computation, earnings are defined as pre-tax earnings or loss from continuing operations of the Company before adjustment for the cumulative effect of a change in accounting principle, minority interests in consolidated subsidiaries or income or loss from equity investees attributable to common stockholders plus (i) fixed charges and (ii) distributed income of equity investees. Fixed charges are the sum of (i) interest expensed and capitalized, (ii) amortization of deferred financing costs, premium and debt discounts, (iii) the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third) and (iv) dividends on preferred stock. The ratio of earnings to fixed charges of the Company was less than 1.00 for each of the years ended December 31, 2002, 2001, 2000, 1999 and 1998; thus, earnings available for fixed charges were inadequate to cover fixed charges for such periods. The deficiency in earnings to fixed charges for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 were: $108.6 million; $185.9 million; $28.6 million; $114.0 million; and $121.9 million, respectively.

(5)

Due to legal and contractual restrictions, a substantial portion of the cash balances in certain of the Company's business ventures cannot be readily accessed, if at all, for the Company's liquidity requirements. "See Item 1: Business Risks Associated with the Company-The Company is dependent on certain local parties, and we cannot assure you that it will be able to maximize its return on these investments" and "Item 7: Management's Discussion and Analysis of Financial Condition and Results from Operations-Liquidity and Capital Resources."

(6)

The Company acquired PLD Telekom Inc on September 30, 1999 for 24.1 million shares of its common stock valued at $4.3125 per share.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Company's consolidated financial statements and related notes thereto and the "Business" section included as Item 1 herein.

Liquidity and Capital Resources

The Company

Overview. The Company is presently in the process of an overall restructuring in which its interests in its media and non-core telephony businesses will be sold and a substantially downsized supervisory staff will manage the remaining business ventures. This restructuring was prompted by and is intended to resolve the severe liquidity issues confronting the Company at the beginning of 2002. This restructuring focuses on "core" telephony business operations that are currently self-financed and hold leading positions in their respective markets. These core operations will be held and developed, with the expectation that their future dividend distributions will be sufficient to meet the Company's debt service and overhead requirements. All other "non-core" operations will be sold; with the intention that sale proceeds would mitigate short-term liquidity concerns and provide capital for further core business development.

Upon completion of the restructuring, the Company intends that its core holdings will consist primarily of:

PeterStar, the leading competitive local exchange carrier in St. Petersburg, Russia, in which the Company has a 71% equity interest;

Magticom, the leading GSM mobile telephony operator in Georgia, in which the Company has an indirect 34% equity interest; and

BCL, a local and long distance telephony operator in St. Petersburg, Russia, in which the Company has a 100% equity interest.

PeterStar and Magticom are leaders in their respective markets with substantial opportunity for further growth. All three businesses currently generate cash dividends. Each is self-financed for working capital and capital expenditures.

The Company is a holding company; accordingly, it does not generate cash flows from operations. As a result, the Company is dependent on the distribution of earnings from its business ventures and subsidiaries and the repayments of principal and interest under its credit agreements with its business ventures and subsidiaries. The Company's business ventures and subsidiaries are separate legal entities that have no obligation to pay any amounts the Company owes to third parties. Furthermore, due to legal and contractual restrictions, a substantial portion of the cash balances in certain of the Company's business ventures and subsidiaries, cannot be readily accessed, if at all, for the Company's corporate liquidity requirements. *See "Risks Associated with the Company The Company is dependent on certain local parties, and we cannot assure you that it will be able to maximize its return on certain investments" and "Item 7: Management's Discussion and Analysis of Financial Condition and Results from Operations Liquidity and Capital Resources."*

Liquidity Issues

As of December 31, 2002 and June 30, 2003, the Company had approximately $18.9 million and $17.4 million, respectively, of unrestricted cash at its headquarters level. In addition, as of December 31, 2002 and June 30, 2003, the Company had approximately $11.4 million and $2.9 million, respectively, of cash at the Company's consolidated business ventures. Furthermore, as of December 31, 2002 and June 30, 2003, the Company's unconsolidated business ventures had approximately $12.4 million and $2.8 million, respectively, of cash.

The Company projects that its current corporate cash reserves, anticipated cash proceeds of non-core asset sales and continuing dividends from core operations will be sufficient for the Company to meet its future operating and debt service obligations on a timely basis. Opportunities to refinance the Company's $10^1/_2$% Senior Discount Notes due 2007 with a current outstanding principal balance (fully accreted) of $152.0 million (the "Senior Discount Notes") are also being pursued, but present Company plans presume the continued service of this debt on current terms. The Company, however, cannot provide assurances that its restructuring efforts will be successful or, if successful, that they will provide for sufficient cash reserves to support long-term sustainable operations.

If the Company does not successfully complete its restructuring and does not realize the cash proceeds it anticipates on further sale of its non-core businesses, the Company does not believe that it will be able to pay the approximately $8.0 million interest payment due on March 30, 2004 on its Senior Discount Notes and fund its operating, investing and financing cash flows through July 2004. Assuming no proceeds from further sale of non-core assets, the Company projects that its cash flow and existing capital resources will permit it to pay the approximately $8.0 million interest payment due on September 30, 2003 on its Senior Discount Notes. *See "Item 7: Management's Discussion and Analysis of Financial Condition and Results from Operations Liquidity and Capital Resources" and "Risks Associated with the Company Absent the completion of the sale of its non-core assets and the receipt of cash distributions from subsidiary operations, the Company may not have sufficient liquidity to meet interest obligations on its Senior Notes for the next twelve months, which would constitute an event of default under its indenture".*

The outstanding principal on the Senior Discount Notes becomes due in full on September 30, 2007. Failure on the part of the Company to make any required payment of interest or principal on the Senior Discount Notes would represent a default under the Senior Discount Notes. A default, if not waived, could result in acceleration of the Company's indebtedness, in which case the full amount of the Senior Discount Notes would become immediately due and payable. If this occurs, the Company

would not be able to repay the Senior Discount Notes and would likely not be able to borrow sufficient funds to refinance them.

The Company is actively pursuing sale of non-core businesses to raise additional cash and has undertaken to maximize cash distributions from all of its business ventures. The Company believes these measures will succeed in providing sufficient liquidity to meet cash demands for the coming twelve months and beyond. However, the Company cannot assure you that it will be successful in selling any of its non-core businesses or that these sales will raise sufficient cash to meet short-term liquidity requirements. The Company also is subject to legal and contractual restrictions, including those under the indenture for the Senior Discount Notes, on its use of any cash proceeds from sale of its assets or those of its business ventures or subsidiaries.

If the Company is not able to satisfactorily address the liquidity issues described above, the Company may have to resort to certain other measures, including ultimately seeking the protection afforded under the U.S. Bankruptcy Code. The Company cannot assure you at this time that it will be successful in avoiding such measures.

During 2003, the Company engaged in discussions with representatives of holders of a substantial portion of its $152.0 million outstanding Senior Discount Notes concerning refinancing of this debt. To date, no refinancing has been agreed upon and further refinancing discussions with these substantial Senior Discount Note holders have been suspended. The Company's present plans anticipate continued servicing of the Senior Discount Notes on current terms. The Company continues to pursue opportunities for refinancing its debt on favorable terms; however, no assurance can be given as to the Company's ability to consummate a refinancing transaction.

See "*Item 1: Business Risks Associated with the Company*" for a discussion of the liquidity issues facing the Company.

The following represents contractual commitments associated with long-term debt, capital leases, and non-cancelable operating leases, exclusive of interest payments (in thousands):

	Total	Long-Term Debt	Capital Leases	Non-Cancelable Operating Leases
2003	$ 4,706	$ 1,824	$ 1,684	$ 1,198
2004	2,760	592	1,544	624
2005	2,378	462	1,296	620
2006	109	0	0	109
2007	210,718	210,631	0	87
Thereafter	56	0	0	56
Less: amount representing interest	(661)	0	(661)	0

Total	Long-Term Debt	Capital Leases	Non-Cancelable Operating Leases
$ 220,066	$ 213,509	$ 3,863	$ 2,694

Prior to 2002, the Company had historically made significant capital infusions to fund acquisitions, as well as make capital contributions and loans to its business ventures for their capital expenditure and working capital requirements. Many of the Company's business ventures and subsidiaries operate or invest in businesses that provide cable television, fixed telephony and cellular telecommunications services, that require significant capital investment in order to construct, develop and maintain operational systems and market their services.

The Company's capital expenditure program, for the twelve months ended June 2004, for its core businesses is anticipated to approximate $28.5 million and we do not anticipate that corporate headquarters cash resources will be required to fund this program; that is, we believe that this amount will be funded by the cash reserves and operating cash flows of the respective business ventures.

In regards to the Company's non-core media and telephony businesses, the Company anticipates that those businesses will expend $4.5 million on capital projects, for the twelve months ended

June 2004; however, the Company does not anticipate that it will be required to infuse any of its corporate headquarters cash resources into these non-core business ventures in order for them to meet their collective capital expenditure program requirements.

The Company currently anticipates that it will fund between approximately $0.5 million to $1.0 million into certain of its non-core media business ventures, through the end of first quarter 2004, in order for them to meet their working capital requirements.

Certain of the Company's non-core business ventures are experiencing continuing losses and negative operating cash flows. The Company's business ventures' ability to meet their respective business plans are dependent upon their ability to attract subscribers to their systems, the sale of commercial advertising time and their ability to control operating expenses. There can be no assurances that the Company's business ventures will have sufficient resources to achieve their business plans. If the necessary resources are not available, the growth and continued viability of certain of these business ventures may be impaired.

Credit agreements between certain of the business ventures and the Company are intended to provide such business ventures with sufficient funds for operations and equipment purchases. The credit agreements generally provide for interest to accrue at rates ranging from the prime rate to the prime rate plus 6% and for payment of principal and interest from 90% of the business venture's available cash flow, as defined, prior to any distributions of dividends to the business venture shareholders. The credit agreements also often provide the Company contractual rights to appoint the general director of the business venture and the right to approve the annual business plan of the business. Generally, advances under the credit agreements are made to the business ventures in the form of cash for working capital purposes.

Former PLD Businesses. The business ventures acquired through the merger of PLD Telekom and MITI, including PeterStar and BCL, are largely self-sustaining. While they continue to have on-going capital requirements associated with the development of their business activities, they have been able to fund capital expenditure and working capital requirements with internally generated cash flows from operations and/or have been able to arrange their own financing, including supplier financing. In no case is the Company or MITI specifically obligated to provide capital to these business ventures.

Senior Discount Notes

In connection with the acquisition of PLD Telekom, the Company issued $210.6 million in aggregate principal amount at maturity of its Senior Discount Notes in exchange for PLD Telekom's then outstanding senior discount notes and convertible subordinated notes. The Senior Discount Notes are due interest at the rate of $10^1/_2$% per year, payable semi-annually in cash. On April 24 2003, the Company completed an exchange with Adamant Advisory Services, a British Virgin Islands company ("Adamant"), in which the Company conveyed its ownership interest in certain of its businesses in Russia in exchange for approximately $58.6 million, face value, of the Company's Senior Discount Notes held by Adamant. With the completion of this transaction, the Company's outstanding principal on the Senior Discount Notes was reduced to $152.0 million. As discussed under in " *Item 1. Business Recent Developments*", the Company is attempting to restructure its obligations relating to the Senior Discount Notes.

The Senior Discount Notes are general senior unsecured obligations of the Company, rank senior in right of payment to all existing and future subordinated indebtedness of the Company, rank equal in right of payment to all existing and future senior indebtedness of the Company and will be effectively subordinated to all existing and future secured indebtedness of the Company to the extent of the assets securing such indebtedness and to all existing and future indebtedness of the Company's subsidiaries, whether or not secured.

The Senior Discount Notes are redeemable at the sole option of the Company at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date of redemption.

Upon the occurrence of a change of control of the Company (as such term is defined in the indenture for the Senior Discount Notes (the "Indenture")), the holders of the Senior Discount Notes will be entitled to require the Company to repurchase such holders' notes at a purchase price equal to 101% of the principal amount of such notes plus accrued and unpaid interest to the date of repurchase.

The Indenture for the Senior Discount Notes limits the ability of the Company and certain of its subsidiaries to, among other things, incur additional indebtedness or issue capital stock or preferred stock, pay dividends on, and repurchase or redeem their capital stock or subordinated obligations, invest in and sell assets and subsidiary stock, engage in transactions with affiliates and incur additional liens. The Indenture for the Senior Discount Notes also limits the ability of the Company to engage in consolidations, mergers and transfers of substantially all of its assets and also contains limitations on restrictions on distributions from its subsidiaries.

Convertible Preferred Stock.

The Company has 4.1 million shares of its $1.00 par value, 7 1/4% cumulative convertible preferred stock that has a liquidation preference of $50.00 per share.

Dividends on the preferred stock are cumulative from the date of issuance and payable quarterly, in arrears. The Company may make any payments due on the preferred stock, including dividend payments and redemptions (i) in cash; (ii) through issuance of the Company's common stock or (iii) through a combination thereof. The dividend requirements for the year ending December 31, 2003 will be $17.5 million, including the effects of compounding and assuming there are no payments of the dividends.

Through March 15, 2001, the Company paid its quarterly dividends on the preferred stock in cash. The Company has not declared a dividend for any quarterly dividend period ending after June 15, 2001. As of December 31, 2002 and June 30, 2003, total dividends in arrears were $28.4 million and $37.0 million, respectively. As the Company did not pay the dividend on the preferred stock for six consecutive quarters, holders of the preferred stock have the right to call a stockholders meeting and to elect two new directors to the Company's Board of Directors.

Business Venture Support and Corporate Overhead Costs

In 2002 and 2001, the Company expended $31.2 million, and $34.0 million, respectively on support of its subsidiary business ventures and headquarter overheads. The Company provides business development, engineering, marketing and financial reporting services to its operating units through its wholly-owned subsidiary Metromedia International Telecommunications, Inc. (MITI). The principal components of the Company's corporate overhead costs relate to personnel costs (salaries and wages, other employee benefits and travel related costs), professional fees (lawyers, accountants and bankers), consultants, facility related costs and other general and administrative costs associated (insurance and regulatory compliance costs).

The Company currently anticipates that its 2003 business venture support and corporate overhead costs will range from approximately $30.0 million to $35.0 million. A substantial portion of these costs were expended in fees for financial and legal advice, cost of severance, marketing of non-core assets and other similar expenditures with respect to the Company's restructuring. As of June 30, 2003, the Company's year-to-date business venture support and corporate overhead costs were $21.0 million, of which $20.0 million was paid in cash.

Although the Company has been working to reduce its overhead costs, the Company believes that there is a limit to such reduction without losing ability to provide the appropriate level of management oversight. *See Item 1. "Risks Associated with the Company. The Company has experienced a significant* *reduction in its personnel, including its executive ranks, which may affect the Company's ability to develop and execute its business strategies and manage its operations."*

Guarantees and Commitments

The Company is contingently liable for debts and other obligations of certain of its subsidiaries and business ventures (consolidated and unconsolidated) to third parties. These contingent liabilities at December 31, 2002 are summarized as follows (in thousands):

Continuing Operations:		
Benefit Plans	$	9,200
Loan guarantee(1)		1,400
	$	10,600

(1) The Company has a $1.4 million recorded liability for its obligations under the loan guarantee.

Benefit Plans.

The Company maintains certain benefit plans for former employees of the Company and its subsidiaries. During 2002, actual asset returns for the Company's Plans were adversely affected by continued deterioration in the equity markets. For the year ended December 31, 2002, the asset returns on the Plans were negative. During the same time, corporate bond yields, which are used in determining the discount rate for future pension obligations, continued to decline. The negative asset returns and declining discount rates are expected to unfavorably affect the Company's 2002 year-end SFAS No. 87, "Employers' Accounting for Pensions," funded status and 2003 pension expense. However, additional contributions, which are expected to be $0.6 million in 2003, will favorably impact the pension funded status. Additionally, pension funding requirements will be unfavorably affected by lower asset returns in 2002. As of December 31, 2002, future benefit obligations exceeded the fair value of plan assets by $9.2 million.

Loan Guarantee. As part of its investment in Tyumenruskom, the Company agreed to provide a guarantee of payment of $6.1 million to Ericsson Radio Systems, A.B. for equipment financing provided by Ericsson to Tyumenruskom. In 1999, the Company reserved $4.3 million for its contingent obligations under this guarantee. At December 31, 2002 and June 30, 2003, only $1.4 million and $0.9 million, respectively, remained outstanding under this financing arrangement.

Access to Business Ventures' Cash Balances

The Company has invested in substantially all of its business ventures with local partners. In certain cases, the voting power and veto rights of its business venture partners may limit the Company from controlling certain of the operations, strategies and financial decisions of the business ventures in which it has an ownership interest. As a result, although cash balances exist in these business ventures, due to legal and contractual restrictions, a substantial portion of those cash balances cannot be readily accessed, if at all, for the Company's liquidity requirements.

Certain of the Company's business ventures have from time to time been unable and may in the future be unable to prevent expenditures and commitments that do not provide full economic benefit to the business venture's operations, although no such expenditures or commitments have been material to the Company's historical results of operations and financial condition. Further, management is not aware of any instances in which such expenditures and commitments are not properly reflected in its consolidated financial statements. However, future transactions may impact the amounts that the Company will be able to repatriate from those business ventures. In light of the Company's current liquidity issues and limited cash resources, any limitation on the Company's ability to repatriate amounts from those business ventures could adversely affect its future cash flows.

Discussion of Changes in Financial Position

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Cash Flows from Operating Activities

Cash used in operating activities for the year ended December 31, 2002 was $20.4 million, an increase in cash used in operating activities of $3.2 million from the same period in the prior year.

Net loss includes significant non-cash items such as loss (gain) on dispositions of businesses, depreciation and amortization, equity in income (losses) of investees, accretion of interest, asset impairment charges and income (loss) allocable to minority interests. Excluding discontinued components, disposition of businesses and asset impairment and restructuring charges, non-cash items decreased $50.6 million to $69.0 million from $119.6 million for the years ended December 31, 2002 and 2001, respectively. Changes in operating assets and liabilities, net of the effect of acquisitions, decreased cash flows for the year ended December 31, 2002 by $2.0 million and decreased cash flows for the year ended December 31, 2001 by $10.6 million.

Cash Flows from Investing Activities

Cash used by investing activities for the year ended December 31, 2002 was $3.8 million as compared to cash used in investing activities was $18.4 million for the year ended December 31, 2001. The year over year improvement in investing activity cash flow primarily reflects cash generated in 2002 from sale of assets plus an increase in distributions from equity accounted businesses during the year as compared to 2001.

Cash Flows from Financing Activities

Cash generated by financing activities was $0.9 million for the year ended December 31, 2002, compared to cash used in financing activities of $7.7 million, for the year ended December 31, 2001. Financing cash flows improved in 2002 due to borrowings by subsidiaries and the cessation of dividends on the Company's preferred stock offset slightly by minor increases in distributions of dividends to minorities and payments on capital leases.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

As part of the Company's restructuring strategy to increase its liquidity, several business ventures were sold during 2002. Accordingly, such ventures have been presented as discontinued components in 2002. The cash flow impact of these discontinued components, specifically Snapper, ALTEL, CYP Yellow Pages and Metromedia China, has been restated to remove from the loss from continuing operations balances for 2001 and 2000.

Cash Flows from Operating Activities

Cash used in operating activities for the year ended December 31, 2001 was $17.2 million, an increase in cash used in operating activities of $16.4 million from the same period in the prior year.

Non-cash items increased in 2001 compared to 2000, principally as a result of the asset impairment charge recorded by the Company in the amount of $67.8 million in equity in losses of and write-down of investment in unconsolidated investees of $48.4 million for the year ended December 31, 2001. Non-cash operating items in 2000 included a $59.0 million gain on sale of Baltcom GSM. No such similar gain was recorded in 2001.

Cash Flows from Investing Activities

Cash used in investing activities for the year ended December 31, 2001 amounted to $18.4 million as compared to $5.9 million cash used in investing activities for the year ended December 31, 2000.

In 2000, the Company received $66.7 million for the sale of Baltcom GSM which was reinvested in other business ventures, primarily Comstar, during the year. The Company did not receive similar

distributions of funds in the current year. In addition, $11.0 million for the settlement of an option agreement was received in 2000. The Company did not have similar activities during 2001.

Cash Flows from Financing Activities

Cash used in financing activities was $7.7 million for the year ended December 31, 2001 as compared to $26.3 million for the prior year. The reduction in use of cash in 2001 was due to an $11.2 million reduction in the preferred dividends paid 2001 and a $10.2 million reduction in the payments on debt and capital leases.

Asset Impairment and Restructuring Charges

The following table summarizes the components of the asset impairment charges related to continuing operations recorded by the Company in the years ended December 31, 2002, 2001 and 2000 (in thousands):

	2002	2001	2000
Goodwill and other intangibles	$ 6,278	$ 40,454	$
Property and equipment	3,465	28,925	
Restructuring reversal		(301)	(823)
Equipment payment guarantee recovery	(1,011)	(1,230)	(688)
Consolidated restructuring and asset impairment charges, net	8,732	$ 67,848	$ (1,511)
Impairment charges included in equity in losses and write-downs of investment in unconsolidated investees	32,893	36,752	5,355
Total asset impairment and restructuring charges	$ 41,625	$ 104,600	$ 3,844

2002 Impairment Charge

The 2002 impairment charges of $9.7 million relating to consolidated ventures are reflected in the asset impairment and restructuring charge on the accompanying consolidated statement of operations, net of $1.0 million of recoveries of an equipment payment guarantee. The Company determined the impairment charge based on expected cash flows or ultimate realizable value for those ventures disposed of prior to year end.

The 2002 impairment charges relating to unconsolidated ventures of $32.9 million are reflected in the equity in losses of and write-down of investment in unconsolidated investees, in the accompanying consolidated statement of operations. Such charges related to the Company's investments in Comstar, Kosmos TV and Teleport. The Company evaluated the carrying value of each of these businesses and determined that there was a loss in value that was other than temporary. Accordingly, in accordance with APB Opinion No. 18, the Company recorded impairment charges against the license and goodwill carried as part of the carrying value of these businesses.

Such charges are summarized in the following table (in thousands):

	Property and equipment	Intangibles, exclusive of goodwill	Goodwill	Investments in and advances to business ventures	Total
Comstar	$	$	$	$ 27,105	$ 27,105
Teleport TP				5,546	5,546
Ayety TV	650	937	2,818		4,405
Baltic Communications Ltd.	1,352				1,352
Other	1,463	860	1,663	242	4,228
Totals	$ 3,465	$ 1,797	$ 4,481	$ 32,893	$ 42,636

2001 Impairment Charge

For the year ended 2001, the Company recorded a non-cash charge to earnings of $106.1 million. The Company's assessment of the recoverability of long-lived assets and investments in certain business ventures was initiated by management, as a result of the respective business ventures not attaining historic financial projections. Such charge is summarized in the following table (in thousands):

	Property and equipment	Intangibles, exclusive of goodwill	Goodwill	Investments in and advances to business ventures	Total
Technocom	$ 28,925	$ 14,082	$ 23,822	$	$ 66,829
Kosmos TV				16,816	16,816
Telecom Georgia				10,180	10,180
BELCEL				5,247	5,247
Other			2,550	4,509	7,059
Totals	$ 28,925	$ 14,082	$ 26,372	$ 36,752	$ 106,131

The 2001 impairment charges relating to consolidated ventures of $69.3 million are reflected in the restructuring and asset impairment charge on the accompanying consolidated statement of operations, net of $1.5 million of recoveries of the 1999 restructuring provision and an equipment payment guarantee. The 2001 impairment charges relating to unconsolidated ventures of $36.8 million are reflected in the equity in losses of and write-down of investment in unconsolidated investees, in the accompanying consolidated statement of operations.

2000 Impairment Charge

In 2000, the Company recorded a non-cash impairment charge on three of its CIS and Eastern Europe business ventures totaling $9.4 million as a result of performing an analysis of the recoverability of long-lived assets in accordance with the provisions of SFAS 121.

Recoveries.

As part of its investment in Tyumenruskom announced in November 1998, the Company agreed to provide a guarantee to the financing party of Tyumenruskom's repayment of $6.1 million for equipment financing. In 1999, the Company reserved $4.3 million for its contingent obligations under this guarantee. In 2002, 2001 and 2000, Tyumenruskom generated cash and partially repaid its debt. As a result, the Company recorded recoveries under the guarantee of $1.0 million, $1.2 million and $0.7 million, respectively.

In 2000, the Company recovered certain monies totaling $4.1 million related to its equity method investees in China period. Such amounts had previously been written off.

Critical Accounting Policies

The Company reviews all significant estimates affecting its consolidated financial statements on a recurring basis and records the effect of any necessary adjustment prior to their publication. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements; accordingly, it is possible that actual results could differ from those estimates and changes to estimates could occur in the near term. The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are used when accounting for the allowance for doubtful accounts, inventory obsolescence, long-lived assets, intangible assets, recognition of revenue, assessing control over

operations of business ventures, self-insured workers' compensation and product liability claims, depreciation and amortization, employee benefit plans, income taxes and contingencies, among others.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

The Company maintains allowances for doubtful accounts for estimated losses resulting from the failure of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, or customers otherwise do not pay, additional allowances may be required.

The Company holds minority interests in many of its business ventures. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future. The Company assesses the impairment of identifiable intangibles, long-lived assets and related goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment review include the following, (i) significant underperformance relative to expected historical or projected future operating results (ii) significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and/or (iii) significant negative industry or economic trends. When the Company determines that the carrying value of the intangibles, long-lived assets and related goodwill may not be recoverable based upon the existence of one or more of the indicators of impairment, the Company measures any impairment using estimated market value if a value is determinable and if not, using various discounted cash flow techniques.

The Company assesses its level of control over the operating and financial decisions of its business ventures and subsidiaries when determining whether to account for their operations as either equity method or consolidated entities. The assessment considers all relevant facts including the Company's voting interests and the existence of protective or participating rights of other parties. The Company monitors changes in its level of control due to changes in ownership percentages as well as external factors that may affect its influence or control and responds accordingly.

Basis of Presentation

The Company accounts for a significant portion of its business ventures under the equity method of accounting since it generally does not exercise control over such ventures. Under the equity method of accounting, the Company reflects the investments in and advances to business ventures, adjusted for distributions received and its share of the income or losses of the Company's balance sheet. The income (losses) recorded in the years ended 2002, 2001 and 2000 represent the Company equity in the income (losses) of the business ventures in Eastern Europe and the CIS. Equity in the income (losses) of the business ventures by the Company are generally reflected according to the level of ownership of the business venture by the Company until such business venture's contributed capital has been fully depleted. Subsequently, the Company recognizes the full amount of losses generated by the business venture if the Company is the sole funding source of the business ventures.

Investments over which significant influence is not exercised are carried under the cost method.

Almost all of the Company's business ventures other than the businesses of PeterStar, BCL, Technocom (which was sold in June 2003) and Comstar (which was sold in April 2003) report their financial results on a three-month lag. Therefore, the Company's financial results for December 31 include the financial results for those business ventures for the twelve months ended September 30.

Segment Information

The following tables set forth the operating results by segment for the years ended December 31, 2002, 2001, and 2000:

Segment Information
Year ended December 31, 2002
(in thousands)
(restated)

	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting	Corporate, Other and Eliminations	Consolidated
Consolidated						
Revenues	$ 71,456	$	$ 14,412	$ 17,734	$ 1,044	$ 104,646
Cost of services	25,179		2,896			28,075
Selling, general and administrative	21,105		8,366	17,148	32,217	78,836

	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting	Corporate, Other and Eliminations	Consolidated
Depreciation and amortization	13,148		3,808	1,730	8,856	27,542
Asset impairment and restructuring charges, net	2,212		6,560		(40)	8,732
Operating income (loss)	$ 9,812	$	$ (7,218)	$ (1,144)	$ (39,989)	$ (38,539)
Unconsolidated Business Ventures						
Revenues	$ 91,217	$ 54,582	$ 21,277			
Cost of services	44,859	8,568	3,966			
Selling, general and administrative	21,662	9,475	11,647			
Depreciation and amortization	21,526	14,828	6,541			
Asset impairment charge	440	750				
Operating income (loss)	$ 2,730	$ 20,961	$ (877)			
Net income (loss)	$ (2,319)	$ 19,025	$ (2,814)			
Equity in income (losses) of unconsolidated investees (Note 2)	$ (34,619)	$ 6,010	$ 258			(28,351)
Gain on disposition of business						5,176
Foreign currency gain						1,342
Minority interest						(4,692)
Interest expense						(22,267)
Interest income						1,212
Other income						31
Income tax expense						(1,784)
Discontinued components						(17,446)
Cumulative effect of change in accounting principle						(3,157)
Net loss						$ (108,475)

Note

1: Equity in income (losses) of unconsolidated investees reflects elimination of intercompany interest expense.

Segment Information
Year ended December 31, 2001
(in thousands)

	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting	Corporate, Other and Eliminations	Consolidated
Consolidated						
Revenues	$ 87,490	$	$ 13,215	$ 14,069	$ 1,849	$ 116,623
Cost of services	38,677		3,096		(16)	41,757
Selling, general and administrative	21,826		6,562	12,674	33,987	75,049
Depreciation and amortization	17,731		5,326	1,758	23,672	48,487
					67,848	67,848

	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting	Corporate, Other and Eliminations	Consolidated
Asset impairment and restructuring charges, net						
Operating income (loss)	$ 9,256	$	$ (1,769)	$ (363)	$ (123,642)	(116,518)
Unconsolidated Business Ventures						
Revenues	$ 92,019	$ 46,623	$ 23,880	$ 1,283		
Cost of services	46,239	8,010	10,469			
Selling, general and administrative	25,040	8,256	10,527	1,649		
Depreciation and amortization	23,209	12,083	11,266	256		
Operating income (loss)	(2,469)	18,274	(8,382)	(622)		
Net income (loss)	(9,141)	15,435	(14,050)	(662)		
Equity in income (losses) of unconsolidated investees (Note 1)	(17,097)	3,213	(32,440)	(2,060)		(48,384)
Loss on disposition of businesses, net						(335)
Foreign currency gain						130
Minority interest						(3,196)
Interest expense						(20,972)
Interest income						2,401
Other income						692
Income tax expense						(7,892)
Discontinued components						(54,457)
Cumulative effect of change in accounting principle						
Net loss						$ (248,531)

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Segment Information
Year ended December 31, 2000
(in thousands)

	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting	Corporate, Other and Eliminations	Consolidated
Consolidated						
Revenues	$ 102,881		$ 7,263	$ 14,709	$ 4,769	$ 129,622
Cost of services	27,702		1,536		587	29,825
Selling, general and administrative	27,556		4,026	14,094	34,875	80,551
Depreciation and amortization	16,786		3,266	1,170	26,266	47,488
Asset impairment and restructuring charges, net					(1,511)	(1,511)
Operating income (loss)	30,837		(1,565)	(555)	(55,448)	(26,731)

	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting	Corporate, Other and Eliminations	Consolidated
Unconsolidated Business Ventures						
Revenues	$ 33,718	$ 63,583	$ 28,898	$ 1,602		
Cost of services	18,789	11,615	6,227			
Selling, general and administrative	13,227	17,240	15,536	1,811		
Depreciation and amortization	12,842	17,171	8,738	161		
Operating income (loss)	(11,140)	17,557	(1,603)	(370)		
Net income (loss)	(14,648)	9,639	(11,017)	(132)		
Equity in income (losses) of unconsolidated investees (Note 2)	(9,968)	10,408	(9,027)	(6,502)		(15,089)
Gain on disposition of businesses, net						59,020
Foreign currency loss						(606)
Minority interest						(3,010)
Interest expense						(19,566)
Interest income						5,428
Other income						5,032
Income tax expense						(10,349)
Discontinued components						(18,433)
Net loss						$ (24,304)

Results of Operations

The following discussion and analysis relates to our results of operations for each of the years ended December 31, 2002, 2001 and 2000. This discussion should be read in conjunction with "*Item 6: Selected Financial Data*" and the Consolidated Financial Statements and the notes related thereto that appear elsewhere in this document.

In addition, we have included a discussion of certain non-consolidated operations that are material to our business. We believe that this discussion is helpful to developing an understanding of the factors contributing to our overall financial condition and results of operations.

The discussion of our results of operations is organized as follows:

CONSOLIDATED RESULTS

Consolidated Results of Operations for the Year Ended December 31, 2002 compared to the Consolidated Results of Operations for the Year Ended December 31, 2001

Consolidated Results of Operations for the Year Ended December 31, 2001 compared to the Consolidated Results of Operations for the Year Ended December 31, 2000

UNCONSOLIDATED RESULTS

Results of Unconsolidated Operations for the Year Ended December 31, 2002 compared to the Results of Unconsolidated Operations for the Year Ended December 31, 2001

Results of Unconsolidated Operations for the Year Ended December 31, 2001 compared to the Results of Unconsolidated Operations for the Year Ended December 31, 2000

CONSOLIDATED RESULTS CONSOLIDATED RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2002 COMPARED TO THE CONSOLIDATED RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2001

Fixed Telephony

Revenues. Fixed telephony revenues decreased by $15.9 million or 18% to $71.5 million for the twelve months ended December 31, 2002 as compared to $87.5 million for the twelve months ended December 31, 2001. This decrease was primarily attributable to the deconsolidation of Teleport-TP from the results of Technocom. Our consolidated 2002 revenues reflect only one quarter (Q1 2002) of Teleport-TP revenues of $8.6 million, as compared to $32.4 million for the twelve months ended December 31, 2001 a $23.8 million year-over-year decrease. The results of Teleport-TP have not been included in the consolidated results of Technocom subsequent to March 31, 2002 since the Company did not believe it controlled Teleport-TP subsequent to that date. Furthermore, the Company sold its ownership interest in Technocom on June 30, 2003.

Revenues at PeterStar increased by $8.0 million (17%) to $55.9 million for the twelve months ended December 31, 2002 compared to $47.9 million for the twelve months ended December 31, 2001. This increase is driven by a $4.5 million increase in local and long distance call revenue and $3.3 million increase in data and internet revenue.

BCL's revenues decreased $0.3 million (4%) to $6.9 million for the twelve months ended December 31, 2002 compared to $7.2 million for the twelve months ended December 31, 2001. This decrease was due to the loss of transit traffic of a major customer, offset by gains in data services.

Gross margin. Fixed telephony gross margin decreased by $2.4 million to $46.3 million for the twelve months ended December 31, 2002 as compared to $48.8 million for the twelve months ended December 31, 2001. This decrease was primarily attributable to the deconsolidation of Teleport-TP from the results of Technocom. Technocom's gross margin decreased by $6.9 million to $2.5 million for the twelve month period ending December 31, 2002 compared to $9.4 million for the twelve months ended December 31, 2001. As previously indicated, the results of Teleport-TP have not been included in our consolidated results subsequent to March 31, 2002.

PeterStar's gross margin increased $4.0 million (11%) to $40.3 million for the twelve months ended December 31, 2002 compared to $36.3 million the twelve months ended December 31, 2001. This increase is due to higher revenues offset somewhat by higher interconnection tariff charges by lower gross margins as a percent of revenues. Gross margin percentages were 72% for the twelve months ended December 2002 and 77% for the twelve months ended December 2001. The erosion in margins is primarily due to a high proportion of lower-margin call revenue in 2002 than 2001.

BCL's gross margin increased $0.4 million (11%) to $3.5 million for the twelve months ended December 31, 2002 compared to $3.1 million for the twelve months ended December 31, 2001. This growth in gross margin was achieved by substituting low-margin transit traffic with higher-margin products such as data services, connection and installation billings, and monthly fees charged for line access.

Selling, general and administrative. Fixed telephony selling, general and administrative ("SG&A") expenses increased by $0.2 million to $21.1 million for the twelve months ended December 31, 2002 as compared to $21.8 million for the twelve months ended December 31, 2001. This increase was principally the result of increases at PeterStar, BCL and Teleport-TP.

PeterStar's SG&A increased $0.7 million (5%) to $14.0 million for the twelve months ended December 31, 2002 compared to $13.3 million for the twelve months ended December 31, 2001.

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Miscellaneous taxes, and other administrative costs caused this increase which was partially offset by lower management fees in 2002.

BCL's SG&A increased $0.6 million (32%) to $2.7 million for the twelve months ended December 31, 2002 compared to $2.1 million for the twelve months ended December 31, 2001. This increase in SG&A was due to a bad debt write-off of approximately $0.9 million during 2002 partially offset by decreases in salaries and interest expenses.

Technocom's SG&A decreased by $1.2 million to $5.3 million for the twelve months ended December 31, 2002 compared to $6.5 million for the twelve months ended December 31, 2001. As previously indicated, the results of Teleport-TP have not been included in our consolidated results subsequent to March 31, 2002. The decrease in SG&A due to the deconsolidation of Teleport-TP is partially offset by certain intercompany balances that were written off in 2002. Such balances totaled $1.2 million which eliminates in consolidation. In addition, Technocom recorded a reserve against certain other receivable balances.

Depreciation and amortization. Fixed telephony depreciation and amortization (D&A) expense decreased by $4.6 million to $13.1 million for the twelve months ended December 31, 2002 as compared to $17.7 million for the twelve months ended December 31, 2001. This decrease was principally attributable to the deconsolidation of Teleport-TP from the results of Technocom. Technocom's D&A decreased by $5.1 million to $0.9 million for the twelve month period ending December 31, 2002 compared to $6.0 million for the twelve months ended December 31, 2001. As previously discussed, the results of operations of Teleport-TP has not been consolidated subsequent to March 31, 2002.

PeterStar's D&A increased $0.3 million (3%) to $11.4 million for the twelve months ended December 31, 2002 compared to $11.1 million for the twelve months ended December 31, 2001. Increased expenditures on expanding and updating the network accounted for the increase.

BCL's D&A increased $0.2 million (29%) to $0.9 million for the twelve months ended December 31, 2002 compared to $0.7 million for the twelve months ended December 31, 2001. Increased expenditures on expanding the Internet Protocol network and customer premise equipment accounted for the increase.

Cable Television

Revenues. Cable television operations generated consolidated revenues of $14.4 million in 2002, representing a 9% increase over 2001 consolidated revenues of $13.2 million. The majority of the 2002 and 2001 consolidated revenues were primarily attributable to OOO Arkhangelskaya Televisionnaya Kompania ("ATK"). SA ("Romsat")Romsat Cable TV & Radio, Ayety TV, UAB Viginta ("Viginta") and SUN TV, SRL ("SUN TV").

In Russia, ATK generated consolidated revenues of $1.4 million in 2002, a $0.4 million or 39% increase over 2001 consolidated revenues of $1.0 million. The increase reflects the launch of the broadband internet service in August 2001 and the application of rate hikes to the cable customer base both to offset the incremental costs associated with offering an improved channel line up as well as to drive higher margins.

In Romania, Romsat generated consolidated revenues of $6.5 million in 2002, an increase of $0.3 million or 5% as compared to 2001. Revenues were generated from both cable television and internet, the latter being generated through its wholly owned subsidiary, FX Internet, SA, which was acquired in June 2000. Cable revenues in 2002 were $5.1 million compared to $4.8 million in 2001, an increase of $0.3 million, while subscribers were 101 thousand at both December 31, 2001 and December 31, 2002. The growth in revenues was due to the implementation of rate increases. Internet revenues in 2002 were $1.3 million compared to $1.2 million in 2001. Increases in internet revenues

were achieved by the sales of web hosting services as well as equipment sales. Other sales were $0.2 million in both 2002 and 2001.

In Georgia, Ayety TV generated consolidated revenues of $2.3 million in 2002, an increase of 13.2% over 2001 revenues of $2.0 million. The increase primarily reflects the increase in subscribers on its upgraded cable network which grew from 27 thousand at December 31, 2001 to 32 thousand at December 31, 2002, an increase of 15%, while ARPUs ("average revenue per unit" or customer) remained constant at $5.2 per subscriber per month in both years. At the end of 2002, the cable network had been fully upgraded to 860 MHz and covered 149,000 homes, providing the capacity to offer extended cable television package offerings as well as broadband internet.

In Lithuania, Viginta generated consolidated revenues of $1.3 million in 2002, representing a decrease of 9.7% against 2001 revenues of $1.5 million. The decrease was primarily caused by the reduction in rates to certain customers at the start of 2002 which management believed was required to remain competitive in the market as a result of the technical limitations faced by Viginta in offering a more competitive programming line up. These technical limitations are caused by the fact that Viginta distributes its packages using a wireless MMDS platform which limits the number of channels that can be offered to 22, which is the number of MMDS frequencies available. Were Viginta to operate an HFC network, it would be able to increase the number of channels to 50 or more and offer additional services. To address this limitation, Viginta acquired a license to build an HFC cable network in Vilnius in November 2002, although construction has not been commenced to date due to the liquidity constraints of the Company.

Cost of services. Cable television operations incurred consolidated cost of services of $2.9 million in 2002, representing a 6% decrease over 2001 cost of services of $3.1 million. The majority of 2002 and 2001 consolidated cost of services were attributable to Viginta, SUN TV, Romsat, Ayety TV, and ATK.

In Lithuania, Viginta had reported consolidated costs of services of $0.4 million in 2002, an increase of $0.3 million or 297% as compared to 2001. The increase relates to the costs associated with launching an internet service offering in 2002.

In Moldova, Sun TV had reported consolidated costs of services of $0.3 million in 2002, a decrease of $0.4 million or 51% as compared to 2001. This decrease primarily reflects the results of a review of SUN's programming line up in the quarter ended 30 June 2002 which resulted in SUN management significantly reducing the non Russian and Moldovan foreign language content of the cable product offerings thereby reducing expenditures to third parties for the delivery of this content.

In Romania, Romsat incurred consolidated costs of services of $1.6 million in 2002, a decrease of $0.1 million or 5% as compared to 2001. The decrease is attributable to the reduction in rates paid by Romsat to content delivery providers due to concessions achieved during negotiations during the period.

In Georgia, Ayety TV reported costs of services of $0.2 million in 2002, a decrease of $0.2 million or 50% as compared to 2001. The decrease deflects the reversal of certain accruals relating to amounts payable for content due to the fact that Ayety has moved its content line up towards cheaper Georgian and Russian content.

In Russia, ATK had reported costs of services of $0.2 million in 2002, an increase of 23% as compared to 2001. This was driven both by the introduction of broadband internet service and the introduction of new channels to support rate hikes.

Selling, general and administrative. Cable television operations incurred selling, general and administrative costs (SG&A) of $8.4 million in 2002, representing an increase of $1.8 million over 2001 cost of services of $6.6 million. The majority of 2002 and 2001 consolidated cost of services were attributable to Ayety TV, Sun TV, Romsat, ATK and Viginta.

In Georgia, Ayety TV incurred SG&A of $1.8 million in 2002, an increase of $1.0 million as compared to 2001. The total reflects an increase in the cost of operating the business and in particular in respect of salaries and benefits and the cost of maintaining the networks.

In Moldova, Sun TV incurred SG&A of $0.9 million in 2002, an increase of $0.6 million or 69% as compared to 2001. Of the increase $0.5 million represents the reversal of accruals. Adjusting for this, the increase in SGA was $0.1 million.

In Russia, ATK incurred SG&A of $1.0 million in 2002, an increase of $0.2 million or 16% as compared to 2001. The increase reflects the increase levels of activity in the business, and in particular additional payroll and associated benefits relating to the rapidly growing internet service as well as an increase in technical maintenance costs.

In Lithuania, Viginta had reported costs of services of $0.9 million in 2002, a decrease of $2.2 million as compared to 2001. The decrease reflects on going efforts by management to save costs in the light of increased competition and limited options for growing the business pending the development of the wire network. The costs saved primarily relate to payroll and benefits and marketing costs.

Depreciation and amortization. Cable television operations incurred depreciation and amortization of $3.9 million in 2002, representing a 28% decrease on 2001 depreciation and amortization of $5.3 million. The majority of 2002 and 2001 was attributable to Sun TV, ATK, Ayety TV and Romsat.

In Russia, ATK incurred depreciation and amortization expense of $0.4 million in 2002, a decrease of $0.3 million or 47% as compared to 2001. Of the decrease, $0.2 million reflects the fact that from 2002 goodwill was no longer amortized in accordance with the requirement of FAS No. 142.

In Georgia, Ayety TV incurred depreciation and amortization expense of $1.1 million in 2002, a decrease of $0.3 million or 22% as compared to 2001. The decrease is indicative of the fact that certain network assets became fully depreciated during the year.

Asset impairment charges. Cable television operations incurred asset impairment charges of $6.6 million in 2002 as opposed to $2.7 million in 2001. The charges arose in goodwill and intangibles and reflect the Company's assessment of the recoverability of long-lived assets. In 2002, the amounts were incurred in respect of Ayety TV ($4.4 million), Ala TV ($0.9 million), Viginta ($0.8 million) and ATK ($0.4 million). In 2001, the amounts were incurred in respect of Romsat ($2.6 million) and ATK ($0.1 million).

Radio Broadcasting

Revenues. Radio operations generated consolidated revenues of $17.7 million in the year ended December 31, 2002, an increase of $3.7 million, or 26.1%, over the year ended December 31, 2001. A total of $0.4 million of the revenue increase was due to local currency appreciation to the US dollar, principally in Hungary and the Czech Republic. On a comparable currency basis, an increase of $3.3 million, or 22.9%, was achieved over the previous year. The majority of 2002 and 2001 consolidated revenues were attributable to ZAO SAC ("SAC"), Juventus Radio Group in Hungary ("Juventus"), Oy Metromedia Finland Ab ("Metromedia Finland"), ZAO Radio Katusha ("Katusha"), As Trio LSL ("Trio Group") and the MII Praha S.R.O. radio group in the Czech Republic ("Czech Radio").

SAC, which operates a radio station in the Moscow market, recognized revenues of $5.6 million in 2002, a decrease of $0.9 million, or 14.5%, compared to 2001 revenues of $6.5 million. This decrease was due to the introduction of VAT on advertising expenditures in Russia as of January 1, 2002, which had the effect of depressing advertising revenue expenditures in the short term. In addition, 2002 revenues also declined due to heightened competitive factors; seven new licenses were issues by the Russian government to new and existing competitors in the Moscow market during the latter part of

2001 and the early part of 2002. On April 24, 2003, SAC was sold to Adamant Advisory Services, a British Virgin Islands company.

Juventus, which operates a local radio station in Budapest and a network of owned and/or contractually affiliated stations, reported revenues of $4.7 million in 2002, an increase of $1.2 million, or 33.1%, over 2001 revenues of $3.5 million. A total of $0.3 million of the revenue increase was due to local currency appreciation. On a comparable currency basis an increase of $0.9 million, or 24.4%, was achieved over the previous year. This increase was primarily the result of the expansion, during the latter part of 2001, of the network of regional stations carrying the Juventus programming and advertising spots. This expansion in coverage has allowed Juventus to compete more effectively for a larger share of the Hungarian national radio advertising market. Accordingly, throughout 2002, the Juventus network gained increasing acceptance among advertisers as a cost-efficient alternative to the two national radio broadcast operators in the Hungarian market.

Metromedia Finland, which operates two semi-national networks in Finland, had revenues of $1.1 million in 2002, an increase of $0.8 million, or 344%, compared to 2001 revenues of $0.3 million. Revenues increased year-on-year as Metromedia Finland was in its start-up phase during most of 2001. After the acquisition and the subsequent re-launch of the radio station brand, the larger of the two radio broadcast station networks, SuomiPop, experienced a quadrupling of its ratings. However, in the relatively conservative advertising market of Finland, as compared to other European markets that the Company operates, the first favorable benefits of the consistently high ratings performance of this radio station were only felt in 2002. During 2002, the station began to gain acceptance by the advertising agencies as a mainstream advertising channel and an alternative to the previously existing semi-national networks.

Katusha, which operates two separate radio stations in St. Petersburg, generated revenues of $2.0 million in 2002, an increase of $0.1 million, or 4.8%, over 2001 revenues of $1.9 million. This increase was primarily due to the continued recuperation of the St. Petersburg advertising market from the Russian economic crisis of 1998-1999, partially offset by the introduction of VAT in January 2002, increased competition from new market entrants, as well as aggressive pricing by competitors. On April 24, 2003, Katusha was sold to Adamant Advisory Services, a British Virgin Islands company.

Trio Group, which operates five radio networks in Estonia and one local station in the capital Tallinn, generated revenues of $1.5 million in 2002, representing an increase of $1.4 million against 2001 revenues of $0.1 million; such increase was primarily due to the consolidation of Trio Group's results from September 2001. On a comparable consolidated basis, Trio Group's revenue increased by $0.2 million to $1.5 million in 2002, as compared to $1.3 million in 2001. This revenue growth is primarily attributable to Trio Group's marketing strategy of enabling customers to buy time over suites of programs on the six radio broadcast stations and the local internet portal operated by Trio Group, which favorably received by advertisers since they were able to reach a broader market audience. Metromedia's local internet portal was integrated into the Trio group as of April 2002. Further, Trio's sales benefited from the improved Trio Group audience share primarily owing to the increased ratings of its news/talk radio station, Radio Kuku.

Czech Radio, consisting of Country Radio and Radio One, generated revenues of $1.6 million, an increase of $0.6 million, or 60.9%, over 2001 revenues of $1.0 million. A total of $0.1 million of the revenue increase was due to local currency appreciation. On a comparable currency basis an increase of $0.5 million, or 43.0%, was achieved over the previous year. The increase was due to a change of the sales house, representing Country Radio exclusively to national clients, which was implemented by the station in April 2002. Due to the transition to this new sales house, Country Radio suffered a short-term decrease in national revenues during the first quarter of 2002. However, the improved terms of sales representation negotiated with the new sales house, and generally the better performance of this sales house, offset the short-term loss of revenue in the beginning of 2002 and resulted in moderate year-on-year growth. The growth in national sales was further facilitated by the fact that

Country Radio regained its leading ratings position in the Prague market as of August 2002. The sales revenues of the Company's other station in Prague, Radio One, benefited from improved direct sales activity.

Selling, general and administrative. Radio selling, general and administrative ("SG&A") expenses of $17.1 million in the year ended December 31, 2002, represented an increase of $4.5 million, or 35%, over the year ended December 31, 2001. The portion of the increase in SG&A, attributable to local currency appreciation, was $0.5 million, principally in Hungary and the Czech Republic. On a comparable currency basis an increase of $4.0 million was realized over the prior year. This increase in SG&A expenses was principally due to the effect of following consolidation accounting for the Trio Group in 2002 as compared to 2001 and to actual increases, on a comparable currency basis, in SG&A expenses at Juventus and Metromedia Finland.

SG&A expenses at Trio Group increased by $2.0 million to $1.7 million in 2002 due to the consolidation of Trio's results from September 2001. The results of Trio Group for 2001, which reflect only the period following consolidation in September 2001, reflect a negative expense (liability waiver) of $0.3 million, which was the result of the forgiveness of certain intercompany balances between Trio Group and the Company, which eliminate in consolidation. On a comparable consolidated basis, however, Trio Group's SG&A expenses remained stable at $1.6 million, excluding the intercompany liability forgiveness in the year ended December 31, 2002 as compared to the year ended December 31, 2001. This steady SG&A performance year-on-year, despite the increased revenues for the same period, was the result of cost-cutting initiatives in 2002, mostly in the programming and technical areas.

SG&A at Juventus on a comparable currency basis increased by $1.6 million, or 38%, to $5.9 million. The increase on a comparable basis between the two periods was due to increased broadcast license fees, additional barter expense for marketing, as well as higher payroll and administrative cost associated with the network expansion. The broadcast license fees at Juventus radio are significantly higher than in the other markets the Company operates, and in 2002 represented 21% of the venture's SG&A costs. Further, the license fees are subject to an annual adjustment for inflation. The business venture is currently in negotiations with the Hungarian government media regulators with the objective of negotiating a reduction in Juventus' annual broadcast license fee and the Company expects that those negotiations should be completed during third quarter 2003; however, the Company can make no assurances that such negotiations will result in a successful reduction of such license fees.

The comparable currency basis increase in SG&A expenses at Metromedia Finland of $0.9 million, or 65%, to $2.3 million was primarily due to across-the-board increases in operating costs due to the full year of operation in 2002, versus 9 months of operation in 2001. In addition, revenue-driven costs, such as broadcast royalties and sales commissions, increased in 2002 as a consequence of the significant revenue growth in the radio station's first full year of operation (2002).

Depreciation and amortization. Radio depreciation and amortization expense remained consistent at $1.7 million in the year ended December 31, 2002 as compared to the year ended December 31, 2001.

Other Consolidated Results

Selling, general and administrative. Selling, general and administrative expenses reflect provision of headquarter support services to the Company's business units plus conventional corporate overheads. These SG&A expenses decreased $2.0 million or 9% to $32.0 million for the year ended December 31, 2002 as compared to $34.0 million for the prior year. This improvement principally reflects reductions in corporate overhead spending, including significantly reduced use of Metromedia Company for corporate support services. The resulting savings were partially offset by expenditures on professional advisor and marketing efforts undertaken in connection with the Company's restructuring. Minor reductions were also made in forces providing support services to the Company's operating business ventures as certain non-core business ventures were sold.

2002 efforts to reduce conventional corporate overhead spending included reducing the Company's reliance on Metromedia Company for support services as well as corporate staff reductions in both the Company's European and US corporate operations. In 2002, the Company utilized Metromedia Company for certain support functions pursuant to a consulting services agreement that amounted to $0.8 million, whereas, in 2001 the Company utilized Metromedia Company for support services under a management agreement that amounted to $3.8 million.

In 2002, the Company engaged both financial and legal advisors to assist the Company with its negotiations with representatives of the Senior Discount Note holders, and as such, the Company incurred incremental professional fees of $1.2 million.

Depreciation and amortization. Depreciation and amortization decreased $14.9 million, or 63%, to $8.9 million for the year ended December 31, 2002 as compared to $23.7 million for the year ended December 31, 2001. This decrease was principally due to the adoption of SFAS No. 142, which resulted in a reduction of amortization of goodwill recorded at the corporate level.

Interest expense. Interest expense increased $1.3 million, or 6%, to $22.3 million for the year ended December 31, 2002 as compared to $21.0 million for the year ended December 30, 2001. Interest expense is principally attributable to interest of the Senior Discount Notes and debt incurred at various consolidated operating companies, including PeterStar.

Interest income. Interest income decreased by $1.2 million, or 50%, to $1.2 million for the year ended December 31, 2002 as compared to $2.4 million for the year ended December 30, 2001. The decrease in interest income is principally due to a decrease in funds at corporate headquarters and reduced rates of return on invested balances during the current year as compared to the prior year.

Equity in losses of and write-down of investment in unconsolidated investees. Equity in losses of and write-down of investment in unconsolidated business ventures was $28.4 million for the year ended December 31, 2002 as compared to $48.4 million for the year ended December 30, 2001.

The write-down of investments in unconsolidated business ventures during the year ended December 31, 2002 were for Comstar ($26.6 million), Teleport ($5.5 million) and Kosmos TV ($0.2 million). The gain realized from sales of the Company's unconsolidated business ventures were $8.7 million in 2002 as compared to a loss of $2.6 million in 2001.

The write-down of investments in unconsolidated business ventures during the year ended December 31, 2001 were for Telecom Georgia ($10.2 million), Kosmos TV ($16.8 million), BELCEL ($5.2 million) and a total of $4.5 million for other entities. For further information on the ventures reported under the equity method, refer to the unconsolidated results discussion below.

Gain on disposition of businesses. Gain on disposition of businesses was $5.2 million for the year ended December 31, 2002 as compared to a loss of $0.3 million for the year ended December 30, 2001.

The gain is due to several business sales that occurred during the current year. The Company disposed of its interest in Alma TV and recognized a gain of $1.7 million on May 24, 2002. The Company disposed of its interest in CIBBV/BELCEL and recognized a gain of $1.3 million on July 25, 2002. The Company disposed of its interest in OMCL/CAT and recognized a gain of $2.4 million on August 27, 2002.

Income tax expense. Income tax expense decreased by $6.1 million, or 77%, to $1.8 million for the year ended December 31, 2002 as compared to $7.9 million for the year ended December 30, 2001. The income tax expense is principally from foreign income taxes on the operations of PeterStar and to a lesser extent BCL. In 2002 these taxes were partially offset by $4.4 million in tax refunds related to alternative minimum tax (AMT) carrybacks. A March 2002 tax law change permitted the Company to carry back AMT losses generated in 2001 and 2002 to recapture amounts previously paid for AMT tax. The Company does not expect to realize additional amounts in future years. The taxes in 2002 were also favorably impacted by a reduced tax rate in Russia.

Minority interest. Minority interest represents the allocation of income and losses by the Company's majority owned subsidiaries and business ventures to its minority ownership interest. Minority interest increased by $1.5 million, or 47%, to $4.7 million for the year ended December 31, 2002 as compared to $3.2 million for the year ended December 31, 2001. The minority interest amount principally relates to the operations of PeterStar and Telcell Wireless (the direct holding company of Magticom).

Discontinued components. Discontinued components represents the operations of Yellow Pages, China, Snapper and ALTEL offset or increased by estimated gains/losses on such disposals. Discontinued components decreased by $37.1 million, or 68%, to $17.4 million for the year ended December 31, 2002 as compared to $54.5 million for the year ended December 31, 2001. Discontinued components for the year ended December 31, 2002, also includes a gain of $4.9 million realized from a settlement of certain third party claims against RDM Sports Group, Inc. ("RDM"), a former business venture of the Company, which resulted in RDM disbursing such monies to the Company. In addition, income of $2.7 million was realized from tax refunds relating to carry-back losses and an amended state return for certain previously disposed of businesses. For further management discussion on discontinued components, refer to the discussion below.

Cumulative effect of a change in accounting principle. The cumulative effect of a change in accounting principle of $3.2 million for the year ended December 31, 2002 was due to the adoption of SFAS No. 142, which resulted in a total combined transitional impairment charge of $3.2 million on BCL and Sun TV.

CONSOLIDATED RESULTS CONSOLIDATED RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2001 COMPARED TO THE CONSOLIDATED RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2000

Fixed Telephony

Revenues. Fixed telephony revenues decreased 15% to $87.5 million for the year ended December 31, 2001 as compared to $102.9 million for the year ended December 31, 2000. This reduction in revenues was principally a result of a $21.2 million reduction in revenues from PeterStar, which were $47.9 million for 2001 compared to $69.1 million for 2000. The reduction was partially offset by a $4.6 million increase in revenues at Technocom. The reduction in PeterStar's revenues in 2001 was principally due to the loss of transit traffic for St. Petersburg's mobile telephony operators, partially offset by an increase in call revenues from non-mobile customers. In 2000 PeterStar's revenues attributable to mobile operators was $28.3 million. Excluding the $28.3 million of revenue generated from the mobile operators in 2000, revenues at PeterStar were 17% higher in 2001 compared to 2000. Technocom experienced higher international and long distance traffic volumes in 2001 compared to 2000.

Gross margin. Fixed telephony gross margin decreased by $26.4 million (35%) to $48.8 million for the twelve months ended December 31, 2001 as compared to $75.2 million for the twelve months ended December 31, 2000. This decrease was primarily related to Peterstar and the loss of the mobile transit traffic. Peterstar's gross margin decreased by $23.6 million or 39% to $36.3 million for the twelve months ended December 31, 2001 as compared to $59.9 million for the twelve months ended December 31, 2000.

Technocom gross margin also decreased by $3.6 million (28%) to $9.4 million for the twelve months ended December 31, 2001 as compared to $13.0 million for the twelve months ended December 31, 2000. The primary reason for the decrease was due to falling tariffs for international long distance traffic and increased costs to terminate this traffic in Russia.

Selling, general and administrative. Fixed telephony selling, general and administrative ("SG&A") expenses decreased by $5.8 million (21%) to $21.8 million for the twelve months ended December 31,

2001 compared to $27.6 million for the twelve months ended December 31, 2000. This decrease was due primarily to decreases in SG&A at Peterstar and Technocom.

Peterstar's SG&A decreased by $3.3 million (20%) to $13.3 million for the twelve months ended December 31, 2001 compared to $16.6 million for the twelve months ended December 31, 2000. Management fees decreased by $1.7 million, taxes other than income decreased by $1.0 million and salaries and benefits decreased by $0.2 million.

Technocom's SG&A decreased by $2.0 million (24%) to $6.5 million for the twelve months ended December 31, 2001 as compared to $8.5 million for the 12 months ended December 31, 2000. The decrease was due to a decrease in other taxes and reductions in staff.

Depreciation and amortization. Fixed Telephony depreciation and amortization expense increased by $0.9 million (5%) to $17.7 million for the twelve months ended December 31, 2001 as compared to $16.8 million for the twelve months ended December 31, 2000. PeterStar's D&A increased by $0.9 million (9%) to $11.1 million for the twelve months ended December 31, 2001 as compared to $10.2 million for the twelve months ended December 31, 2000 due to continued investment in developing its data and backbone network.

Cable Television

Revenues. Cable television revenues increased by $5.9 million or 81% to $13.2 million for the year ended December 31, 2001 as compared to $7.3 million for the year ended December 31, 2000. The primary reasons for the changes were attributable to Ayety TV, Sun TV and Romsat TV

In Georgia, consolidated revenues at Ayety TV increased by $1.9 million to $2.0 million for the year ended December 31, 2001 from $0.1 million for the year ended December 31, 2000. The increase in consolidated revenues is the result of the Company consolidating Ayety TV after acquiring an additional ownership interest in the last quarter of 2000.

In Moldova, consolidated revenues at Sun TV grew by $2.0 million to $2.0 million for the year ended December 31, 2001 from $nil for the year ended December 31, 2000. The growth in consolidated revenues is the result of the Company consolidating Sun TV after acquiring an additional ownership interest in the first quarter of 2001.

In Romania, consolidated revenues increased by $1.6 million to $6.2 million for the year ended December 31, 2001 from $4.6 million for the year ended December 31, 2000. This revenue growth was caused by the acquisition by Romsat of FX Internet in July 2000.

Cost of service. Cable television cost of service increased by $1.6 million to $3.1 million in the year ended December 31, 2001 as compared to $1.5 million in the year ended December 31, 2000. The primary reasons were attributable to Sun TV, Romsat and Ayety TV.

In Moldova, cost of service at Sun TV increased from $nil to in the year ended December 31, 2000 to $0.7 million in the year ended 31 December 2001. The increase in consolidated cost of service is the result of the Company consolidating Sun TV after acquiring an additional ownership interest in the first quarter of 2001.

In Romania, cost of service at Romsat, increased by $0.6 million to $1.7 million in the year ended December 31, 2001 from $1.1 million in the year ended December 31, 2000. The increase is attributable to acquisition of FX Internet in 2000.

In Georgia, cost of service at Ayety TV increased by $0.3 million to $0.3 million in the year ended December 31, 2001. The growth in cost of service is the result of the Company following consolidation accounting for Ayety TV after acquiring an additional ownership interest in the last quarter of 2000.

Selling, general and administrative. Cable television selling, general and administrative expenses increased by $2.5 million to $6.6 million in year ended December 31, 2001 from $4.0 million in the year ended December 31, 2000. The increase primarily relates to Romsat TV and Ayety TV.

In Romania, selling, general and administrative expenses at Romsat TV increased by $1.4 million to $3.1 million in the year ended December 31, 2001 from $1.7 million in the year ended December 31, 2000. The increase relates to the growth in costs of maintaining and extending the Romsat network to a new region of Romania, Deva, as well as supporting a new business line, internet services, following the acquisition of FX Internet in the third quarter of 2000.

In Georgia, selling, general and administrative expenses at Ayety TV increased by $0.7 million to $0.9 million for the year ended December 31, 2001 from $0.2 million in the year ended December 31, 2000. The increase in consolidated selling, general and administrative expenses is the result of the Company consolidating Ayety TV after acquiring an additional ownership interest in the last quarter of 2000.

Depreciation and amortization. Depreciation and amortization expense increased by $2.1 million to $5.3 million for the ended December 31, 2001 from $3.3 million for the year ended December 31, 2000. The increase relates primarily to movements in Ayety TV and Sun TV.

In Georgia, depreciation and amortization increased $1.3 million to $1.5 million for the year ended December 31, 2001 from $0.1 million for the year ended December 31, 2000. The increase in consolidated depreciation and amortization is the result of the Company consolidating Ayety TV after acquiring an additional ownership interest in the last quarter of 2000.

In Moldova, depreciation and amortization increased $0.9 million to $0.9 million for the year ended December 31, 2001 from nil for the year ended December 31, 2000. The increase in consolidated depreciation and amortization is the result of the Company consolidating Sun TV after acquiring an additional ownership interest in the first quarter of 2001.

Asset impairment charges. Cable television operations incurred asset impairment charges of $2.7 million in 2001. The charges arose in goodwill and intangibles and reflect the Company's assessment of the recoverability of long-lived assets. The amounts were incurred in respect of Romsat ($2.6 million) and ATK ($0.1 million).

Radio Broadcasting

Revenues. Radio operations generated consolidated revenues of $14.1 million for the year ended December 31, 2001, which was a decrease of $0.6 million, or 4%, over the year ended December 31, 2000. A total of $0.1 million of the revenue decrease was due to local currency devaluation to the US dollar, principally in Hungary. On a comparable currency basis, a decrease of $0.5 million, or 4%, was realized over the previous year. The decrease was principally due to a reduction in revenues at Juventus and Country Radio offset by increases at SAC and Metromedia Finland.

Juventus reported revenues of $3.5 million in 2001 compared to $5.4 million for 2000. The reduction in Juventus revenues of $1.8 million, or 34%, was caused by a significant decrease in Hungarian radio advertising expenditures in 2001 as compared to 2000, coupled with the continued trend of Juventus' loss of the Hungarian radio advertising market share due to its loss of semi-national coverage in 1999. The Hungarian radio advertising market shrunk by almost 10% during 2001 as compared to 2000. This decrease in the radio advertising market, both in absolute size and as a share of the total Hungarian advertising market, was attributable to both: the generally depressed economic conditions in Europe from 2000 to 2001; and competitive factors as a result of aggressive advertising discounting practices by the Hungarian national television stations, which forced radio stations to offer higher discounts in order for them to remain competitive.

SAC recognized revenues of $6.5 million for 2001 compared to $5.1 million for 2000. The increase in revenue of $1.4 million, or 27%, was a result of the consistent strong ratings performance of SAC's radio station, Radio 7, against the backdrop of significant growth in the advertising market in Moscow. The advertising market in Moscow experienced double-digit growth in 2001 as a result of the continuing recovery of the Moscow economy from the effects of the Russian economic crisis.

Country Radio reported revenues of $0.6 million for 2001 compared to $1.0 million for 2000. The decreased revenue of $0.4 million, or 37%, was due to increased competition from two newly launched in-format competitors.

Metromedia Finland was launched in 2001 and reported revenues of $0.3 million for 2001 compared to nil for 2000.

Selling, general and administration. Radio selling, general and administrative ("SG&A") expenses of $12.7 million in the year ended December 31, 2001, is a decrease of $1.4 million, or 10%, over the year ended December 31, 2000. A total of $0.1 million of the SG&A decrease was due to local currency devaluation to the US dollar, principally in Hungary. On a comparable currency basis, the decrease of $1.3 million was principally due to the disposal of News Talk Radio, the Company's formerly owned radio station in Germany, in 2000; and reduced expenses at Juventus offset by increases at SAC and Metromedia Finland, due to the start-up of the operations.

SG&A at Juventus decreased by $1.0 million, or 19%, primarily due to a decrease in revenue-related expenses as a result of the previously discussed revenue decline of 34%. These decreases were partially offset by an increase in the broadcast license fees in 2001. The broadcast license fees in Hungary represent a significantly higher percentage of SG&A costs than in the other markets where the Company operates radio stations, and in 2001 they represented approximately 24% of total SG&A costs. The license fees are subject to an annual inflation-related adjustment.

SG&A at SAC increased by $0.5 million, or 18%, primarily due to increased revenue-related expenses. Such expenses that are driven directly by revenues include commissions paid to the sales staff, music royalties, as well as certain revenue-based statutory taxes such as road tax.

The increase in SG&A expenses at Metromedia Finland of $1.4 million was due to the commencement of operations in March 2001. Expenses consisted primarily of advertising, transmission, office rent and salaries.

News Talk Radio, the Company's formerly owned radio station in Germany, which was sold in July 2000, incurred SG&A expenses of $2.6 million during the year ended December 31, 2000.

Depreciation and amortization. Radio depreciation and amortization ("D&A") expense increased by 51% to $1.8 million for the year ended December 31, 2001 as compared to $1.2 million for the year ended December 31, 2000. The increase of $0.6 million is principally due to increase at SAC, Metromedia Finland, Radio Georgia and Juventus.

The increases of D&A expense at SAC of $0.1 million, or 120%, and at Juventus of $0.1 million, or 26%, were primarily due to the amortization of intangibles that were previously reflected at the corporate level and pushed down to the business venture in 2001.

The increase of D&A expense of $0.2 million at Metromedia Finland was the result of the normal booking of expenses for the new venture acquired in November 2000.

Other Consolidated Results

Selling, general and administrative. Selling, general and administrative expenses reflect provision of headquarter support services to the Company's business ventures plus conventional corporate overheads. These SG&A expenses remained roughly constant for the year ended December 31, 2001 as compared to the prior year, decreasing $0.9 million to $34.0 million. This reflects that levels and extent of support services provided experienced no essential changes, although support forces were substantially re-organized during the year.

Depreciation and amortization. Depreciation and amortization decreased $2.6 million, or 10%, to $23.7 million for the year ended December 31, 2001 as compared to $26.3 million for the year ended December 31, 2000.

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Interest expense. Interest expense increased $1.4 million, or 7%, to $21.0 million for the year ended December 31, 2001 as compared to $19.6 million for the year ended December 30, 2000. Interest expense is principally attributable to interest of the Senior Discount Notes and debt incurred at various consolidated operating companies, including PeterStar.

Income income. Interest income decreased by $3.0 million, or 56%, to $2.4 million for the year ended December 31, 2001 as compared to $5.4 million for the year ended December 30, 2000. The decrease in interest income is principally due to a decrease in funds at corporate headquarters and reduced rates of return on invested balances during the current year as compared to the prior year.

Equity in losses of and write-down of investment in unconsolidated investees. Equity in losses of unconsolidated investees increased to $48.4 million for the year ended December 31, 2001 as compared to $15.1 million for the year ended December 30, 2000.

The write-down of investments in unconsolidated investees during the year ended December 31, 2001 were for Telecom Georgia ($10.2 million), Kosmos TV ($16.8 million), BELCEL ($5.2 million) and a total of $4.5 million for other entities. For further information on the ventures reported under the equity method, refer to the unconsolidated results discussion below.

Gain (loss) on disposition of businesses. Gain (loss) on disposition of businesses was $0.3 million for the year ended December 31, 2001 as compared to a gain of $59.0 million for the year ended December 30, 2000.

The gain on disposal during 2000 was attributable primarily to the sale of the Company's ownership interest in Baltcom GSM, which resulted in a gain of $57.4 million. The Company also realized a gain of $2.8 million on the disposal of News Talk Radio in July 2000.

Other Income. Other income was $0.7 million for the year ended December 31, 2001 as compared to $5.0 million for the year ended December 30, 2000.

The other income in 2000 was attributable to a gain of $2.5 million related to a sale of a purchase option and the collection of $2.5 million related to a receivable that was fully reserved.

Income tax expense. Income tax expense decreased by $2.4 million, or 23%, to $7.9 million for the year ended December 31, 2001 as compared to $10.3 million for the year ended December 30, 2000. The income tax expense in 2001 and 2000 is principally from foreign income taxes on the operations of PeterStar and to a lesser extent BCL.

Minority Interest. Minority interest represents the allocation of income and losses by the Company's majority owned subsidiaries and business ventures to its minority ownership interest. Minority interest increased by $0.2 million, or 6%, to $3.2 million for the year ended December 31, 2001 as compared to $3.0 million for the year ended December 31, 2000. The minority interest amount principally relates to the operations of PeterStar and Telcell Wireless (the direct holding company of Magticom).

Discontinued Components. Discontinued components represents the operations of Yellow Pages, China, Snapper and Altel offset or increased by estimated gains or losses on such disposals. Discontinued components increased by $36.0 million, or 195%, to $54.5 million for the year ended December 31, 2001 as compared to $18.4 million for the year ended December 31, 2000.

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BUSINESS VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD OF ACCOUNTING

We present below information that we believe provides additional insight into our unconsolidated equity method investments. Those business ventures where the Company exercises significant influence, but does not exercise operating and financial control are accounted for by the equity method. Accordingly, the results of such unconsolidated business ventures are included in our consolidated statements of operations as a single line item, "Equity in losses of and write-down of investment in unconsolidated investees". However, we recognize 100% of the losses of all business ventures where we bear all the financial risk. The assets, liabilities and equity of such business ventures are included in our consolidated balance sheets as a single line item, "Investments in and advances to business ventures". We cease to record losses once an investment in a business venture has been written down to $0 if we are not required to bear the financial risk of funding the business venture's losses.

Such information below excludes the results of the Company's paging business which represented revenues totaling $nil, $0.8 million and $7.4 million for the years ended December 31, 2002, 2001 and 2000, respectively. Paging information has been excluded as the Company abandoned its paging business throughout late 2000 and early 2001. Accordingly, management believes such information is not meaningful to the ongoing operations of the Company.

The following provides details of the results of operations of our unconsolidated business ventures by business segment. The ownership interest in the first column indicates our legal ownership percentage for the equity investments within the business segment. See Note 6 of our audited consolidated financial statements for additional disclosures related to our equity investees.

	Ownership Interest	Revenues	Operating Income/ (Loss)	Depreciation & Amortization	Income/ (Loss)
		(in thousands, except Ownership Interest)			
Year ended December 31, 2002					
Fixed Telephony	37-50%	$ 91,217	$ 2,730	$ 21,526	$ (2,319)
Wireless Telephony	22-50%	54,582	20,961	14,828	19,025
Cable Television	45-50%	21,277	(877)	6,541	(2,814)
Total		$ 167,076	$ 22,814	$ 42,895	$ 13,892
Year ended December 31, 2001					
Fixed Telephony	30-50%	$ 92,019	$ (2,469)	$ 23,209	$ (9,141)
Wireless Telephony	35-50%	46,623	18,274	12,083	15,435
Cable Television	45-50%	23,880	(8,382)	11,266	(14,050)
Radio Broadcasting	26-50%	1,283	(622)	256	(662)
Total		$ 163,805	$ 6,801	$ 46,814	$ (8,418)
Year ended December 31, 2000					
Fixed Telephony	30-50%	$ 33,718	$ (11,140)	$ 12,842	$ (14,648)
Wireless Telephony	22-50%	63,583	17,557	17,171	9,639
Cable Television	45-50%	28,898	(1,603)	8,738	(11,017)
Radio Broadcasting	26-50%	1,602	(370)	161	(132)
Total		$ 127,801	$ 4,444	$ 38,912	$ (16,158)

UNCONSOLIDATED RESULTS RESULTS OF UNCONSOLIDATED OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2002 COMPARED TO THE RESULTS OF UNCONSOLIDATED OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2001

Fixed Telephony

Revenues. Fixed telephony revenues decreased by $0.8 million to $91.2 million for the twelve months ended December 31, 2002 as compared to $92.0 million for the twelve months ended December 31, 2001. This decrease was principally attributable to decreases in revenue at Comstar and Telecom Georgia offset by Teleport-TP.

Telecom Georgia's revenues decreased $2.4 million, or 11%, to $19.6 million for the twelve months ended December 31, 2002 from $22.0 for the twelve months ended December 31, 2001. This decline is due to the loss of mobile call termination business and lower call traffic within Georgia. Revenue from outgoing international and CIS calls has also declined due to tariff pressures and increasing competition in the region. The decline was partially offset by increased incoming international call traffic, particularly from countries within the Commonwealth of Independent States (CIS).

Comstar's revenues for the twelve months ended December 2002 decreased 7% for the twelve months ended December 2001. Comstar's revenues declined due to a loss of lower margin wholesale traffic as well as international and domestic long distance revenues. Wholesale revenue declines are the result of a combination of declining rates and minutes, while the international and domestic long distance revenue decline is more specifically due to rate declines. These declines were somewhat offset by modest gains in data revenues and monthly service fees for capacity.

Gross margin. Fixed telephony gross margin increased by $0.5 million to $46.3 million for the twelve months ended December 31, 2002 as compared to $45.8 million for the twelve months ended December 31, 2001. This increase is principally due to the addition of Teleport-TP as an equity venture company for the 2nd quarter of the year. Teleport-TP's gross margin increased by $1.7 million for the twelve months ended December 31, 2002. Teleport-TP was only accounted for as an equity venture company for the 2nd quarter and was accounted for under the cost method for the 3rd and 4th quarters of 2002. See discussion of Teleport-TP.

Telecom Georgia's gross margin decreased $0.2 million or 3%, to $5.8 million for the twelve months ended December 31, 2002 from $6.0 million for the twelve months ended December 31, 2001. This decline is due to loss of revenue associated with the loss of mobile call termination business and lower call traffic within Georgia. Also, costs of incoming international calls to mobile phones for Telecom Georgia is now $.11 per minute versus the previous rate of $.04 per minute. Offsetting this effect on gross margin is the change of revenue share agreements with other telephone service providers starting July 2002. Prior to July 2002, Telecom Georgia acted as a payment center then remitted the amounts owed to mobile operators and telephone service providers. Since July 2002, Telecom Georgia receives only its net revenue from outgoing international and CIS calls. Thus, while revenue has decreased, gross margin has remained at previous levels for these calls. Additionally, stable international outgoing traffic has had a positive effect on gross margin.

Comstar's gross margin decreased 4% in 2002 from 2001. The decline in Comstar's gross margin was not as significant as the decline in Comstar's revenue since the decline in revenue was attributable primarily to the loss of low margin wholesale traffic. Also, gross margin was positively influenced by changes in the revenue mix with growth in higher margin data services and fees for monthly capacity.

Selling, general and administrative. Fixed telephony selling, general and administrative ("SG&A") expenses decreased by $3.4 million to $21.6 million for the twelve months ended December 31, 2002 as compared to $25.0 million for the twelve months ended December 31, 2001. This decrease was principally attributable to Comstar and Telecom Georgia.

Comstar's SG&A decreased 17% in 2002 from 2001. Significant reductions were made in all overhead areas but the largest reductions were in the Sales and Marketing function and salaries and benefits.

Telecom Georgia SG&A expenses decreased $1.7 million, or 31%, to $3.8 million for the twelve months ended December 2002 from $5.5 million for the twelve months ended December 2001. Compensation expense was down as a result of staff reductions in the first quarter of 2002 and smaller bonus payments in 2002. Also, satellite charges were down in 2002 due to reductions in monthly fees and switching of some traffic to fiber. Finally, miscellaneous taxes were down from the prior year. This decrease was offset by income realized in 2001 from a reversal of bad debt expense that did not occur in 2002.

Depreciation and amortization. Fixed telephony depreciation and amortization ("D&A") expense decreased by $1.7 million to $21.5 million for the twelve months ended December 31, 2002 as compared to $23.2 million for the twelve months ended December 31, 2001. The reduction in D&A is principally due to goodwill at Telecom Georgia no longer being amortized in 2002 compared with 2001.

Comstar's D&A increased 4% in 2002 from 2001. This increase was due to the additional depreciation from an increased fixed asset base.

Asset impairment charge. During the second quarter of 2002, certain fixed telephony assets, totaling $0.4 million were written off.

Wireless Telephony

Revenues. Wireless telephony revenues increased by $8.0 million to $54.6 million for the twelve months ended December 31, 2002 as compared to $46.6 million for the twelve months ended December 31, 2001. This increase was primarily attributable to Magticom, the Company's GSM wireless operator in Georgia. Revenues at Magticom increased by $11.4 million, or 33%, to $46.4 million for the twelve months ended December 31, 2002 compared to $35.0 million for the twelve months ended December 31, 2001. This increase is driven by subscriber growth. Subscribers totaled 242 thousand at December 31, 2002 compared to 154 thousand at December 2001, an increase of 57%. Magticom is the market leader in Georgia with the greatest subscriber count and largest coverage area. This increase was somewhat offset by lower roaming revenues.

Tyumen's revenues increased $0.9 million, 21% to $5.2 million for the twelve months ended December 2002 compared to $4.3 million for the twelve months ended December 31, 2001. Recurring monthly service revenues are up $1.4 million or 31%. This increase is partially offset by declines in connection fees and equipment sales.

BELCEL was sold in July 2002; revenues decreased by $4.4 million for the year to $3.0 million for the twelve months ended December 31, 2002 compared to $7.4 million for the 12 months ended December 31, 2001.

Gross margin. Wireless telephony gross margin increased by $7.4 million to $46.0 million for the twelve months ended December 31, 2002 as compared to $38.6 million for the twelve months ended December 31, 2001. This increase was due primarily to the increase in gross margin at Magticom. Gross margin at Magticom increased by $9.7 million, or 32%, from $29.9 million for the twelve months ended December 31, 2001 to $39.6 million for the twelve months ended December 31, 2002. Gross margin as a percent of revenues remained consistent at 86% in 2002 and 2001. The company's position as the market leader is allowing it to maintain its margins; however, it is expected that margins will eventually erode as competition intensifies in the region.

Tyumen's gross margin increased 26% or $0.8 million from $3.1 million for the twelve months ended December 31, 2001 to $3.9 million for the twelve months ended December 31, 2002.

BELCEL was sold in July 2002; gross margin declined $3.2 million to $2.5 million for the twelve months ended December 31, 2002

Selling, general and administrative. Wireless telephony selling, general and administrative ("SG&A") expenses increased by $1.2 million to $9.5 million for the twelve months ended December 31, 2002 as compared to $8.3 million for the twelve months ended December 31, 2001. This increase is related to all three entities. Magticom's SG&A remained consistent at $7.1 million in the year ended December 31, 2002 as compared to the year ended December 31, 2001.

Tyumen's SG&A increased $0.4 million, or 57%, to $1.2 million for the twelve months ended December 31, 2002 from $0.8 million for the twelve months ended December 31, 2001. Salary and benefit expenses increased by $0.3 million due to salary increases to retain employees.

BELCEL was sold in July 2002; SG&A for the period increased by $0.7 million to $1.1 million for the twelve months ended December 31, 2002. The increase is due to management fees that were eliminated in consolidation in 2001.

Depreciation and amortization. Wireless telephony depreciation and amortization ("D&A") expense increased by $2.7 million to $14.8 million for the twelve months ended December 31, 2002 as compared to $12.1 million for the twelve months ended December 31, 2001. This increase is due principally to Magticom. D&A at Magticom increased by $2.9 million, or 30%, from $9.8 million for the twelve months ended December 30, 2001 to $12.7 million for the twelve months ended December 31, 2002 due to depreciation on recently installed network infrastructure. Gross fixed assets increased $14.9 million, or 20% from December 31, 2001 to December 31, 2002.

Tyumen's D&A expense increased $0.8 million, or 188%, to $1.3 million for the twelve months ended December 31, 2002 compared to $0.4 million for the twelve months ended December 30, 2001. The increase in depreciation and amortization is due to the depreciation of network infrastructure installed in late 2001 and during 2002.

BELCEL was sold in July 2002; D&A expense for BELCEL decreased by $0.9 million to $0.9 million for the twelve months ended December 31, 2002 compared to $1.8 million for the twelve months ended December 31, 2001.

Asset impairment charges. During the fourth quarter of 2002, Magticom ceased using certain billing software. Accordingly, the Company recorded an impairment charge of $0.8 million.

Cable Television

Revenues. Revenues decreased by $2.6 million to $21.3 million for the year 2002 as compared to $23.9 million for 2001. Such decrease was principally due to the disposal of Alma-TV in the second quarter of 2002 and the abandonment of operations at Kamalak TV effective December 31, 2001. Alma-TV contributed an additional $3.1 million in revenues during 2001 as compared to 2002. Kamalak TV contributed $1.2 million in revenues during 2001. Excluding the impact of Kamalak and Alma TV, revenues for 2002 were $17.2 million, an increase of $1.7 million from 2001 as compared to 2002. The primary reason for the increase was the attributable to revenue growth at both Kosmos TV and Baltcom TV.

Revenues at Kosmos TV increased by $0.9 million to $7.0 million in 2002 from $6.1 million in 2001. The primary reason for the revenue growth is attributable to the on going growth in subscriber numbers for the digital television subscription service "MMDS digital". MMDS digital subscriber numbers grew from 12 thousand at December 31, 2001 to 15 thousand at December 31, 2001. The growth is against the background of an increasingly competitive market for pay-TV, where competition is from both pay-TV operators such as NTV+, Comcor TV and Divo TV as well as a large number of traditional broadcast (free to air) channels owned by both the Russian state as well as other private

business groups, which resulted in management implementing rate reductions in the second half of 2002 to remain competitive. Kosmos TV was sold on April 25, 2003.

Revenues in Baltcom TV increased by $0.6 million to $7.2 million in 2002 from $6.6 million in 2001, an increase of 10%. The revenue growth reflects the continued increase in wire line subscribers in Riga as well as the strong demand for the high speed broadband internet product that was launched in the second half of 2001. Homes passed on the HFC network increased from 145 thousand at December 31, 2001 to 177 thousand at December 31, 2002, while total subscribers increased from 87 thousand to 101 thousand, an increase of 14% while ARPUs ("average revenue per unit" or subscriber) decreased by 7% from $6.6 per subscriber per year to $6.1 per subscriber per month. Internet revenues increased from $0.1 million in 2001 to $0.3 million reflecting growth in this product offering since its launch in 2001, with subscribers reaching 710 at December 31, 2001 and 1,452 at December 31, 2002.

Cost of services. Cost of services decreased by $6.5 million to $4.0 million for the year 2002 as compared to $10.4 million for 2001. Such decrease was due in part to the disposal of Alma-TV and the abandonment of operations at Kamalak TV. Alma-TV incurred additional cost of service of $0.8 million during 2001 as compared to 2002. Kamalak TV incurred costs of services of $3.3 million during 2001 as compared to 2002. Excluding the impact of Kamalak and Alma TV, cost of services for 2002 were $3.5 million, an decrease of $2.4 million from 2001. The primary reason for the decrease was attributable to Kosmos TV and Baltcom TV.

Cost of services at Kosmos TV decreased by $1.9 million to $1.4 million in 2002 from $3.3 million in 2001. Cost of service in 2001 included the write off of inventory resulting from the upgrade to a digital system.

Cost of service at Baltcom TV decreased by $0.7 million to $1.5 million for the year ended 31 December 2002 from $2.2 million for the year ended 31 December 2001. Cost of service was favorably impacted by the reversal of a $0.5 million accrual in respect of content following the settlement of negotiations with a programmer in the last quarter of 2002.

Selling, general and administrative. Selling, general and administrative expenses increased by $1.1 million to $11.6 million for the year 2002 as compared to $10.5 million for 2001. The movement includes the effects of disposal of Alma-TV and the abandonment of operations at Kamalak TV. Excluding the impact of Kamalak and Alma TV, selling, general and administrative expenses for 2002 were $10.0 million, an increase of $1.8 million from 2001. The primary reason for the increase is attributable Kosmos TV.

Selling, general and administrative expenses at Kosmos TV increased by $2.4 million to $4.1 million in 2002 from $1.7 million in 2001.

Depreciation and amortization. Depreciation and amortization expense decreased by $4.7 million to $6.6 million for the year 2002 as compared to $11.3 million for 2001. Such decrease was due in part to the disposal of Alma-TV and the abandonment of operations at Kamalak TV. Excluding the impact of Kamalak and Alma TV, depreciation and amortization expense for 2002 was $5.3 million, a decrease of $2.6 million from 2001. The primary reason for the decrease was attributable to Kosmos TV and Baltcom TV.

Depreciation and amortization expense at Kosmos TV decreased by $1.7 million to $2.7 million in 2002 from $4.4 million in 2001. The decrease is due to the discontinuance of goodwill amortization due to the adoption of SFAS No. 142 offset by increases in depreciation associated with the continued investment in the digital television network.

Depreciation and amortization expense at Baltcom TV decreased by $0.5 million to $1.5 million in 2002 from $2.0 million in 2001. The decrease is due to the discontinuance of goodwill amortization due to the adoption of SFAS 142.

Asset impairment charges. Cable television operations incurred an asset impairment charges of $21.0 million in 2001. The charges reflect the Company's assessment of the recoverability of long lived assets. The amounts were incurred in respect of Kosmos TV ($16.8 million), Kamalak TV ($3.2 million) and Baltcom ($1.0 million).

UNCONSOLIDATED RESULTS RESULTS OF UNCONSOLIDATED OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2001 COMPARED TO THE RESULTS OF UNCONSOLIDATED OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2000

Fixed Telephony

Revenues. Fixed telephony revenues from unconsolidated entities increased by $58.3 million (173%) to $92.0 million for the year ended December 31, 2001 as compared to $33.7 million for the year ended December 31, 2000. This increase is principally related to revenues from Comstar due to a full year of operations reflected in 2001, compared to only one month in 2000. This increase is offset by a decrease in revenues from Telecom Georgia and CAT of $3.4 million and $1.8 million respectively.

Telecom Georgia revenues decreased by $3.4 million (13%) to $22.0 million for the twelve month period ended December 31, 2001 as compared to $25.4 million for the twelve months ended December 31, 2000. The reduction relates to lower tariffs for international long distance traffic and increased competition from new networks.

The decrease in revenues from CAT is a result of the Company no longer reporting its results of operations due to the Company's decision to abandon CAT at the end of 2000.

Gross margin. Fixed telephony gross margin increased by $30.9 million (207%) to $45.8 million for the twelve months ended December 31, 2001 as compared to $14.9 million for the twelve months ended December 31, 2000. The increase is principally related to Comstar due to a full year of operations reflected in the 2001 accounts, compared to only one month in 2000. The increase from Comstar was offset by a decrease in Telecom Georgia gross margin of $4.4 million (42%) to $6.0 million for the twelve months ended December 31, 2001 as compared to $10.4 million for the twelve months ended December 31, 2000. The reduction was due to decreases in tariffs without corresponding decreases in costs to terminate traffic.

Selling, general and administrative. Fixed telephony selling, general and administrative expenses ("SG&A") increased by $11.8 million (89%) to $25.0 million for the twelve months ended December 31, 2001 compared to $13.2 million for the twelve months ended December 31, 2000. The increase is principally related to Comstar due to a full year of operations reflected in the 2001 accounts, compared to only one month in 2000. The increase at Comstar was offset by a decrease in SG&A at Telecom Georgia of $2.8 million (34%) million to $5.5 million for the twelve months ended December 31, 2001 as compared to $8.3 million for the twelve months ended December 31, 2000. SG&A decreased at Telecom Georgia primarily due to a reduction of bad debt expense. SG&A decreased at CAT by $2.3 million to nil for the twelve months ended December 31, 2001 because CAT was abandoned at the end of 2000.

Depreciation and amortization. Fixed telephony depreciation and amortization ("D&A") expense increased by $10.4 million to $23.2 million for the twelve months ended December 31, 2001 as compared to $12.8 million for the twelve months ended December 31, 2000. The increase is principally related to Comstar due to a full year of operations reflected in the 2001 accounts, compared to only one month in 2000.

Wireless Telephony

Revenues. Revenues from unconsolidated entities decreased by $17.0 million or 27% to $46.6 million for the year ended December 31, 2001 as compared to $63.6 million for the year ended December 31, 2000. This decrease was principally as a result of the Company's disposition of its interest in Baltcom GSM in 2000. Baltcom GSM revenues in 2000 totaled $26.6 million. This decrease was offset by a growth in revenues of $7.1 million to $35.0 million for 2001 at Magticom and growth in revenues of $2.2 million to $4.3 million for 2001 at TyumenRuscom.

Magticom revenues increased due to strong increases in connection and activation revenues commensurate with subscriber growth offset by declines in roaming revenue, which is driven by global downwards pressure on rates.

TyumenRuscom revenue growth was due to the increase in services revenue reflecting the growth in subscribers relating to the increased number of additional services offered.

Gross margin. Wireless telephony gross margin decreased by $13.5 million (26%) to $38.6 million for the twelve months ended December 31, 2001 as compared to $52.1 million for the twelve months ended December 31, 2000. The decrease is principally related to the sale of our interest in Baltcom GSM offset by growth in gross margin at Magticom and Tyumen. Baltcom GSM gross margin decreased by $20.2 million to zero for the twelve months ended December 2001 due to the sale of our interest in Baltcom in 2000.

Magticom gross margin increased $5.3 million to $29.9 million for the twelve months ended December 31, 2001 as compared to $24.6 million for the twelve months ended December 31, 2000. Gross margins expanded due to strong subscriber growth with fixed costs held relatively constant.

Tyumen gross margin increased by $1.5 million to $3.1 million for the twelve months ended December 31, 2001 as compared to $1.6 million for the twelve months ended December 31, 2000. Gross margins expanded due to strong subscriber growth with fixed costs held relatively constant.

Selling, general and administrative. Wireless telephony selling, general and administrative ("SG&A") expenses decreased by $9.0 million (52%) to $8.3 million for the twelve months ended December 31, 2001 compared to $17.3 million for the twelve months ended December 31, 2000. The decrease is principally related to the sale of our interest in Baltcom GSM in 2000. Baltcom's SG&A decreased by $9.4 million to zero for the twelve months ended December 31, 2001. BELCEL's SG&A decreased by $2.9 (88%) million to $0.4 million for the twelve months ended December 31, 2001 as compared to $3.3 million for the twelve months ended December 31, 2000. The decrease in SG&A related to the write off intercompany debt which was eliminated in consolidation.

Magticom's SG&A increased by $3.4 (92%) million to $7.1 million for the twelve months ended December 31, 2001 as compared to $3.7 million for the twelve months ended December 31, 2000. Bad debt increased by $0.8 million, salaries increased by $0.7 million, sales & marketing increased by $0.5 million and taxes other than income increased by $0.3 million. Overhead increased in order to manage and service nearly a doubling of subscribers.

Depreciation and amortization. Wireless telephony depreciation and amortization ("D&A") expense decreased by $5.2 million to $12.0 million for the twelve months ended December 31, 2001 as compared to $17.2 million for the twelve months ended December 31, 2000. The decrease is principally related to the sale of our interest in Baltcom GSM in 2000. Baltcom GSM's D&A decreased by $6.5 million to zero for the twelve months ended December 31, 2001. The above decrease was offset by an increase in D&A at Magticom of $2.8 million (40%) to $9.8 million for the twelve months ended December 31, 2001 as compared to $7.0 million for the twelve months ended December 31, 2000. Magticom's network was expanded geographically and to add additional capacity in major cities.

Cable Television

Revenues. Revenues from unconsolidated entities decreased by $5.0 million to $23.9 million for the year ended December 31, 2001 from $28.9 million for the year ended December 31, 2000. This decline primarily relates to Ayety TV, Kamalak TV and Sun TV partially offset by an increase in Alma TV.

In Kazakhstan, unconsolidated revenues for Alma TV increased by $1.2 million to $7.1 million for the year ended December 31, 2001 from $5.9 million for the year ended December 31, 2000. The increase is caused by an increase in subscribers from 86 thousand at December 31, 2000 to 100 thousand at December 31, 2001 as well as increases in rates.

In Georgia, unconsolidated revenues for Ayety TV decreased by $1.8 million to $nil for the year ended December 31, 2001 from $1.8 million for the year ended December 31, 2000 as a result of the consolidation of the business venture following the acquisition of a controlling interest at the end of 2000.

In Uzbekistan, unconsolidated revenues for Kamalak TV decreased by $1.9 million to $1.2 million for the year ended December 31, 2001 from $3.1 million for the year ended December 31, 2000 due to devaluation of the local currency, increasing competition and loss of premium package customers.

In Moldova, unconsolidated revenues for Sun TV decreased by $2.2 million to nil for the year ended December 31, 2001 from $2.2 million for the year ended December 31, 2000 as a result of the consolidation of the business venture following the acquisition of a controlling interest at the end of 2000.

Cost of service. Cost of service expense increased by $4.2 million to $10.5 million for the year ended December 31, 2001 from $6.2 million for the year ended December 31, 2000. The increase is primarily explained by Kosmos TV and Kamalak TV.

In Russia, cost of service at Kosmos TV increased by $2.3 million to $3.3 million for the year ended December 31, 2001 from $0.1 million for the year ended December 31, 2000. Cost of service in 2001 included the write off of inventory resulting from the upgrade to a digital system. Kosmos TV was sold on April 24, 2003.

In Uzbekistan, cost of service at Kamalak TV increased by $2.7 million to $3.3 million for the year ended December 31, 2001 from $0.6 million for the year ended December 31, 2000. Kamalak TV was abandoned effective December 31, 2001.

Selling, general and administrative. Selling, general and administrative expense decreased by $5.0 million to $10.5 million for the year ended December 31, 2001 from $15.5 million for the year ended December 31, 2000. The decrease is primarily explained by Kosmos TV and Ayety TV.

In Russia, selling general and administrative expenses at Kosmos TV decreased by $2.4 million to $1.7 million for the year ended December 31, 2001 from $4.1 million for the year ended December 31, 2000. Kosmos TV was sold on April 24, 2003.

In Georgia, selling general and administrative expenses at Ayety TV decreased by $1.1 million to $nil for the year ended December 31, 2001 from $1.1 million for the year ended December 31, 2000. The decrease is the result of the Company consolidating Ayety TV after acquiring an additional ownership interest in the last quarter of 2000.

Depreciation and amortization. Depreciation and amortization expense increased $2.5 million to $11.3 million for the year ended December 31, 2001 from $8.7 million for the year ended December 31, 2000. The increase is explained by movements in Kosmos TV, Baltcom TV, Cosmos TV, Sun TV, and Ayety TV.

In Russia, depreciation and amortization expense at Kosmos TV increased by $3.4 million to $4.4 million for the year ended December 31, 2001 from $0.9 million for the year ended December 31, 2000. The increase is primarily associated with the investment in the digital television network.

In Latvia, depreciation and amortization expense at Baltcom TV increased by $0.9 million to $2.0 million for the year ended December 31, 2001 from $1.1 million for the year ended December 31, 2000. The increase primarily represents the results of the on going investment in the upgrade of Baltcom's HFC network to 860 Mhz so that it becomes capable of offering extend packages and internet.

In Belarus, depreciation and amortization expense at Cosmos TV increased by $0.6 million to $1.2 million for the year ended December 31, 2001 from $0.6 million for the year ended December 31, 2000. The increase primarily represents depreciation related to the construction of the HFC network that was started in 2001.

In Moldova, depreciation and amortization expense at Sun TV decreased by $1.4 million to $nil for the year ended December 31, 2001 from $1.4 million for the year ended December 31, 2000 as a result of the consolidation of the business venture following the acquisition of a controlling interest at the end of 2000.

In Georgia, depreciation and amortization expense at Ayety TV decreased by $1.5 million to $nil for the year ended December 31, 2001 from $1.5 million for the year ended December 31, 2000 as a result of the consolidation of the business venture following the acquisition of a controlling interest at the end of 2000.

Asset impairment charges. Cable television operations incurred an asset impairment charge of $21.0 million in 2001. The charges reflect the Company's assessment of the recoverability of long lived assets. The amounts were incurred in respect of Kosmos TV ($16.8 million), Kamalak TV ($3.2 million) and Baltcom ($1.0 million).

Radio Broadcasting

Revenues. Revenues from unconsolidated entities decreased by $0.3 million, or 19.9%, to $1.3 million for the year ended December 31, 2001 from $1.6 million for the year ended December 31, 2000. This decrease is principally related to the $0.3 million decrease of Trio Group due to the Company's additional ownership equity and control of the business venture in the fourth quarter 2001. In addition, there was increased competition by state TV advertising. As a result of the additional equity acquired, Trio Group's results of operations are included in the Company's consolidated financial results, subsequent to the additional ownership purchase.

Selling, general and administration. Radio selling, general and administrative expenses for the unconsolidated entities of $1.7 million in the year ended December 31, 2001, represented a decrease of $0.2 million, or 9%, over the year ended December 31, 2000.

Depreciation and amortization. Radio depreciation and amortization expense from unconsolidated entities increased $0.1 million, or 59%, to $0.3 million for the year ended December 31, 2001 from $0.2 million for the year ended December 31, 2000.

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Inflation and Foreign Currency

During 1999, a number of emerging market economies suffered significant economic and financial difficulties resulting in liquidity crises, devaluation of currencies, higher interest rates and reduced opportunities for financing. Although the economic climate in Russia has improved, the long-term prospects for complete recovery for the economies of Russia and the CIS and Eastern Europe remain unclear. The economic crisis of 1998 resulted in a number of defaults by borrowers in Russia and other countries. Although some debt was rescheduled in 2000, a reduced level of financing remains available to investors in these countries. The devaluation of many of the currencies in the region in 2000 and 2001 was not as marked as in previous years but the potential still remains for future negative effects on the U.S. dollar value of the revenues generated by certain of the Company's business ventures and may lead to certain additional restrictions on the convertibility of certain local currencies. Any such economic difficulties could negatively impact the financial performance of the Company.

While the Company's subsidiaries and business ventures attempt to increase their subscription rates to offset increases in operating costs, there is no assurance that they will be able to do so. Therefore, operating costs may rise faster than associated revenue, resulting in a material negative impact on operating results. The Company itself is generally negatively impacted by inflationary increases in salaries, wages, benefits and other administrative costs, the effects of which to date have not been material to the Company.

The value of the currencies in the countries in which the Company operates in the past has fluctuated, sometimes significantly. For example, during 1999, the value of the Russian rouble was under considerable economic and political pressure and has suffered significant declines against the U.S. dollar and other currencies. The Company currently does not hedge against exchange rate risk and therefore could be negatively impacted by declines in exchange rates between the time one of its business ventures receives its funds in local currency and the time it distributes these funds in U.S. dollars to the Company. The ability of the Company to hedge is somewhat limited as the Company's most significant operations are in Russia. The Russian Ruble is not convertible outside Russia.

The Company strategy is to minimize its foreign currency risk. To the extent possible, the Company bills and collects all revenues in U.S. dollars or an equivalent local currency amount adjusted on a monthly basis for exchange rate fluctuations. The Company's subsidiaries and business ventures are generally permitted to maintain U.S. dollar accounts to service their U.S. dollar denominated debt and current account obligations, thereby reducing foreign currency risk. As the Company's subsidiaries and business ventures expand their operations and become more dependent on local currency based transactions, the Company expects that its foreign currency exposure will increase.

New Accounting Pronouncements

Effective January 1, 2002, we adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." In accordance with SFAS No. 142, we discontinued the amortization of goodwill as of such date. Upon the adoption of SFAS No. 142, we recorded a cumulative effect of a change in accounting principle for the impairment of goodwill in the amount of $3.2 million.

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligation." This statement deals with the costs of closing facilities and removing assets. SFAS No. 143 requires entities to record the fair value of a legal liability for an asset retirement obligation in the period it is incurred. This cost is initially capitalized and amortized over the remaining life of the asset. Once the obligation is ultimately settled, any difference between the final cost and the recorded liability is recognized as a gain or loss on disposition. SFAS No. 143 is effective for years beginning after June 15, 2002. The adoption of FAS No. 143 did not have an impact on our consolidated financial position or results of operations.

During the year ended December 31, 2002, the FASB issued several new accounting standards including, SFAS No. 145, "Rescission of FASB Statements No.4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This standard did not have a material impact on our financial position or results of operations

In July 2002, the FASB issued SFAS No.146, "Accounting for Costs Associated with Exit of Disposal Activities," which requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement nullifies Emerging Issues Task Force No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in A Restructuring)," which required that liability for an exit cost be recognized upon the entity's commitment to an exit plan. Adopting SFAS No. 146 did not have a material impact on our results of operations or financial position.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements of Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN No. 45"). FIN No. 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. The disclosure provisions of FIN No. 45 are effective for financial statements of annual periods that end after December 15, 2002. The provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. The adoption of FIN No. 45 did not have a material impact on our result of operations or financial position.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities". FIN No. 46 defines the concept of "variable interest" and requires existing unconsolidated variable interest entities to be consolidated into the financial statement of their primary beneficiaries if the variable interest entities do not effectively disperse risks among the parties involved. FIN No. 46 applies immediately to variable interest entities created after January 31, 2003. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquires before February 1, 2003. If it is reasonably possible that an enterprise will consolidate or disclose information about a variable interest entity when FIN No. 46 becomes effective, the enterprise must disclose information about those entities in all financial statements issued after January 31, 2003. There were no such entities created after January 31, 2003. The interpretation may be applied prospectively with a cumulative-effect adjustment as of the date on which it is first applied or by restating previously issued financial statements for one or more years, with a cumulative-effect adjustment as of the beginning of the first year restated. The Company has not yet completed its analysis of the effect of adopting the remaining provisions of FIN No. 46. At July 1, 2003, the Company held interests in Magticom, a core unconsolidated investee that will be evaluated to determine if it should be consolidated. In addition, the Company holds interests in four non-core Cable television business ventures and a telephony business venture that will be evaluated as well. See Note 6 for further discussions and summary financial information of the Company's unconsolidated investees.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required under this item are included in Item 15 of this Report.

Item 14. Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. An evaluation was performed by the Company's management, with the participation of the Chief

Executive Officer and Chief Financial Officer, of the Company's disclosure controls and procedures as of the end of the period covered by this amended annual report.

Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the presence of the matters described below constitute material weaknesses as defined under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. To specifically respond to this matter, and in general to meet our obligations under Section 404 of the Sarbanes-Oxley Act of 2002, the Company has taken the actions described below.

As of the date of this Report, the Company believes it has a plan that, when fully implemented, will reduce the likelihood that similar errors could occur in the future. There were no other changes during the fourth quarter ended December 31, 2003 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures, subsequent to the date of their evaluation, except as described below.

The Company continues to use both financial and personnel resources to improve its management, accounting, reporting and business operations processes. However, the Company's limited liquidity has, and could continue to limit management's ability to implement improvements to its management and accounting, reporting and business operations processes. In addition, certain structural complexities of the Company's business may impact the effectiveness of disclosure controls and procedures and internal controls.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the disclosure controls and procedures or internal controls will prevent all errors and all improper conduct. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of improper conduct, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

The effective oversight by the Company of the business managers who are responsible for managing the daily business matters of the Company's business ventures, both consolidated and unconsolidated, may be encumbered due to business practice common within the geographic area of the business operations, the degree of the Company's historic and current participation as a shareholder within the respective businesses and resource constraints imposed by the Company's current liquidity situation.

Furthermore, the Company does not control and may be limited in its participation in management of its unconsolidated business ventures. Thus, its disclosure controls and procedures with respect to

such business ventures are necessarily more limited than those it maintains with respect to its consolidated business ventures.

The Company has from time to time been unable and may in the future be unable to prevent expenditures and commitments from occurring at certain business ventures that do not provide full economic benefit to the business venture's operations. Such expenditures or commitments have not been material to the Company's historical results of operations and financial condition, and management is not aware of any instances in which such expenditures and commitments are not properly reflected in its consolidated financial statements.

In addition, the Company has experienced, and may continue to experience difficulty and incur significant cost in the timely collection of financial data with respect to certain of its business ventures. Many of the foreign emerging market countries in which the Company operates are lacking in standard Western management, accounting, reporting and business operations processes. As a result, the timely collection of financial data and preparation of consolidated financial statements in accordance with accounting standards generally accepted in the United States, based on the books of account and corporate records of those business ventures, has required significant resources of the Company.

Due to liquidity pressures, management and the Board of Directors determined that it was most appropriate to terminate the employment of a significant number of personnel that oversee or provide supporting services to the Company's various European business ventures. Such terminations have effective dates that are staggered in relation to expected disposal dates of various ventures and businesses. There is no guarantee that the Company will be able to dispose of these various ventures and businesses during the employment periods of the affected individuals. However, the Company believes that relations with these individuals are generally good and that should the disposals not occur within the time frame estimated by management, that the individuals would likely extend their employment to the dates of disposal. Should the disposals not occur within management's estimated time frame, there can be no guarantees that the affected individuals would agree to similar terms for an extended period. Under such circumstances, the Company could be significantly hindered in production of books and records within a timely fashion to remain compliant with its financial reporting obligations.

As part of its restructuring efforts, the Company terminated substantially all of its employees at its U.S. headquarters as well as certain European-based business venture support personnel during the first quarter of 2003. However, the Company has entered into new employment agreements with certain individuals, including the Company's Chief Financial Officer, the Chief Accounting Officer, the General Counsel and has recruited accounting and finance personnel who work in Charlotte. Furthermore, during the third quarter of 2003, the Company began the process of relocating its corporate headquarters from New York City to Charlotte and the Company closed its New York City office before the end of 2003. The Company's decision to move its corporate headquarters operation from New York City was principally driven by the commitment to substantially reduce corporate overhead expenditures. Upon completing this move, the Company will benefit from significant reductions in continuing office-related, personnel and professional service costs. Management anticipates that upon the completion of the relocation of its corporate headquarters, that the accounting and finance personnel that are currently engaged and the workflow processes that are currently in place will enable the Company to meet its financial reporting obligations in a more timely manner. However, due to the timing of departures of New York City based accounting and financial personnel and the hiring of Charlotte based personnel, the Company did experience some delays in preparation of financial statements and reports.

In the fourth quarter of 2003, it was determined that the Company's consolidated statements of operations for fiscal 2002, and the first two quarters of fiscal 2003, would need to be restated as a result of an error discovered in the computation of its unpaid dividends on its $7^1/_4$% cumulative

convertible preferred stock. The Company has determined that deficiencies in its internal review processes resulted in this error not being detected on a timely basis. As a result of the Company's recent relocation to Charlotte, NC, management of the Company reassessed its finance organizational structure and has recruited the necessary personnel to improve its internal control and review processes.

In addition, during the fourth quarter of 2003 and early 2004, it was determined that the Company's consolidated statements of operations for fiscal 2002, and the first two quarters of fiscal 2003, would need to be restated as a result of errors regarding the reporting of certain tax refunds. Most of these refunds were received because the Company became eligible to carry back certain losses and recover taxes previously paid to various taxing authorities five or more years ago. One of these refunds resulted from a change in tax laws. The Company has determined that not having full-time in-house tax personnel resulted in this error not being detected on a timely basis. In an effort to prevent these errors from occurring again, the Company recently hired a tax director to oversee the preparation of tax filings and deferred tax computations. In addition, the Company intends to implement a more stringent review process over the filing of tax returns and preparation of its deferred tax computations on a prospective basis.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) and (a)(2)

Financial Statements and Schedules

The financial statements and schedules listed in the accompanying Index to Financial Statements are filed as part of this amendment No. 1 to the Annual Report on Form 10-K/A.

(a)

(3) Exhibits

The exhibits listed in the accompanying Exhibit Index are filed as part of this amendment No. 1 to the Annual Report on Form 10-K/A.

(b)

Current Reports on Form 8-K

On October 30, 2002, we filed a current report on Form 8-K (Items 5 and 7) and on December 4, 2002 we filed a current report on Form 8-K (Items 2, 5 and 7).

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SIGNATURES

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

METROMEDIA INTERNATIONAL GROUP, INC.

By: /s/ MARK S. HAUF

Mark S. Hauf
President, Chief Executive Officer and Chairman of the Board

Dated: February 24, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ MARK S. HAUF Mark S. Hauf	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	February 24, 2004
/s/ HAROLD F. PYLE, III Harold F. Pyle, III	Executive Vice President, Chief Financial Officer, and Treasurer (Principal Financial and Accounting Officer)	February 24, 2004
/s/ JOHN STEELE CHALSTY John Steele Chalsty	Director	February 24, 2004
/s/ ALAN K. GREENE Alan k. Greene	Director	February 24, 2004
/s/ CLARK A. JOHNSON Clark A. Johnson	Director	February 24, 2004
/s/ I. MARTIN POMPADUR	Director	February 24, 2004

Signature	Title	Date
I. Martin Pompadur		
/s/ STUART SUBOTNICK	Director	February 24, 2004
Stuart Subotnick		
/s/ LEONARD WHITE, JR.	Director	February 24, 2004
Leonard White, Jr.		

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
INDEX TO FINANCIAL STATEMENTS
METROMEDIA INTERNATIONAL GROUP, INC. AND SUBSIDIARIES

All other schedules have been omitted either as inapplicable or not required under the Instructions contained in Regulation S-X or because the information is included in the Consolidated Financial Statements or the Notes thereto listed above.

Independent Auditors' Report

The Board of Directors and Stockholders
Metromedia International Group, Inc.:

We have audited the accompanying consolidated financial statements of Metromedia International Group, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in the accompanying index. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metromedia International Group, Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring net losses and net operating cash deficiencies, and does not presently have sufficient funds on hand to meet its current debt obligations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 2, the accompanying consolidated financial statements as of and for the year ended December 31, 2002 have been restated.

As discussed in Note 5 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangibles" as of January 1, 2002.

/s/ KPMG LLP

New York, New York
July 11, 2003 except as to Note 2
which is February 24, 2004

METROMEDIA INTERNATIONAL GROUP, INC.
Consolidated Statements of Operations (in thousands, except per share amounts)

	Years Ended December 31		
	2002	**2001**	**2000**
	(restated)		
Revenues	$ 104,646	$ 116,623	$ 129,622
Cost and expenses:			
Cost of services and operating expenses	28,075	41,757	29,825
Selling, general and administrative	78,836	75,049	80,551
Depreciation and amortization	27,542	48,487	47,488
Asset impairment and restructuring charges, net	8,732	67,848	(1,511)
Operating loss	(38,539)	(116,518)	(26,731)
Other income/(expense):			
Interest expense	(22,267)	(20,972)	(19,566)
Interest income	1,212	2,401	5,428
Equity in income (losses) of and write-downs of investment in unconsolidated investees	(28,351)	(48,384)	(15,089)
(Loss) gain on disposition of businesses, net	5,176	(335)	59,020
Foreign currency gain (loss)	1,342	130	(606)
Other income	31	692	5,032
	(42,857)	(66,468)	34,219
(Loss) income before income tax expense, minority interest, discontinued components and the cumulative effect of a change in accounting principle	(81,396)	(182,986)	7,488
Income tax expense	(1,784)	(7,892)	(10,349)

	Years Ended December 31		
Minority interest	(4,692)	(3,196)	(3,010)
Loss from continuing operations before discontinued components and the cumulative effect of a change in accounting principle	(87,872)	(194,074)	(5,871)
Loss from discontinued components	(17,446)	(54,457)	(18,433)
Cumulative effect of a change in accounting principle	(3,157)		
Net loss	(108,475)	(248,531)	(24,304)
Cumulative convertible preferred stock dividend requirement	(16,274)	(15,008)	(15,008)
Net loss attributable to common stockholders	$ (124,749)	$ (263,539)	$ (39,312)
Weighted average number of common shares Basic and Diluted	94,035	94,035	93,978
Loss per common share attributable to common stockholders Basic:			
Continuing operations	$ (1.11)	$ (2.22)	$ (0.22)
Discontinued components	(0.19)	(0.58)	(0.20)
Cumulative effect of a change in accounting principle	(0.03)		
Net loss per common share attributable to common stockholders	$ (1.33)	$ (2.80)	$ (0.42)

See accompanying notes to consolidated financial statements.

METROMEDIA INTERNATIONAL GROUP, INC.
Consolidated Balance Sheets
(in thousands, except share amounts)

	December 31, 2002 (restated)	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	$ 30,331	$ 27,074
Investments	500	
Accounts receivable, net	8,730	15,359
Inventories	2,434	2,302
Prepaid expenses and other assets	10,127	14,083
Current assets of discontinued components	6,360	85,757
Total current assets	58,482	144,575
Investments in and advances to business ventures	70,651	104,239
Property, plant and equipment, net	92,692	101,139
Goodwill	34,733	41,190
Intangible assets, net	21,062	35,867
Other assets	12,528	4,030

	December 31, 2002	December 31, 2001
Noncurrent assets of discontinued components		38,681
Total assets	$ 290,148	$ 469,721
LIABILITIES AND STOCKHOLDERS' (DEFICIENCY) EQUITY		
Current liabilities:		
Accounts payable	$ 7,974	$ 7,778
Accrued expenses	50,834	53,123
Current portion of long-term debt	3,508	1,705
Current liabilities of discontinued components	2,387	72,358
Total current liabilities	64,703	134,964
Long-term debt, less current portion	213,864	206,093
Other long-term liabilities	2,412	3,405
Noncurrent liabilities of discontinued components		4,101
Total liabilities	280,979	348,563
Minority interest	31,667	30,382
Commitments and contingencies		
Stockholders' (deficiency) equity:		
$7^{1}/_{4}$% Cumulative Convertible Preferred Stock, at liquidation value	207,000	207,000
Common Stock, $1.00 par value, authorized 400.0 million shares, issued and outstanding 94.0 million shares at December 31, 2002 and 2001	94,035	94,035
Paid-in surplus	1,102,769	1,102,769
Accumulated deficit	(1,414,354)	(1,305,879)
Accumulated other comprehensive loss	(11,948)	(7,149)
Total stockholders'(deficiency) equity	(22,498)	90,776
Total liabilities and stockholders'(deficiency) equity	$ 290,148	$ 469,721

See accompanying notes to consolidated financial statements.

METROMEDIA INTERNATIONAL GROUP, INC.
Consolidated Statements of Cash Flows
(in thousands)

	Years ended December 31,		
	2002	2001	2000

	Years ended December 31,		
	(restated)		
Operating activities:			
Net loss	$ (108,475)	$ (248,531)	$ (24,304)
Loss from discontinued components	17,446	54,457	18,433
Loss from continuing operations	(91,029)	(194,074)	(5,871)
Items not requiring cash outlays:			
Equity in losses of and write-down of investment in unconsolidated investees	28,351	48,384	15,089
Depreciation and amortization	27,542	48,487	47,488
Asset impairment and restructuring charges, net	8,732	67,848	(1,511)
Accretion of debt discount	5,253	20,273	18,763
Loss (gain) on disposition of businesses, net	(5,176)	108	(59,020)
Other income		(729)	(5,157)
Minority interest	4,692	3,196	3,010
Cumulative effect of a change in accounting principle	3,157		
Other			878
Changes in:			
Accounts receivable	714	19	(576)
Inventories	(133)	701	(379)
Other assets and liabilities	(7,872)	5,393	5,838
Accounts payable and accrued expenses	5,424	(16,775)	(17,869)
Other operating activities, net		15	(1,411)
Cash used in operating activities	(20,345)	(17,154)	(728)
Investing activities:			
Investments in and advances to business ventures	(721)	(4,289)	(70,186)
Distributions from business ventures	3,055	1,162	5,938
Acquisitions and additional equity in subsidiaries			(5,294)
Additions to property, plant and equipment	(16,116)	(15,227)	(16,521)
Settlement of option			11,000
Proceeds from sale of business	11,199		66,657
Other investing activities, net	(1,266)		2,513
Cash (used in) provided by investing activities	(3,849)	(18,354)	(5,893)
Financing activities:			
Borrowings on debt	5,129		39
Payments on debt and capital leases	(846)	(420)	(10,646)
Proceeds from issuance of common stock related to incentive plans			1,211
Preferred stock dividends paid		(3,752)	(15,008)
Dividends paid to minority interests	(3,392)	(3,219)	(1,935)
Other financing activities		(307)	
Cash provided by (used) in financing activities	891	(7,698)	(26,339)
Cash provided by (used in) discontinued components, net	26,560	(5,204)	61,022

	Years ended December 31,		
Net increase (decrease) in cash and cash equivalents	3,257	(48,410)	28,062
Cash and cash equivalents at beginning of year	27,074	75,484	47,422
Cash and cash equivalents at end of year	$ 30,331	$ 27,074	$ 75,484

See accompanying notes to consolidated financial statements.

METROMEDIA INTERNATIONAL GROUP, INC.
Consolidated Statements of Stockholders' (Deficiency) Equity and Comprehensive Loss
(in thousands)

	7 1/4% Cumulative Convertible Preferred Stock		Common Stock						
	Number of Shares	Amount	Number of Shares	Amount	Paid-in Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Comprehensive Loss	Total Stockholders' Equity (Deficiency)
Balances at January 1, 2000	4,140	$ 207,000	93,285	$ 93,285	$ 1,102,308	$ (1,014,284)	$ (3,374)		$ 384,935
Net loss						(24,304)		$ (24,304)	(24,304)
Other comprehensive loss:									
Foreign currency translation adjustments							(1,171)	(1,171)	(1,171)
Minimum pension liability							(1,987)	(1,987)	(1,987)
Total comprehensive loss								$ (27,462)	
Issuance of stock and stock options related to incentive plans			750	750	461				1,211
Dividends on 7 1/4% cumulative convertible preferred stock						(15,008)			(15,008)
Balances at December 31, 2000	4,140	207,000	94,035	94,035	$ 1,102,769	(1,053,596)	(6,532)		343,676
Net loss						(248,531)		$ (248,531)	(248,531)
Other comprehensive income:									
Foreign currency translation adjustments							720	720	720
Minimum pension liability							(1,337)	(1,337)	(1,337)
Total comprehensive loss								$ (249,148)	
Dividends on 7 1/4% cumulative convertible preferred stock						(3,752)			(3,752)
Balances at December 31, 2001	4,140	207,000	94,035	94,035	1,102,769	(1,305,879)	(7,149)		90,776

	$7\frac{1}{4}$% Cumulative Convertible Preferred Stock								
Net loss (restated)						(108,475)		$ (108,475)	(108,475)
Other comprehensive loss:									
Foreign currency translation adjustments							(828)	(828)	(828)
Minimum pension liability							(3,971)	(3,971)	(3,971)
Total comprehensive loss (restated)								$ (113,274)	
Balance at December 31, 2002 (restated)	4,140	$ 207,000	94,035	$ 94,035	$ 1,102,769	$ (1,414,354)	$ (11,948)		$ (22,498)

See accompanying notes to consolidated financial statements.

METROMEDIA INTERNATIONAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation, Going Concern and Recent Developments

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Metromedia International Group, Inc. ("MMG" or the "Company") and its direct and indirect wholly-owned subsidiaries, Metromedia International Telecommunications, Inc. and PLD Telekom, Inc. All significant intercompany transactions and accounts have been eliminated. Certain reclassifications have been made to the consolidated financial statements for prior years to conform to the current presentation.

The Company is a holding company with ownership interests in telephony, cable television and radio broadcasting businesses that operate in Russia, Georgia, and other Eastern European countries. The telephony businesses generate 68% of consolidated revenues, while the cable television and radio broadcasting businesses generate 14% and 17%, respectively, of consolidated revenues.

Going Concern and Recent Developments

The Company is presently in the process of an overall restructuring in which its interests in cable TV, Radio and certain telephony businesses will be sold and a substantially downsized supervisory staff will manage the remaining business ventures. This restructuring was prompted by and is intended to resolve the severe liquidity issues confronting the Company since the beginning of 2002. This restructuring focuses on "core" telephony business operations that are currently self-financed and hold leading positions in their respective markets. These core operations will be held and developed, with the expectation that their future dividend distributions will be sufficient to meet the Company's debt service and overhead requirements. All other "non-core" operations will be sold; with the intention that sale proceeds will mitigate short-term liquidity concerns and provide capital for further core business development.

Upon completion of the restructuring, the Company intends that its core holdings will consist of PeterStar, Magticom and Baltic Communications Limited ("BCL").

The Company is a holding company; accordingly, it does not generate cash flows from operations. As of December 31, 2002 and June 30, 2003, the Company had approximately $18.9 million and $17.4 million, respectively, of unrestricted cash at its headquarters level. In addition, as of December 31, 2002 and June 30, 2003, the Company had approximately $11.4 million and $2.9 million, respectively, of cash at the Company's consolidated business ventures. Furthermore, as of December 31, 2002 and June 30, 2003, the Company's unconsolidated business ventures had approximately $12.4 million and $2.8 million, respectively, of cash.

The Company projects that its current corporate cash reserves, anticipated cash proceeds of non-core asset sales and continuing dividends from core operations will be sufficient for the Company to meet its future operating and debt service obligations on a timely basis and will resolve its remaining liquidity concerns. Opportunities to refinance the Company's Senior Discount Notes are also being pursued, but present Company plans presume the continued service of this debt on current terms. The Company, however, cannot provide assurances that its restructuring efforts will be successful or, if successful, that they will provide for sufficient cash reserves to support long-term sustainable operations. If the Company does not successfully complete its restructuring and does not realize the cash proceeds it anticipated on further sale of its non-core businesses, the Company does not believe that it will be able to pay the approximately $8.0 million interest payment due on March 30, 2004 on its Senior Discount Notes and fund its operating, investing and financing cash flows through July 2004.

Assuming no proceeds from further sale of non-core assets, the Company projects that its cash flow and existing capital resources will permit it to pay the approximately $8.0 million interest payment due on September 30, 2003 on its Senior Discount Notes.

Substantially all present Company headquarters personnel with responsibility for preparation of financial statements and reports have entered into separation agreements terminating their employment as of August 31, 2003. The Company intends to re-engage certain of these persons as part of its continuing long-term work force under new employment agreements. As necessary, it will also seek to extend the effective separation date of other employees to meet short-term demands of the Company's planned restructuring. New employees will be recruited in the US as part of a permanent, post-restructuring financial reporting work force. The Company cannot assure that it will be successful in this force management and recruiting plan. If a sufficient work force is not retained or engaged, the Company could be unable to meet its future statutory financial reporting obligations.

The Company is actively pursuing sale of non-core businesses to raise additional cash and has undertaken to maximize cash distributions from all of its business ventures. The Company believes these measures will succeed in providing sufficient liquidity to meet cash demands for the coming twelve months and beyond. However, the Company cannot assure that it will be successful in selling any of its non-core businesses or that these sales will raise sufficient cash to meet short-term liquidity requirements. The Company also is subject to legal and contractual restrictions, including those under the indenture for the Senior Discount Notes, on its use of any cash proceeds from sale of its assets or those of its business ventures or subsidiaries.

If the Company is not able to satisfactorily address the liquidity issues described above, the Company may have to resort to certain other measures, including ultimately seeking the protection afforded under the US Bankruptcy Code. The Company cannot assure at this time that it will be successful in avoiding such measures. Additionally, the Company has suffered recurring net losses and net operating cash deficiencies.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The aforementioned factors, however, raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. Restatement of Prior Financial Information

The Company determined that the following accounting errors had been made in its past financial statements:

1. The Company has determined that it should have recorded a $2.1 million tax refund that it received on November 10, 2003 from the United States Department of Treasury, related to the carry-back of certain AMT losses which recovered taxes paid in prior years, in fiscal year 2002. Specifically, the Company has determined that it should have recorded an income tax benefit within the "Income tax expense" line item within its consolidated financial statements in each of the three months ended March 31, 2002, June 30, 2002, September 30, 2002 and December 31, 2002 of $1.1 million, $0.8 million, $41.0 thousand and $0.2 million, respectively;

2. The Company has determined that it should have recorded a $2.3 million tax refund from the United States Department of Treasury, related to the carry-back of certain AMT losses which recovered

taxes paid in prior years, that the Company had previously recorded within the "Loss from discontinued components" line item within its consolidated financial statements for the three and twelve month periods ended December 31, 2002 in an earlier accounting period in 2002. Specifically, the Company has determined that it should have recorded the $2.3 million income tax benefit within the "Income tax expense" line item within its consolidated financial statements for the three months ended March 31, 2002. In connection with this adjustment, the Company reclassified $66.0 thousand of interest from discontinued components to "Interest income" in the three months ended December 31, 2002;

3. The Company has determined that it should have recorded a $0.8 million income tax receivable, related to a refund owed to the Company based on an amended state tax return filed in early January 2003, within the "Loss from discontinued components" line item within its consolidated financial statements for the three and twelve month periods ended December 31, 2002; and

4. The Company historically accounted for unpaid dividends on its 7 1/4% cumulative convertible preferred stock ("the Preferred Stock") on a simple interest basis; however, according to the Preferred Stock Certificate of Designation, cumulative unpaid dividends are subject to quarterly compounding. The Company has recalculated the cumulative unpaid dividend amount for 2002 and 2003 based on the date of the first unpaid dividend and has increased the quarterly dividend expense amounts in the 2002 and 2003 quarterly periods by $0.2 million, $0.3 million, $0.4 million, $0.4 million, $0.5 million and $0.6 million for the three months ended March 31, 2002, June 30, 2002, September 30, 2002, December 31, 2002, March 31, 2003 and June 30, 2003 respectively. Under-reported dividend expense amounts prior to 2002 were immaterial. With all quarterly compounding corrections applied, as of December 31, 2002 the total dividend in arrears was $28.4 million.

The effects of the tax adjustments resulted in an increase in "Prepaid expenses and other current assets" of $2.1 million; an increase in "Current assets of discontinued components" of $0.8 million; and a reduction of "Accumulated deficit" of $2.9 million at December 31, 2002. For the statement of cash flows, the tax adjustments resulted in a decrease in the "Net loss" of $2.9 million; an increase in the "Loss from discontinued components" of $1.6 million which resulted in a reduction of the "Loss from continuing operations" of $4.5 million; an increase in the use of cash from "Changes in Other Assets and liabilities" of $2.1 million, all of which resulted in a net decrease in "Cash used in operating activities of $2.4 million, which was offset by a decrease in "Cash provided by discontinued components" of $2.4 million for the year ended December 31, 2002. The adjustment related to the dividends has no impact on the balance sheet or on the statement of cash flows.

The effects of the adjustments for income statement purposes are summarized in the following financial results tables:

	March 31, 2002		June 30, 2002			
	Three Months Ended		Three Months Ended		Six Months Ended	
	Originally Reported	Restated	Originally Reported	Restated	Originally Reported	Restated
Revenues	$ 31,257	$ 31,257	$ 23,940	$ 23,940	$ 55,197	$ 55,197
Operating loss	(8,566)	(8,566)	(9,886)	(9,886)	(18,452)	(18,452)
Income tax (expense) benefit	(1,819)	1,624	(1,575)	(815)	(3,394)	809
Loss from continuing operations	(16,551)	(13,108)	(19,199)	(18,439)	(35,750)	(31,547)
(Loss) income from discontinued components	(14,194)	(14,194)	767	767	(13,427)	(13,427)
Cumulative effect of a change in accounting principle	(3,157)	(3,157)			(3,157)	(3,157)
Net loss	(33,902)	(30,459)	(18,432)	(17,672)	(52,334)	(48,131)
Cumulative convertible preferred stock dividend	(3,752)	(3,960)	(3,752)	(4,031)	(7,504)	(7,991)
Net loss attributable to common stockholders	$ (37,654)	$ (34,419)	$ (22,184)	$ (21,703)	$ (59,838)	$ (56,122)
Income (loss) per common share attributable to common stockholders Basic & Diluted:						
Continuing operations	$ (0.22)	$ (0.19)	$ (0.24)	$ (0.24)	$ (0.46)	$ (0.43)
Discontinued components	(0.15)	(0.15)		0.01	(0.15)	(0.14)
Cumulative effect of a change in accounting principle	(0.03)	(0.03)			(0.03)	(0.03)
Net loss per common share attributable to common stockholders	$ (0.40)	$ (0.37)	$ (0.24)	$ (0.23)	$ (0.64)	$ (0.60)

	September 30, 2002			
	Three Months Ended		Nine Months Ended	
	Originally Reported	Restated	Originally Reported	Restated
Revenues	$ 24,368	$ 24,368	$ 79,565	$ 79,565
Operating loss	(7,253)	(7,253)	(25,705)	(25,705)
Income tax expense	(1,707)	(1,666)	(5,101)	(857)
Loss from continuing operations	(36,684)	(36,643)	(72,434)	(68,190)
Loss from discontinued components	(7,913)	(7,913)	(21,340)	(21,340)
Cumulative effect of a change in accounting principle			(3,157)	(3,157)
Net loss	(44,597)	(44,556)	(96,931)	(92,687)
Cumulative convertible preferred stock dividend	(3,752)	(4,104)	(11,256)	(12,095)
Net loss attributable to common stockholders	$ (48,349)	$ (48,660)	$ (108,187)	$ (104,782)
Loss per common share attributable to common stockholders Basic & Diluted:				
Continuing operations	$ (0.43)	$ (0.44)	$ (0.89)	$ (0.85)
Discontinued components	(0.08)	(0.08)	(0.23)	(0.23)
Cumulative effect of a change in accounting principle			(0.03)	(0.03)
Net loss per common share attributable to common stockholders	$ (0.51)	$ (0.52)	$ (1.15)	$ (1.11)

	December 31, 2002			
	Three Months Ended		Twelve Months Ended	
	Originally Reported	Restated	Originally Reported	Restated
Revenues	$ 25,081	$ 25,081	$ 104,646	$ 104,646
Operating loss	(12,834)	(12,834)	(38,539)	(38,539)
Income tax expense	(1,086)	(927)	(6,187)	(1,784)
Loss from continuing operations	(19,907)	(19,682)	(92,341)	(87,872)
(Loss) income from discontinued components	5,464	3,894	(15,876)	(17,446)
Cumulative effect of a change in accounting principle			(3,157)	(3,157)
Net loss	(14,443)	(15,788)	(111,374)	(108,475)
Cumulative convertible preferred stock dividend	(3,752)	(4,179)	(15,008)	(16,274)
Net loss attributable to common stockholders	$ (18,195)	$ (19,967)	$ (126,382)	$ (124,749)
Income (loss) per common share attributable to common stockholders Basic & Diluted:				
Continuing operations	$ (0.25)	$ (0.25)	$ (1.14)	$ (1.11)
Discontinued components	0.06	0.04	(0.17)	(0.19)
Cumulative effect of a change in accounting principle			(0.03)	(0.03)
Net loss per common share attributable to common stockholders	$ (0.19)	$ (0.21)	$ (1.34)	$ (1.33)

December 31, 2002

3. Description of the Business and Summary of Significant Accounting Policies

The Company invests in communications businesses principally in Eastern Europe and the Commonwealth of Independent States ("CIS"). As a result, substantially all of the Company's assets are located and revenues are generated outside of the United States.

At December 31, 2002, the Company owned interests in and participated with partners in the management of business ventures that had various operational systems, consisting of fixed and other

telephony networks, wireless telephone systems, cable television systems, and radio broadcasting stations. All of the Company's business ventures other than the businesses of PLD Telekom and Comstar report their financial results on a three-month lag. Therefore, the Company's financial results for December 31 include the financial results for those business ventures for the 12 months ending September 30.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid instruments with maturities of three months or less at the time of purchase.

Investments in marketable debt and equity securities

Marketable debt and equity securities consist of investments in corporate debt and equity securities. The Company classifies marketable debt and equity securities in one of three categories: trading, available for sale, or held to maturity and accounts for such investments in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities. The specific identification method is used for determining the cost basis of all such securities.

Trading securities-Trading securities are bought and held principally for the purpose of selling them in the near term. Trading securities are carried in the balance sheet at their fair value. Unrealized holding gains and losses on trading securities are included in the statement of operations.

Held to maturity securities- Held to maturity securities are those securities in which the Company has the ability and intent to hold until maturity. Held to maturity securities are recorded at amortized cost. Premiums and discounts are amortized over the life of the related security held to maturity, as an adjustment to yield using the effective interest method.

Available for sale securities All marketable securities not included in trading or held to maturity are classified as available for sale. Available for sale securities are carried on the balance sheet at their fair value. Realized gains and losses from the sale of available for sale securities are determined on a specific identification basis.

Premiums and discounts on available for sale securities are amortized over the life of the related available for sale security as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when earned.

Impairment losses A decline in the fair value of any held to maturity or available for sale security below cost that is deemed to be other than temporary results in a reduction of the carrying amount to fair value. The impairment is charged to the statement of operations and a new cost basis for the security is established.

Investments Consolidation and Equity Method

Wholly owned subsidiaries and majority owned ventures where the Company has operating and financial control are consolidated. Those ventures where the Company exercises significant influence, but does not exercise operating and financial control are accounted for by the equity method. The

Company reflects its net investments in business ventures under the caption "Investments in and advances to business ventures". Generally, under the equity method of accounting, original investments are recorded at cost and are adjusted by the Company's share of undistributed earnings or losses of the business venture. All significant inter-company accounts and transactions are eliminated upon consolidation.

Equity in the losses of the business ventures are recognized according to the percentage ownership in each business venture until the Company's business venture partner's contributed capital has been fully depleted. Subsequently, the Company recognizes the full amount of losses generated by the business venture if it is the principal funding source for the business venture. Advances and accrued interest to the business ventures under the line of credit agreements between the Company or one of its subsidiaries and the business ventures are reflected based on amounts recoverable under the credit agreement. A loss in value of an investment, which is deemed to be other than a temporary decline, is recognized as a charge to income and included in equity in losses of unconsolidated subsidiaries in the statement of operations.

Inventories

Inventories are stated at the lower of cost or market on the weighted-average method.

Long-Lived Assets and Intangibles Other Than Goodwill

Property, plant and equipment are recorded at cost and are depreciated over their expected useful lives, which range from 2 to 10 years. Generally, depreciation is provided on the straight-line method for financial reporting purposes. Leasehold improvements are amortized using the straight-line method over the life of the improvements or the life of the lease, whichever is shorter.

Intangible assets with finite useful lives, such as broadcast licenses and frequency rights, are stated at historical cost, net of accumulated amortization. Such intangible assets are amortized over the life of the license or right, typically up to ten years.

Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles other than goodwill are reviewed by the Company for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount of fair value less costs to sell.

Goodwill and Intangible Assets

As the Company has engaged in business combinations accounted for using the purchase method, goodwill was recognized in each instance for the excess of the purchase price over the value of the identifiable net assets acquired. Such goodwill was amortized over a period of ten years through the year ended December 31, 2001.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". These standards changed the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests accounting and requiring companies to stop amortizing goodwill and certain intangible assets with indefinite useful lives. Instead, goodwill and intangible assets deemed to have indefinite useful lives will be subject to an annual review for impairment. The new standards were effective for the Company January 1, 2002 and for purchase business combinations consummated after June 30, 2001. SFAS No. 142 requires that goodwill and intangible assets deemed to have indefinite useful lives be reviewed for impairment upon adoption of SFAS No. 142 and annually thereafter.

Revenue Recognition

The Company's business ventures' and subsidiaries' cable and telephony operations recognize revenues in the period the service is provided. Installation fees for cable television services are recognized as revenues upon subscriber hook-up to the extent direct selling costs are incurred. Installation fees in excess of direct selling costs are deferred and recognized over the expected life of the customer relationship. Installation fees for telephony operations are deferred together with the related costs and amortized over the estimated term of a customer relationship. Installation costs in excess of installation fees are recognized as expense in the period incurred. The Company's subsidiaries' radio operations recognize advertising revenue when commercials are broadcast.

Barter Transactions

In connection with its radio broadcasting businesses, the Company trades commercial air time for goods and services used principally for promotional, sales and other business activities. An asset and a liability are recorded at the fair market value of the goods or services received. Barter revenue is recorded and the liability is relieved when commercials are broadcast, and barter expense is recorded and the assets are relieved when the goods or services are received or used.

Research and Development and Advertising Costs

Research and development and advertising costs are expensed as incurred.

Self-Insurance

The Company retained self-insured workers' compensation, health and product liability costs for certain former subsidiaries related to periods prior to their sale. The self-insurance claim liability is determined based on claims filed and an estimate of claims incurred but not yet reported.

Minority Interests

Recognition of minority interests' share of income and losses of consolidated subsidiaries is limited to the amount of such minority interests' allocable portion of the common equity of those consolidated subsidiaries.

Income Taxes

The Company follows the provisions of SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred income tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income tax assets and liabilities are determined based on the difference between the financial statement and the tax basis of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Stock Option Plans

The Company has elected to account for its stock-based compensation in accordance with the provisions of Accounting Principles Board ("APB") No. 25, "Accounting for Stock Issued to Employees" and present pro forma disclosures of results of operations as if the fair value method had been adopted.

	Year Ended December 31,		
	2002	**2001**	**2000**
	(In thousands, except per share data)		
	(restated)		
Net loss attributable to common stockholders as reported	$ (124,749)	$ (263,539)	$ (39,312)

	Year Ended December 31,		
Add stock-based employee compensation expense determined under fair value based method	(834)	(3,655)	(6,214)
Pro forma net loss	$ (125,583)	$ (267,194)	$ (45,526)
Net loss per share attributable to common stockholders Basic and Diluted:			
As reported	$ (1.33)	$ (2.80)	$ (0.42)
Pro forma	$ (1.34)	$ (2.84)	$ (0.48)

Pension and Other Postretirement Plans

The Company sponsors two defined benefit pension plans and a post retirement benefit plan covering certain former employees. The benefits are based on years of service multiplied by a fixed dollar amount and the employee's compensation during the five years before retirement. Benefits under these plans have been frozen.

Foreign Currency Translation

The statutory accounts of the Company's consolidated foreign subsidiaries and business ventures are maintained in accordance with local accounting regulations and are stated in local currencies. Local statements are translated into U.S. generally accepted accounting principles and U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52 ("SFAS 52"), "Accounting for Foreign Currency Translation."

Under SFAS 52, foreign currency assets and liabilities are generally translated using the exchange rates in effect at the balance sheet date. Results of operations are generally translated using the average exchange rates prevailing throughout the year. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as part of the foreign currency translation adjustment in stockholders' equity. Gains and losses from foreign currency transactions are included in net income in the period in which they occur. Translation differences resulting from the effect of exchange rate changes on cash and cash equivalents were immaterial and are not reflected in the Company's consolidated statements of cash flows for each of the periods presented.

Under SFAS 52, the financial statements of foreign entities in highly inflationary economies are remeasured, in all cases using the U.S. dollar as the functional currency. U.S. dollar transactions are shown at their historical value. Monetary assets and liabilities denominated in local currencies are translated into U.S. dollars at the prevailing period-end exchange rate. All other assets and liabilities are translated at historical exchange rates. Results of operations are translated using the monthly average exchange rates. Transaction differences resulting from the use of these different rates are included in the accompanying consolidated statements of operations as foreign currency loss.

Fair Value of Financial Instruments

The Company believes that the carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and long-term debt, excluding its Senior Discount Notes, approximate their fair value.

The Company's Senior Discount Notes (see Note 8, "Long-term Debt") have a carrying value equal to face value of $210.6 million as of December 31, 2002. On April 24, 2003, the Company completed a transaction with certain of its Senior Noteholders (the "Adamant Transaction"), by which the Company exchanged the ownership interests of certain of its business units located in Russia for forgiveness of $58.6 million of the Senior Notes and related accrued interest of $3.5 million, and $5.0 million in cash. As a result, in 2003, the Company will recognize a gain of $33.0 million, including a gain of $25.4 million related to the early extinguishment of the exchanged Senior Discount Notes. (See Note 18, "Subsequent Events")

The majority of the remaining Senior Discount Notes are closely held and not widely traded. Accordingly, a reliable quoted price does not readily exist. Based on the Adamant Transaction, however, the Company estimates that the fair value for the Senior Discount Notes outstanding at December 31, 2002, is between $149.9 million and $193.7 million. Such value is based on a discount consistent with the Adamant

Transaction up to a value that includes no discount for the Senior Discount Notes outstanding after the Adamant Transaction.

Earnings Per Common Share

Basic earnings per common share ("EPS") is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The weighted average number of common shares outstanding for computing basic and diluted EPS was 94.0 million for each of the years ended December 31, 2002, 2001 and 2000. For the years ended December 31, 2002, 2001 and 2000,

23.0 million, 24.5 million and 25.7 million shares, respectively, attributable to the exercise of outstanding options were excluded from the calculation of diluted EPS because the effect was antidilutive. No adjustments were made to reported net loss in the computation of EPS.

Use of Estimates and Judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are used when accounting for the allowance for doubtful accounts, long-lived assets, intangible assets, recognition of revenue, assessing control over operations of business ventures, self-insured workers' compensation and product liability claims, depreciation and amortization, employee benefit plans, income taxes and contingencies, among others.

The Company reviews all significant estimates affecting its consolidated financial statements on a recurring basis and records the effect of any necessary adjustment prior to their publication. Uncertainties with respect to such estimates, judgments and assumptions are inherent in the preparation of financial statements; accordingly, it is possible that actual results could differ from those estimates and judgments and changes to estimates and judgments could occur in the near term.

4. Discontinued Components

Snapper, Inc.

On November 27, 2002, the Company completed the sale of substantially all the assets and certain liabilities of its wholly-owned subsidiary, Snapper, Inc. ("Snapper") to Simplicity Manufacturing, Inc. Snapper manufactures premium-priced power lawnmowers, garden tillers, snow throwers and related parts and accessories. The sale, which called for a gross purchase price of $73.3 million, is subject to a dollar for dollar adjustment based on the post-closing balance sheet amount by which the net purchased assets at closing is greater or less than the net purchased assets of $76.2 million at December 31, 2001.

Using the audited September 30, 2002 balance sheet of Snapper, the adjusted purchase price was estimated to be $55.8 million. As a result, the Company received net cash proceeds of $15.6 million, after the repayment of the Snapper bank debt facility and the satisfaction of various employee severance obligations. The Snapper bank debt facility had increased $5.4 million from September 30, 2002 to $34.7 million at the date of closing of the sale. In addition, the Company anticipates that the transactional costs will be $2.4 million, which is comprised of investment banking, legal and accounting fees.

The transaction is subject to a post-closing audit process and therefore the financial terms of this transaction are subject to adjustment. The Company anticipates receiving an additional $5.2 to $7.0 million, which will ultimately affect the final loss on disposal.

In accordance with SFAS No. 142, the Company reviewed Snapper's goodwill balance during the three months ended September 30, 2002 and determined that as of January 1, 2002 there was a transitional impairment charge required on the recorded goodwill. Accordingly, the Company recorded a $13.6 million transitional charge in the nine month period ended September 30, 2002. In addition, the

Company has recorded an estimated loss on disposal of $10.1 million during the year ended December 31, 2002. Such loss is based on the minimum amount of cash expected once the final terms of the settlement with the buyer are agreed. The $10.1 million estimated loss is comprised of a write down of assets and estimated severance and disposal costs.

In light of the sale, the Company concluded that the Snapper business meets the criteria for classification as a discontinued component as outlined in Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144") and presented the entity as such within its consolidated financial statements.

Metromedia China Corporation

In July 2002, the Company commenced a rights offering to the existing minority shareholders of Metromedia China Corporation ("MCC"), a majority owned subsidiary. The rights offering expired on August 22, 2002. Management determined prior to commencing the rights offering that it might not be able to continue to fund the operations or meet the minimum capital contributions required under the existing charter documents for MCC's operating subsidiaries. Furthermore, management further recognized that if the rights offering were successful in raising the minimal funding required to sustain the operations, the Company would be substantially diluted in its ownership rights in MCC.

Accordingly, the Company recorded a charge to earnings during the year ended December 31, 2002 totaling $0.9 million to reduce the carrying value of MCC to the Company's best estimate as to the value that would be realized from the disposition of its ownership interests in MCC and/or the operating subsidiaries of MCC.

On September 19, 2002, the Company notified the minority shareholders of MCC that it had negotiated the sale of two of the three MCC operating subsidiaries to one of the general directors of MCC. In addition, the Company began the asset sale closing process for the two operating subsidiaries and began the liquidation process for the third operating subsidiary. The sale of the two operating subsidiaries was completed in early 2003.The liquidation of the remaining operating subsidiary is expected to be complete during 2003.

In light of the sale and liquidation, the Company concluded that MCC business meets the criteria for classification as a discontinued component as outlined in Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144") and presented the entity as such within its consolidated financial statements.

Other Non-core Asset Sales

The Company disposed of its ownership interests in ALTEL and CYP Yellow Pages during 2002. In light of the sales, the Company concluded that these telephony businesses meet the criteria for classification as a discontinued component as outlined in Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144") and presented the entities as such within its consolidated financial statements.

The operating results of the Snapper business segment are as follows (in thousands):

	Year ended December 31,		
	2002	**2001**	**2000**
Revenues	$ 124,358	164,449	$ 159,028
Operating income (loss)	1,082	6,890	(3,663)
Cumulative effect of a change in accounting principle	(13,570)	(2,363)	
Net (loss) income	$ (13,427)	$ 895	$ (7,509)

The combined operating results of the non-core Telephony and MCC businesses that are discontinued components are as follows (in thousands):

Year ended December 31,		
2002	**2001**	**2000**

	Year ended December 31,		
Revenues	$ 8,898	$ 13,571	$ 15,242
Asset impairment charge, net	(862)	(44,804)	
Operating loss	(3,544)	(57,158)	(12,918)
Net loss	$ (2,599)	$ (55,352)	$ (10,924)

The principal balance sheet items included in Discontinued Business Components are as follows (in thousands):

	December 31,	
	2002	**2001**
	(restated)	
Other receivables	**$ 6,049**	$
Other current assets	**311**	4,252
Inventories		61,476
Accounts receivable, net		20,029
Current assets	**$ 6,360**	$ 85,757
Property, plant and equipment, net	**$**	$ 24,746
Goodwill		13,580
Other noncurrent assets		355
Noncurrent assets	**$**	$ 38,681
Accrued expenses	**$ 518**	$ 14,511
Accounts payable	**1,869**	11,780
Current portion of long term debt		46,067
Current liabilities	**$ 2,387**	$ 72,358
Noncurrent liabilities	**$**	$ 4,101

Other

In October 2002, the Company received $4.9 million in settlement of certain claims against RDM Sports Group, Inc. ("RDM"), a former business venture of the Company. RDM had filed for voluntary bankruptcy under Chapter 11 of the Bankruptcy Code in August 1997. Upon release from certain

lawsuits against the Company, RDM and former officers of the Company, the Chapter 11 trustee remitted payment to the Company in settlement of the Company's claims against RDM.

In addition, income of $2.7 million was realized from tax refunds relating to carry-back losses and an amended state return for certain previously disposed of businesses.

5. Accounting Changes

Goodwill and Intangible Assets

On January 1, 2002, the Company adopted SFAS No. 142. SFAS No. 142 eliminates the amortization of goodwill and intangible assets deemed to have indefinite lives and instead requires that such assets be subject to annual impairment tests. Goodwill amortization of continuing operations (including that of goodwill included in equity in losses of and write-down of investment in unconsolidated subsidiaries) for the years ended December 31, 2001 and 2000 totaled $14.2 million ($0.15 per share) and $13.5 million ($0.15 per share), respectively. Included in the proforma loss from discontinued components is the effect of goodwill amortization of $2.3 million for the years ended December 31, 2001 and 2000.

In accordance with SFAS No. 142, goodwill was tested for transitional impairment by comparing the fair value of our reporting units to their carrying values. As of January 1, 2002, the fair value of the reporting units' goodwill exceeded their carrying value except for our BCL and Sun TV reporting units of the Telephony and Cable Television segments, respectively. As previously discussed, the Company completed its analysis of its Snapper business unit and determined that a transitional impairment charge of $13.6 million was required. In addition, the Company completed its analysis of BCL and Sun TV and determined that a transitional impairment charge of $3.2 million was required. Accordingly, the Company recorded such charges as of January 1, 2002.

The proforma effect as if SFAS No. 142 had been applied during the year ended December 31, 2001 is as follows (in thousands, except per share data):

	Year ended December 31,		
	2002	**2001**	**2000**
	(restated)		
Net loss attributable to common stockholders as reported	**$ (124,749)**	$ (263,539)	$ (39,312)
Add back:			
Goodwill amortization expense		9,289	8,382
Goodwill amortization included in Equity in losses of and write-down of investment in unconsolidated investees		4,930	5,138
Proforma net loss attributable to common stockholders	**$ (124,749)**	(249,320)	(25,792)
Add back proforma loss from discontinued components	**17,446**	52,157	16,130
Proforma net operating loss from continuing operations	**$ (107,303)**	$ (197,163)	$ (9,662)
Loss per share as reported Basic and diluted	**$ (1.33)**	$ (2.80)	$ (0.42)
Add back:			
Goodwill amortization expense		0.10	0.09
Goodwill amortization included in Equity in losses of and write-down of investment in unconsolidated investees		0.05	0.06
Proforma loss per share Basic and diluted	**(1.33)**	(2.65)	(0.27)
Add back proforma loss from discontinued components	**0.19**	0.55	0.17
Proforma Basic operating loss per share from continuing operations	**$ (1.14)**	$ (2.10)	$ (0.10)

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All of the Company's intangible assets (other than goodwill) are subject to amortization. Intangible assets amortization (including that related to licenses that are carried as part of the Company's "Investments in and advances to business ventures") is expected to be $7.9 million in 2003; $7.1 million 2004; $1.1 million in 2005; $1.1 million in 2006; and $0.5 million in 2007.

Accounting for the Impairment or Disposal of Long-Lived Assets

Effective January 1, 2002, the Company adopted SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 provides a consistent method to value long-lived assets to be disposed of and broadens the presentation of discontinued operations to include more disposal transactions. The adoption of SFAS No. 144 did not have a material effect on our results of operations, statement of position, or cash flows. However, the Company recorded losses as a result of the application of SFAS No. 144 during 2002.

6. Asset Impairment and Restructuring Charges

The following table summarizes the components of the asset impairment charges recorded by the Company for continuing operations in the years ended December 31 (in thousands):

	2002	2001	2000
Goodwill	$ 4,481	$ 26,372	$
Other intangibles	$ 1,797	14,082	
Property and equipment	3,465	28,925	
Restructuring reversal		(301)	(823)
Equipment payment guarantee recovery	(1,011)	(1,230)	(688)
Consolidated asset impairment and restructuring charges, net	8,732	67,848	(1,511)
Impairment charges included in equity in losses and write-downs of investment in unconsolidated investees	32,893	36,752	5,355
Total asset impairment and restructuring charges	$ 41,625	$ 104,600	$ 3,844

2002 Impairment Charge

The 2002 impairment charges of $9.7 million relating to consolidated ventures are reflected in the asset impairment and restructuring charge on the accompanying consolidated statement of operations, net of $1.0 million of recoveries of an equipment payment guarantee. The Company determined the impairment charge based on expected cash flows or ultimate realizable value for those ventures disposed of prior to year end.

The 2002 impairment charges relating to unconsolidated ventures of $32.9 million are reflected in the equity in losses of and write-down of investment in unconsolidated investees, in the accompanying consolidated statement of operations. Such charges related to the Company's investments in Comstar, Kosmos TV and Teleport. The Company evaluated the carrying value of each of these businesses and determined that there was a loss in value that was other than temporary. Accordingly, in accordance with APB Opinion No. 18, the Company recorded impairment charges against the license and goodwill carried as part of the carrying value of these businesses.

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Such charges are summarized in the following table (in thousands):

	Property and equipment	Intangibles, exclusive of goodwill	Goodwill	Investments in and advances to business ventures	Total
Comstar	$	$	$	$ 27,105	$ 27,105
Teleport TP				5,546	5,546
Ayety TV	650	937	2,818		4,405
Baltic Communications Ltd.	1,352				1,352
Other	1,463	860	1,663	242	4,228
Totals	$ 3,465	$ 1,797	$ 4,481	$ 32,893	$ 42,636

2001 Impairment Charge

For the year ended 2001, the Company recorded a non-cash charge to earnings of $106.1 million. The Company's assessment of the recoverability of long-lived assets and investments in certain business ventures was initiated by management, as a result of the respective business ventures not attaining historic financial projections. Such charge is summarized in the following table (in thousands):

	Property and equipment	Intangibles, exclusive of goodwill	Goodwill	Investments in and advances to business ventures	Total
Technocom	$ 28,925	$ 14,082	$ 23,822	$	$ 66,829
Kosmos TV				16,816	16,816
Telecom Georgia				10,180	10,180
BELCEL				5,247	5,247
Other			2,550	4,509	7,059
Totals	$ 28,925	$ 14,082	$ 26,372	$ 36,752	$ 106,131

The 2001 impairment charges relating to consolidated ventures of $69.3 million are reflected in the restructuring and asset impairment charge on the accompanying consolidated statement of operations, net of $1.5 million of recoveries of a previous restructuring provision and an equipment payment guarantee. The 2001 impairment charges relating to unconsolidated ventures of $36.8 million are reflected in the equity in losses of and write-down of investment in unconsolidated investees, in the accompanying consolidated statement of operations.

2000 Impairment Charge

In 2000, the Company recorded a non-cash impairment charge on three of its CIS and Eastern Europe business ventures totaling $9.4 million as a result of performing an analysis of the recoverability of long-lived assets in accordance with the provisions of SFAS 121.

Recoveries

As part of its investment in Tyumenruskom, the Company agreed to provide a guarantee to the financing party of Tyumen's then $6.1 million equipment financing obligation. In 1999, the Company reserved $4.3 million for its contingent obligations under this guarantee. In 2002, 2001 and 2000, Tyumenruskom generated cash and partially repaid its debt. As a result, the Company recorded recoveries under the guarantee of $1.0 million, $1.2 million and $0.7 million, respectively.

In 2000, the Company recovered certain monies totaling $4.1 million related to its equity method investees in China. Such amounts had previously been written off.

7. Investments and Advances to Business Ventures

General

Advances are made to business ventures and subsidiaries in the form of cash, for working capital purposes, payment of expenses or capital expenditures, or in the form of equipment purchased on behalf of the business ventures. Interest rates charged to the business ventures and subsidiaries range from prime rate to prime rate plus 6%. The credit agreements generally provide for the payment of principal and interest from 90% of the business ventures' and subsidiaries' available cash flow, as defined, prior to any substantial distributions of dividends to the business venture partners. The Company has entered into credit agreements with its business ventures and subsidiaries to provide up to $103.9 million in funding of which $18.4 million in funding obligations remain at December 31, 2002. The Company's funding commitments are contingent on its approval of the respective business ventures' and subsidiaries' business plans. The Company's ability to fund these commitments is dependent on the resolution of its liquidity issues (see Note 1).

Equity Method Investment Information

At December 31, 2002 and 2001, the Company's unconsolidated investments in and advances to business ventures in Eastern Europe and the CIS, at cost, including associated net goodwill and intangible asset balances, and net of adjustments for its equity in earnings or losses, impairment charges and distributions were as follows (in thousands):

Name	2002	2001	Ownership %
Wireless Telephony			
Magticom, Georgia	$ 30,297	$ 24,538	35%
BELCEL, Belarus		894	50%
	30,297	25,432	
Fixed Telephony			
Comstar	25,135	55,595	50%
MTR-Sviaz, Russia	1,218	1,091	49%
Telecom Georgia, Georgia	33	461	30%
	26,386	57,147	
Cable Television and other Communications Entities			
Kosmos TV, Russia	6,054	8,079	50%
Baltcom TV, Latvia	4,656	4,682	50%
Cosmos TV, Belarus	1,821	1,761	50%
Alma-TV, Kazakhstan		5,737	50%
Other	1,437	1,401	35%-50%
	13,968	21,660	
Total	$ 70,651	$ 104,239	

Summarized combined financial information of unconsolidated business ventures accounted for under the equity method that have commenced operations as of the dates presented as of September 30, 2002 and 2001 and for the years ended September 30, 2002, 2001 and 2000 (with the exception of Comstar, BELCEL and Baltcom GSM which are/were not on a 3-month lag) are as follows (in thousands):

Combined Balance Sheets

	September 30	
	2002	2001
Assets:		
Current assets	$ 35,882	$ 41,530
Property and equipment, net	131,821	153,867
Other assets	4,438	696
Total assets	$ 172,141	$ 196,093
Liabilities and Business Ventures' Equity:		
Current liabilities	$ 49,450	$ 63,652
Amount payable under credit facilities	60,171	74,158
Other long-term liabilities	9,103	21,717
Total liabilities	118,724	159,527
Business ventures' equity	53,417	36,566
Total liabilities and business venture's equity	$ 172,141	$ 196,093

	September 30	

Combined Statements of Operations

	Twelve months ended September 30		
	2002	**2001**	**2000**
Revenues	$ 167,076	$ 164,594	$ 135,200
Cost of services and operating expenses	57,393	64,718	38,018
Selling, general and administrative	42,784	44,654	54,706
Depreciation and amortization	42,895	46,742	39,972
Asset impairment charges and other	1,190	1,432	
Operating income	22,814	7,048	2,504
Interest expense	(5,950)	(9,457)	(16,946)
Other expense	(3,367)	(4,267)	(1,238)
Foreign currency transactions	395	(1,953)	(2,912)
Net income (loss)	$ 13,892	$ (8,629)	$ (18,592)

The results of operations presented above are before the elimination of intercompany interest. Financial information for business ventures which the Company no longer reports results of operations is not included in the above summary.

The following tables represent summary financial information for the Company's operating unconsolidated business ventures being grouped as indicated as of and for the twelve months ended September 30, 2002, 2001 and 2000 (with the exception of Comstar, BELCEL and Baltcom GSM which are/were not on a 3-month lag). For the twelve months ended September 30, 2002, 2001 and 2000 the results of operations presented below are before the elimination of intercompany interest (in thousands):

	Twelve months ended September 30, 2002			
	Fixed Telephony	**Wireless Telephony**	**Cable Television**	**Total**
Revenues	$ 91,217	$ 54,582	$ 21,277	$ 167,076
Cost of services	44,859	8,568	3,966	57,393
Selling, general and administrative	21,662	9,475	11,647	42,784
Depreciation and amortization	21,526	14,828	6,541	42,895
Asset impairment charges	440	750		1,190
Operating income (loss)	$ 2,730	$ 20,961	$ (877)	$ 22,814
Interest expense	(2,224)	(917)	(2,809)	(5,950)
Net (loss) income	$ (2,319)	$ 19,025	$ (2,814)	$ 13,892
Assets	96,445	65,673	16,085	178,203
Capital expenditures	10,341	14,910	6,206	31,457
Equity in income (losses) of unconsolidated investees	$ (34,619)	$ 6,010	$ 258	$ (28,351)

	Twelve months ended September 30, 2001
	Total

	Twelve months ended September 30, 2001				
	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting and Paging	
Revenues	$ 92,019	$ 46,623	$ 23,880	$ 2,072	$ 164,594
Cost of services	46,239	8,010	10,469		64,718
Selling, general and administrative	25,040	8,256	10,527	831	44,654
Depreciation and amortization	23,209	12,083	11,266	184	46,742
Asset impairment charge and other				1,432	1,432
Operating income (loss)	(2,469)	18,274	(8,382)	(375)	7,048
Interest expense	(2,075)	(2,283)	(4,865)	(234)	(9,457)
Net income (loss)	(9,141)	15,435	(14,050)	(875)	(8,629)
Assets	107,317	68,680	24,664	1,494	202,155
Capital expenditures	9,044	22,433	10,246	19	41,742
Equity in income (losses) of unconsolidated investees	(17,097)	3,213	(32,440)	(2,060)	(48,384)

	Twelve Months ended September 30, 2000				
	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting and Paging	Total
Revenues	$ 33,718	$ 63,583	$ 28,898	$ 9,001	$ 135,200
Cost of services	18,789	11,615	6,227	1,387	38,018
Selling, general and administrative	13,227	17,240	15,536	8,703	54,706
Depreciation and amortization	12,842	17,171	8,738	1,221	39,972
Operating income (loss)	(11,140)	17,557	(1,603)	(2,310)	2,504
Interest expense	(2,848)	(8,016)	(5,868)	(214)	(16,946)
Net income (loss)	(14,648)	9,639	(11,017)	(2,566)	(18,592)
Assets	121,034	59,017	27,835	1,733	209,619
Capital expenditures	4,378	25,648	6,150	819	36,995
Equity in income (losses) of unconsolidated investees	(9,968)	10,408	(9,027)	(6,502)	(15,089)

8. Long-term Debt

Long-term debt at December 31, 2002 and 2001 consisted of the following (in thousands):

	2002	2001
$10^1/_2$% Senior Discount Notes, net of $5.2 million discount in 2001	$ 210,631	$ 205,378
Obligations under capital leases	3,863	
Other	2,878	2,420
	217,372	207,798
Current portion	3,508	1,705
Long-term debt	$ 213,864	$ 206,093

10$^{1}/_{2}$% Senior Discount Notes

In September 1999, the Company entered into a trust agreement to issue Senior Discount Notes ("Notes") in the face amount of $210.6 million. The Notes are unsecured but senior to all existing and future subordinated indebtedness of the Company. The Notes are not subject to sinking fund requirements and are redeemable at the Company's option at any time after March 30, 2002. The principal is due, in its entirety, in September 2007.

The Notes were issued at a discount and accreted to face value at a rate of 10$^{1}/_{2}$% per annum as of March 30, 2002. Subsequently, and through maturity, the Notes bear interest at a rate of 10$^{1}/_{2}$% per annum, payable semiannually.

Under the terms of the guiding indenture agreement, the Company is subject to certain covenants pertaining to its financing activities. Such covenants restrict the Company from paying dividends, acquiring its capital stock, prepaying subordinated indebtedness, investing in and selling assets and subsidiary stock, and incurring additional indebtedness, among other activities. In addition, upon the occurrence of a change of control of the Company (as defined), the holders of the Notes have the right to require the Company to repurchase all or any part of the Notes at a cash purchase price of 101% of the carrying value of the Notes plus accrued interest as of the date of repurchase.

On April 24, 2003, the Company completed an exchange with Adamant Advisory Services ("Adamant"), of its ownership interest in certain of its business units in Russia for approximately $58.6 million face value of the Senior Discount Notes held by Adamant, $5.0 million in cash and a release of its $3.5 million obligation to pay interest accrued on the Senior Discount Notes being exchanged. For additional detail, see Note 18, "Subsequent Events."

For disclosure on debt compliance issues subsequent to December 31, 2002, see Note 18, "Subsequent Events."

Obligations under Capital Leases

In 2002, the Company entered into a capital lease agreement to obtain certain telecommunications equipment with a cost of $3.9 million for a subsidiary in St. Petersburg, Russia. The interest rate for this transaction is the LIBOR plus 9.50%, which at December 31, 2002 amounted to 10.883%. The capital lease is collateralized by the telecommunications equipment.

Other Long-Term Debt

Included in other long-term debt are amounts borrowed by PeterStar under a loan agreement with a local bank. The principal amount borrowed was $1.0 million and is to be repaid in quarterly installments of $0.1 million through June 30, 2005. The loan bears interest at a variable rate of the London Interbank Offered Rate ("LIBOR") plus 5.15%. As of December 31, 2002, the rate in effect was 6.533%, using the six month LIBOR rate. The borrowings are collateralized by certain telecommunications equipment.

Debt and capital lease maturities for the years ended December 31 are as follows (in thousands):

2003	$	3,508
2004		1,806
2005		1,427
2006		
2007		210,631

9. Acquisitions and Transactions

Disposal of Alma-TV

In May 2002, the Company sold its indirect 50% interest in Alma-TV, a cable television provider in Kazakhstan. The Company received cash proceeds of $9.4 million from the sale and incurred transaction costs of $0.9 million, which were comprised principally of a $0.8 million broker fee with the remaining balance related to legal and accounting fees. The Company recorded a gain on the disposition of $1.7 million.

Disposal of CIBBV / BELCEL

In July 2002, the Company closed on the sale of its 100% ownership interest in Commstruct International Byelorussia B.V. ("CIBBV"). CIBBV was a holding company through which the Company owned a 50% interest in Belarus-Netherlands BELCEL Joint Venture ("BELCEL"), which owns a wireless network in Belarus. The Company received cash proceeds from the sale of $1.7 million and incurred immaterial transaction costs. The Company recorded a gain on the disposition of $1.3 million.

Disposal of OMCL / CAT

In August 2002, the Company sold its indirect 74.1% interest in Omni-Metromedia Caspian, Ltd. ("OMCL"). OMCL was a holding company through which the Company owned a 50% interest in Caspian American Telecommunications LLC ("CAT"), a wireless telephony venture in Azerbaijan. The Company received proceeds of $0.1 million and incurred transactional costs of $0.1 million, which were composed of legal fees and a severance payment to CAT's former co-general director. As the Company had previously abandoned its operations at CAT, no loss was recognized on the disposal of CAT. The Company recognized a gain of $2.4 million on the sale of its business interest in OMCL to reverse a contingent liability that previously had been recorded for this business.

Acquisition of ZAO Comstar

In December 2000, the Company acquired a 50% interest in ZAO Comstar, a digital fiber optic network operator in Moscow, from Marconi Communications Limited. The purchase price was $61.4 million in cash. ZAO Comstar is a business venture with the Moscow City Telephone Network. The Company disposed of its interests in Comstar subsequent to December 31, 2002. (See Note 18.)

Disposal of News Talk Radio

In July 2000, the Company disposed of the operation of News Talk Radio, its radio operation in Germany, for $0.4 million and generated a gain of $2.8 million resulting from the settlement of accrued liabilities without a cash payment.

Disposal of Baltcom GSM

In October 2000, the Company sold its indirect 22% interest in Baltcom GSM, a Latvian mobile operator, to Tele2 AB, for total cash consideration of $66.3 million. The sale agreement contained customary representations and warranties from the selling shareholders, including the Company, and indemnification provisions for the benefit of the buyer from the selling shareholders. The Company recorded an after-tax gain on this sale of $57.4 million in 2000.

Acquisition of FX Internet

In June 2000, the Company's business venture in Romania, Romsat TV, acquired a 70% ownership position in FX Internet, an internet service provider, web hosting and domain registration service in Romania. The Company paid $2.5 million for a 70% interest in FX Internet, $2.0 million of which was paid to the existing shareholders and $0.5 million was used to expand its network. In addition, the remaining shareholders of FX Internet obtained a put option with Romsat TV for their remaining interest. Such put option was exercised on July 1, 2002 at $0.9 million.

10. Stockholders' Equity

Preferred Stock

The Company has issued and outstanding 4.1 million shares (70.0 million authorized) of $1.00-par, $7^{1}/_{4}$% cumulative, convertible preferred stock as of December 31, 2002 and 2001.

Dividends on the preferred stock are cumulative from the date of issuance and are payable quarterly, in arrears. The Company may make any payments due on the preferred stock, including dividend payments and redemptions (i) in cash; (ii) through issuance of the Company's common stock or (iii) through a combination thereof. The dividend requirement for the year ending December 31, 2003 will be $17.5 million, including the effects of compounding and assuming there are no payments of the dividends.

Through March 15, 2001, the Company paid quarterly cash dividends to the holders of the preferred stock, but subsequent to that date, the Company has made no further dividend declarations or payments. As of December 31, 2002, dividends in arrears total $28.4 million.

The preferred stock is redeemable at any time subsequent to September 15, 2000, in whole or in part, at the discretion of the Company, initially at a price of $52.5375 per share in the year 2000 and

thereafter at prices declining to $50.00 per share on or after September 15, 2007, plus in each case all accrued and unpaid dividends as of the redemption date. As of December 31, 2002, the Company has not redeemed any of the preferred stock. The preferred stock is not subject to any sinking fund provisions.

The preferred stock is convertible at any time at the option of the holders into shares of common stock of the Company. The rate used to determine the number of shares of common stock is a function of the liquidation preference, any accrued and unpaid dividends and the initial conversion price of $15.00. As of December 31, 2002, no shares of preferred stock have been converted into shares of common stock.

In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company, the holders of the preferred stock will be entitled to be paid out of the Company's assets available for distribution to its stockholders, before any payment or distribution is made to the holders of common stock or other class of stock subordinated to the preferred stock. The holders of the preferred stock are entitled to receive a liquidation preference in the amount of $50.00 per share, plus all accrued and unpaid dividends, or a pro rata share of the full amounts to which the holders of the preferred stock are entitled in the event the liquidation preference cannot be paid in full.

The holders of the preferred stock have no voting rights. If dividends on the preferred stock are in arrears for six quarterly periods, however, the holders of the preferred stock will be entitled to elect two directors of the Company, and each share of preferred stock will be entitled to one vote. Such voting rights will continue until such time as the dividend arrearage has been paid in full.

Upon the occurrence of a change of control of the Company (as defined), the holders of the preferred stock will have a one time option to convert all of their shares of preferred stock into shares of common stock at an adjusted conversion price (as defined).

Common Stock

At December 31, 2002, the Company has reserved for future issuance shares of Common Stock in connection with stock option plans and preferred stock listed below (in thousands):

Stock option plans	8,061
Warrants	3,526
Preferred stock	13,800
	25,387

Stock Option Plans

On August 29, 1996, the stockholders of MMG approved the Metromedia International Group, Inc. 1996 Incentive Stock Option Plan (the "1996 Plan"). The aggregate number of shares of common stock that may be the subject of awards under the plan is 8 million. The maximum number of shares which may be the subject of awards to any one grantee under the plan may not exceed 1 million in the aggregate. The plan provides for the issuance of incentive stock options, nonqualified stock options and stock appreciation rights in tandem with stock options. Incentive stock options may not be issued at a per share price less than the market value at the date of grant. Nonqualified stock options

may be issued at prices and on terms determined in the case of each stock option grant. Stock options and stock appreciation rights may be granted for terms of up to but not exceeding ten years and vest and become fully exercisable after four years from the date of grant. At December 31, 2002 there were approximately 5.5 million additional shares available for grant under the 1996 Plan.

Following the PLD Telekom acquisition, the PLD Telekom stock options were converted into stock options exercisable for common stock of MMG in accordance with the exchange ratio. Such options are not covered under the Company's 1996 Plan. At December 31, 2002, options outstanding under the PLD plan and the Company's previous plans totaled approximately 2.6 million.

The per share weighted-average fair value of stock options granted during 2002, 2001 and 2000 were $0.32; $1.12; and $3.63, respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted average assumptions: expected volatility of 117% in 2002, 107% in 2001 and 97% in 2000, expected dividend yield of zero percent, risk-free interest rate of 4.5% in 2002, 4.5% in 2001 and 4.6% in 2000 and an expected life of 4 years.

Stock option activity during the periods indicated is as follows (in thousands except per share amounts):

	Number Of Shares	Weighted Average Exercise Price
Balance at January 1, 2000	8,217	$ 6.55
Options granted	2,517	$ 5.21
Options exercised	(750)	$ 1.61
Options forfeited	(1,656)	$ 6.36
Balance at December 31, 2000	8,328	$ 6.62
Options granted	950	$ 1.51
Options forfeited	(2,098)	$ 5.65
Balance at December 31, 2001	7,180	$ 6.23
Options granted	300	$ 0.38
Options forfeited	(1,775)	$ 5.56
Balance at December 31, 2002	5,705	$ 6.13

At December 31, 2002, 2001, and 2000, the number of stock options exercisable was 4.9 million; 5.6 million; and 6.6 million, respectively, and the weighted-average exercise price of these options was $6.88; $6.98; and $6.81, respectively.

The following table summarizes information about the stock options outstanding at December 31, 2002 (in thousands except per share amounts):

	Options outstanding			Options exercisable	
Range of Exercise Prices	Number outstanding at December 31, 2002	Weighted-average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2002	Weighted-average Exercise Price
$0.36 $4.72	1,600	8.2	$ 2.07	905	$ 2.81
$5.25 $7.44	2,709	1.7	$ 6.91	2,580	$ 7.00
$7.87 $11.88	1,396	4.4	$ 9.29	1,396	$ 9.29

Warrants

In connection with the acquisition of PLD Telekom, the Company issued to Travelers 10-year warrants to purchase 700,000 shares of common stock of the Company at an exercise price, subject to adjustment, of not less than $10.00 per share or more than $15.00 per share.

Warrants previously issued to holders of PLD Telekom, Inc. 14% Senior Notes and 9% Convertible Notes were converted into warrants to purchase a total of 140,655 and 28,842 shares, respectively, of common stock of the Company each at an exercise price of $10.86 per share. The warrants were exercisable and had an expiration date of March 31, 2003. Such warrants expired unexercised. In addition, the Company has outstanding warrants to purchase 2,656,824 shares of common stock of the Company at an exercise price of $10.39 per share resulting from the conversion of PLD Telekom, Inc. warrants. The warrants are exercisable and have an expiration date of June 12, 2006.

11. Income Taxes

The Company files a consolidated Federal income tax return with all of its 80% or greater owned subsidiaries. A consolidated subsidiary group in which the Company owns less than 80% files a separate Federal income tax return. The Company and such subsidiary group calculate their respective tax liabilities on a separate return basis.

Income tax expense (benefit) for the years ended December 31, 2002, 2001 and 2000, consists of the following (in thousands):

	2002 (restated)	2001	2000
Federal	$ (4,403)	$	$
State and local			
Foreign	6,187	7,892	10,349
Current	1,784	7,892	10,349
Deferred			
	$ 1,784	$ 7,892	$ 10,349

The provision for income taxes for the years ended December 31, 2002, 2001 and 2000 applies to continuing operations. Discontinued operations are reported net of a tax benefit of $2.7 million for the year ended December 31, 2002. The tax impact on discontinued operations for the years ended December 31, 2001 and 2000 was not significant.

The Company had pre-tax losses from foreign operations of $5.3 million, $152.2 million and $2.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. Pre-tax losses from domestic operations were $101.0 million; $88.3 million; and $11.9 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Foreign tax expense for the years ended December 31, 2002, 2001 and 2000 reflects estimates of income taxes.

The temporary differences and carryforwards which give rise to deferred tax assets (liabilities) at December 31, 2002 and 2001 are as follows (in thousands):

	2002 (restated)	2001
Net operating loss carryforward	$ 137,838	$ 107,390
Net capital loss carryforwards	40,449	4,522
Allowance for doubtful accounts	2,457	(2,838)
Reserves for self-insurance	2,019	3,343
Investment in discontinued subsidiary	8,930	
Investment in equity investee		28,425
Purchase of safe harbor lease investment	(3,413)	(4,275)
Minimum tax credit (AMT) carryforward	2,757	13,036
Other reserves	5,966	9,890
Other	15,792	15,948
Subtotal before valuation allowance	212,795	175,441
Valuation allowance	(212,795)	(175,441)
Deferred taxes	$	$

	2002	2001

The net change in the total valuation allowance for the years ended December 31, 2002, 2001 and 2000 was an increase of $37.4 million, $20.0 million and $2.0 million, respectively.

For certain of the Company's businesses, the tax basis is greater than their financial statement carrying amounts. If the restructuring plan for a business is effected in other than a tax-free manner, the Company would receive a tax benefit for the excess of the tax basis over the financial statement carrying amount. The benefit ultimately would be added to the Company's net operating loss carryforward and has not been recorded because the excess of tax basis over the financial statement carrying amount will not reverse in the forseeable future. The Company's income tax expense for the years ended December 31, 2002, 2001 and 2000 differs from the expense (benefit) that would have resulted from applying the federal statutory rates during those periods to income (loss) before the income tax expense. The reasons for these differences are explained in the following table (in thousands):

	2002 (restated)	2001	2000
(Benefit) expense based upon federal statutory rate of 35%	$ (30,132)	$ (65,164)	$ 1,567
Foreign earnings taxed at greater than US rate	6,187	7,892	10,349
Amortization and/or impairment of goodwill	1,568	17,062	2,647
Tax refunds due to tax law changes	(4,403)		
Change in valuation allowance	18,484	28,598	(11,087)
Equity losses of business ventures	9,996	19,442	8,081
Minority interest of consolidated subsidiaries	55	(31)	(813)
Other, net	29	93	(395)
Income tax expense	$ 1,784	$ 7,892	$ 10,349

At December 31, 2002 the Company had available net operating loss carryforwards, net capital loss carryforwards and unused minimum tax credits of approximately $393.8 million, $115.6 million and $2.8 million, respectively, which can reduce future federal income taxes. These carryforwards begin to expire in 2008. The minimum tax credit may be carried forward indefinitely to offset regular tax in certain circumstances.

Under Section 382 of the Internal Revenue Code, annual limitations will apply to the use of the pre-October 1, 1999 net operating loss carryforwards of PLD Telekom, Inc. (and subsidiaries included in its consolidated Federal income tax return). This annual limitation approximates $6.0 million per year.

The use by the Company of the pre-November 1, 1995 net operating loss carryforwards from the business combination consummated on November 1, 1995 reported by The Actava Group, Inc. and Metromedia International Telecommunications (and the subsidiaries included in their respective affiliated groups of corporations which filed consolidated Federal income tax returns with Actava and Metromedia International Telecommunications as the parent corporations) are subject to certain limitations as a result of the business combination, respectively.

Under Section 382 of the Internal Revenue Code, annual limitations generally apply to the use of the pre-November 1, 1995 losses by the Company. The annual limitations on the use of the pre-November 1, 1995 losses of Actava and Metromedia International Telecommunications by the Company approximate $18.3 million and $10.0 million per year, respectively. To the extent pre-November 1, 1995 losses equal to the annual limitation with respect to Actava and Metromedia International Telecommunications are not used in any year, the unused amount is generally available to be carried forward and used to increase the applicable limitation in the succeeding year.

The use of pre-November 1, 1995 losses of Metromedia International Telecommunications is also separately limited by the income and gains recognized by the corporations that were members of the Metromedia International Telecommunications affiliated groups. Under proposed Treasury regulations, such pre-November 1, 1995 losses of any such former members of such group, are usable on an aggregate basis to the extent of the income and gains of such former members of such group.

As a result of the November 1, 1995 business combination, the Company succeeded to approximately $92.2 million of pre-November 1, 1995 losses of Actava. SFAS 109 requires assets acquired and liabilities assumed to be recorded at their "gross" fair value. Differences between the assigned values and tax bases of assets acquired and liabilities assumed in purchase business combinations are temporary differences under the provisions of SFAS 109. Since all the goodwill and noncurrent intangible assets existing at the time of the business combination have been written off, the pre-November 1, 1995 losses will reduce income tax expense when they are utilized.

Management believes there is no tax (benefit) expense for the comprehensive income/loss components.

12. Employee Benefit Plans

Defined Benefit Pension Plans

The Company has two principal qualified retirement plans in the United States. The plans covered certain former employees of the Company or one of its subsidiaries. The Plan covering Company personnel was amended effective December 31, 1995 and such benefits were frozen as of that date. The Plan covering the former subsidiaries' personnel was amended effective December 31, 2002 and such benefits were frozen as of that date.

Both plans are noncontributory defined benefit pension plans, under which pension benefits are calculated based on years of service and participants' compensation.

The Company's policy is to make plan contributions equal to an actuarially determined amount consistent with federal tax regulations. The funding objective is to accumulate funds at a relatively stable rate over the participants' working lives so benefits are fully funded at retirement. Plan assets are primarily invested in equity and debt securities.

The following table sets forth the combined plans' funded status, the pension liability and the net pension cost recognized in the Company's consolidated statements of operations for the years ended December 31, 2002 and 2001, which have been calculated in accordance with SFAS No. 87, "Employers' Accounting for Pensions." Comparable information for the year ended December 31, 2000 was not material to the Company's consolidated results of operations.

The funded status of the defined benefit pension plans at December 31 was as follows (in thousands):

	2002	2001
Change in projected benefit obligation:		
Benefit obligation at beginning of year	**$ 15,964**	$ 15,848
Service cost	**199**	231
Interest cost	**1,121**	1,175
Actuarial loss	**1,791**	(64)
Benefits paid	**(1,146)**	(1,226)
Benefit obligation at end of year	**$ 17,929**	$ 15,964
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ 14,503**	$ 15,411
Actual return on plan assets	**(1,179)**	135
Employer contributions	**499**	183
Benefits paid	**(1,146)**	(1,226)
Fair value of plan assets at end of year	**$ 12,677**	$ 14,503

	2002	2001
Funded status	**$ (5,252)**	$ (1,461)
Unrecognized net actuarial (gain) loss	**6,353**	2,279
Unrecognized transition (asset) obligation	**(236)**	(318)
Unrecognized prior service cost	**(50)**	(65)
Prepaid (accrued) pension cost	**$ 815**	$ 435
Weighted-average assumptions as of December 31:		
Discount rate	**6.50%**	7.25%
Rate of increase in future compensation levels		
Expected long-term rate of return on assets	**7.75% -8.00%**	8.00% 8.50%

Components of net periodic benefit cost:

	Year ended December 31,	
	2002	2001
Service cost	**$ 199**	$ 231
Interest cost	**1,121**	1,175
Expected return on plan assets	**(1,174)**	(1,237)
Amortization of transition cost	**(83)**	(83)
Amortization of prior service cost	**(15)**	(15)
Recognized net actuarial loss	**70**	33
Pension expense	**$ 118**	$ 104

As a result of a change in the additional minimum liability recognized, the Company has included $3.8 million and $1.3 million in other comprehensive income as of December 31, 2002 and 2001,

respectively. This liability was established by a charge to shareholders' equity, resulting in no effect to the accompanying consolidated statement of operations.

Supplemental Retirement Plan

The Company also maintains an unqualified, unfunded supplemental retirement plan for certain former executives based in the U.S. The plan is a noncontributory defined benefit pension plan, under which pension benefits are calculated based on a formula incorporating years of service and participants' compensation.

The following table sets forth the plan's funded status, the pension liability and the net pension cost recognized in the Company's consolidated statements of operations for the years ended December 31, 2002 and 2001, which have been calculated in accordance with SFAS No. 87, "Employers' Accounting for Pensions." Comparable information for the year ended December 31, 2000 was not material to the Company's consolidated results of operations.

The funded status of the supplemental retirement plan at December 31 was as follows (in thousands):

	2002	2001

	2002	2001
Change in projected benefit obligation:		
Benefit obligation at beginning of year	**$ 3,303**	$ 2,432
Interest cost	**227**	175
Actuarial loss	**222**	1,040
Benefits paid	**(344)**	(344)
Benefit obligation at end of year	**$ 3,408**	$ 3,303
Change in plan assets:		
Fair value of plan assets at beginning of year	**$**	$
Employer contributions	**344**	344
Benefits paid	**(344)**	(344)
Fair value of plan assets at end of year	**$**	$
Funded status	**$ (3,408)**	$ (3,303)
Unrecognized net actuarial (gain) loss	**839**	632
Prepaid (accrued) pension cost	**$ (2,569)**	$ (2,671)
Weighted-average assumptions as of December 31:		
Discount rate	**6.50%**	7.25%
Expected long-term rate of return on assets	**7.75%**	8.50%

Components of net periodic benefit cost:

	Year ended December 31,	
	2002	2001
Interest cost	**$ 227**	$ 175
Recognized net actuarial loss	**16**	(6)
Pension expense	**$ 243**	$ 169

As a result of a change in the additional minimal liability recognized, the Company has included $0.2 million in other comprehensive loss as of December 31, 2002.

Postretirement Medical Benefit Program

The Company also provides an unfunded group medical plan and life insurance coverage for certain former employees subsequent to retirement.

The following table sets forth the program's funded status, liability and the net cost recognized in the Company's consolidated statements of operations for the years ended December 31, 2002 and 2001, which have been calculated in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." Comparable information for the year ended December 31, 2000 was not material to the Company's consolidated results of operations.

The funded status of the program at December 31 was as follows (in thousands):

	2002	2001
Change in projected benefit obligation:		
Benefit obligation at beginning of year	**$ 489**	$ 411
Service cost	**1**	1
Interest cost	**36**	35
Actuarial loss	**148**	118
Benefits paid	**(86)**	(76)
Benefit obligation at end of year	**$ 588**	$ 489
Funded status	**$ (588)**	$ (489)
Unrecognized net actuarial (gain) loss	**493**	366
Prepaid (accrued) pension cost	**$ (95)**	$ (123)
Weighted-average assumptions as of December 31:		
Discount rate	**6.50%**	7.25%
Rate of increase in future compensation levels	**5.00%**	5.00%

Components of net periodic benefit cost:

	Year ended December 31,	
	2002	2001
Service cost	**$ 1**	$ 1
Interest cost	**36**	34
Recognized net actuarial loss	**21**	
Pension expense	**$ 58**	$ 35

The assumed 2002 annual health care cost trend rates is 10.0%, gradually decreasing to 5.0% in 2007. A 1% increase in the rates would have increased the 2002 accumulated postretirement benefit obligation by an estimated $38,000. A 1% decrease would have reduced the obligation by an estimated $33,000.

Defined Contribution Plans

The Company sponsors defined contribution plans covering most U.S.-based employees as well as U.S. employees in other countries in which the Company does business. Participants may contribute a portion of their pay to the plans, and the Company may match such contributions up to 50% of the first 6% of the participants' compensation contributed, or at rates determined under bargaining unit agreements, for such employees. For the years ended December 31, 2002, 2001 and 2000, the Company's contribution expense was nil, $0.4 million, and $0.4 million, respectively.

13. Business Segment Data

The Company has operations in Eastern Europe and the CIS which provide the following services: (i) fixed telephony; (ii) wireless telephony; (iii) cable television; and (iv) radio broadcasting.

The Company evaluates the performance of its operating segments based on earnings before interest, taxes, depreciation, and amortization. The segment information is based on operating income (loss) which includes depreciation and amortization. Equity in income (losses) of unconsolidated investees reflects elimination of intercompany interest expense and management fees.

The Company's segment information is set forth as of and for the years ended December 31, 2002, 2001 and 2000 in the following tables (in thousands):

Year ended December 31, 2002
(in thousands)
(restated)

	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting	Corporate, Other and Eliminations	Consolidated
Consolidated						
Revenues	$ 71,456	$	$ 14,412	$ 17,734	$ 1,044	$ 104,646
Cost of services	25,179		2,896			28,075
Selling, general and administrative	21,105		8,366	17,148	32,217	78,836
Depreciation and amortization	13,148		3,808	1,730	8,856	27,542
Asset impairment and restructuring charges, net	2,212		6,560		(40)	8,732
Operating income (loss)	$ 9,812	$	$ (7,218)	$ (1,144)	$ (39,989)	(38,539)
Unconsolidated Business Ventures						
Revenues	$ 91,217	$ 54,582	$ 21,277			
Cost of services	44,859	8,568	3,966			
Selling, general and administrative	21,662	9,475	11,647			
Depreciation and amortization	21,526	14,828	6,541			
Asset impairment charge	440	750				
Operating income (loss)	$ 2,730	$ 20,961	$ (877)			
Net income (loss)	$ (2,319)	$ 19,025	$ (2,814)			
Equity in income (losses) of unconsolidated investees	$ (34,619)	$ 6,010	$ 258			(28,351)
Interest expense						(22,267)
Interest income						1,212
Gain on disposition of business						5,176
Foreign currency gain						1,342
Other income (expense)						31
Minority interest						(4,692)
Income tax expense						(1,784)
Discontinued components						(17,446)
Cumulative effect of exchange in accounting principle						(3,157)

	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting	Corporate, Other and Eliminations	Consolidated
Net loss						$ (108,475)

Year ended December 31, 2001
(in thousands)

	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting	Corporate, Other and Eliminations	Consolidated
Consolidated						
Revenues	$ 87,490	$	$ 13,215	$ 14,069	$ 1,849	$ 116,623
Cost of services	38,677		3,096		(16)	41,757
Selling, general and administrative	21,826		6,562	12,674	33,987	75,049
Depreciation and amortization	17,731		5,326	1,758	23,672	48,487
Asset impairment and restructuring charges, net					67,848	67,848
Operating income (loss)	$ 9,256	$	$ (1,769)	$ (363)	(123,642)	(116,518)
Unconsolidated Business Ventures						
Revenues	$ 92,019	$ 46,623	$ 23,880	$ 1,283		
Cost of services	46,239	8,010	10,469			
Selling, general and administrative	25,040	8,256	10,527	1,649		
Depreciation and amortization	23,209	12,083	11,266	256		
Operating income (loss)	$ (2,469)	$ 18,274	$ (8,382)	(622)		
Net income (loss)	$ (9,141)	$ 15,435	$ (14,050)	$ (662)		
Equity in income (losses) of unconsolidated investees	$ (17,097)	$ 3,213	$ (32,440)	$ (2,060)		(48,384)
Interest expense						(20,972)
Interest income						2,401
Loss on disposition of businesses, net						(335)
Foreign currency gain						130
Other income						692
Minority interest						(3,196)
Income tax expense						(7,892)
Discontinued components						(54,457)
Net loss						$ (248,531)

Year ended December 31, 2000
(in thousands)

	Fixed Telephony	Wireless Telephony	Cable Television	Radio Broadcasting	Corporate, Other and Eliminations	Consolidated
Consolidated						
Revenues	$ 102,881	$	$ 7,263	$ 14,709	$ 4,769	$ 129,622
Cost of services	27,702		1,536		587	29,825
Selling, general and administrative	27,556		4,026	14,094	34,875	80,551
Depreciation and amortization	16,786		3,266	1,170	26,266	47,488
Asset impairment and restructuring charges, net					(1,511)	(1,511)
Operating income (loss)	$ 30,837	$	$ (1,565)	$ (555)	(55,448)	(26,731)
Unconsolidated Business Ventures						
Revenues	$ 33,718	$ 63,583	$ 28,898	$ 1,602		
Cost of services	18,789	11,615	6,227			
Selling, general and administrative	13,227	17,240	15,536	1,811		
Depreciation and amortization	12,842	17,171	8,738	161		
Operating income (loss)	$ (11,140)	$ 17,557	$ (1,603)	(370)		
Net income (loss)	$ (14,648)	$ 9,639	$ (11,017)	(132)		
Equity in income (losses) of unconsolidated investees	(9,968)	10,408	(9,027)	(6,502)		(15,089)
Interest expense						(19,566)
Interest income						5,428
Gain on disposition of businesses, net						59,020
Foreign currency loss						(606)
Other income						5,032
Minority interest						(3,010)
Income tax expense						(10,349)
Discontinued components						(18,433)
Net loss						$ (24,304)

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Information about the Company's continuing operations in different geographic locations for 2002, 2001 and 2000 is as follows (in thousands):

	Assets at December 31,		Revenues for the year ended December 31,		
	2002	2001	2002	2001	2000
CIS					
Russia	$ 145,877	$ 222,970	$ 80,542	$ 97,001	$ 110,785
Georgia	31,906	30,923	2,566	2,294	350
All other CIS	3,839	8,200	2,966	2,851	1,408
Eastern Europe					
Romania	9,961	10,289	6,524	6,191	4,933

	Assets at December 31,		Revenues for the year ended December 31,		
Hungary	5,671	5,964	4,707	3,536	5,355
All other Eastern Europe	5,812	7,933	5,432	3,296	3,689
Other	1,785	1,708	1,909	1,454	3,102
	$ 204,851	$ 287,987	$ 104,646	$ 116,623	$ 129,622

The Company's investments in and advances to business ventures and goodwill include amounts maintained at the segment and corporate headquarters in the United States. Such amounts are relative to the operations in different geographic locations.

14. Other Consolidated Financial Statement Information

Accounts Receivable

Accounts receivable are recorded at net realizable value. The allowance for doubtful accounts, which at December 31, 2002 and 2001 was $4.2 million and $3.5 million, respectively, was determined through a review of historical activity and specific outstanding balances at the subsidiary level.

Property, Plant and Equipment

Property, plant and equipment at December 31, 2002 and 2001 consists of the following (in thousands):

	2002	2001	Depreciation Range
Land	$ 41	$ 37	
Buildings and improvements	7,150	6,691	10 years
Machinery and equipment	178,104	191,182	2 to 12 years
Leasehold improvements	1,112	598	Up to 10 years
Less: Accumulated depreciation and amortization	(93,715)	(97,369)	
	$ 92,692	$ 101,139	

Intangible Assets

Intangible assets at December 31, 2002 and 2001 consist of the following (in thousands):

	2002		2001	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Licenses	$ 44,902	$ (26,135)	$ 63,385	$ (32,972)
Customer lists	2,899	(2,899)	2,899	(1,751)
Broadcast rights and other intangibles	4,746	(2,451)	6,340	(2,034)
	$ 52,547	$ (31,485)	$ 72,624	$ (36,757)

Accrued Expenses

Accrued expenses at December 31, 2002 and 2001 consist of the following (in thousands):

	2002	2001
Accrued taxes	$ 11,856	$ 13,046
Accrued salaries and wages	9,478	8,574
Accrued interest	5,681	491
Self-insurance reserves	4,357	3,685
Deferred revenues	2,779	4,222
Accrued settlement costs		2,332
Accrued restructuring costs		910
Other	16,683	19,863
	$ 50,834	$ 53,123

Self-Insurance Reserves

For the year ended December 31, 2002 and 2001, the Company revised the estimated value of its self-insured workers' compensation and product liability claims based on its claims experience, which resulted in reductions in the reserve of $0.9 million and $7.8 million, respectively.

Other Income

For the year ended December 31, 2001, other income is principally from the collection of a receivable and related interest the Company had fully reserved. For the year ended December 31, 2000, the Company recorded a $2.5 million gain representing the gain realized on the buyout of options to acquire an indirect interest in Telecominvest, a holding company with telecommunications interests in northwest Russia and a gain of $2.5 million on the collection of a receivable that the Company had fully reserved.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes adjustments for the minimum pension liability of $3.9 million, $1.3 million and $2.0 million for the years ended December 31, 2002, 2001 and 2000,

respectively and currency translation gains (losses) of $(0.8) million, $0.7 million and $(1.2) million for the years ended December 31, 2002, 2001 and 2000, respectively.

Supplemental Disclosure of Cash Flow Information

Supplemental disclosure of cash flow information for the years ended December 31, 2002, 2001 and 2000 (in thousands):

	2002	2001	2000
	(restated)		
Cash paid during the year for:			
Interest	$ 11,824	$ 706	$ 942
Taxes	$ 6,861	$ 7,392	$ 10,151

Interest expense includes accretion of debt discount of $5.3 million, $20.3 million and $18.8 million for the years ended December 31, 2002, 2001 and 2000, respectively.

15. Commitments and Contingent Liabilities

Commitments

The Company is obligated under various operating and capital leases. Total rent expense amounted to $2.9 million, $3.6 million and $5.1 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Minimum rental commitments under non-cancelable leases are set forth in the following table (in thousands):

Year	Capital Leases	Operating Leases
2003	$ 1,684	$ 1,198
2004	1,544	624
2005	1,296	620
2006		109
2007		87
Thereafter		56
Total	4,524	$ 2,694
Less: amount representing interest	661	
Present value of future minimum lease payments	$ 3,863	

Guarantees and Commitments

The Company and certain of its subsidiaries and business ventures are contingently liable for debts and other obligations to third parties and non wholly-owned business ventures which they have

guaranteed. These contingent liabilities at December 31, 2002 are summarized as follows (in thousands):

Benefit Plans	$ 9,200
Loan guarantee (1)	1,400
	$ 10,600

(1) The Company has a $1.4 million recorded liability for its obligation under the loan guarantee.

Benefit Plans. The Company maintains certain benefit plans for former employees of the Company and its subsidiaries. During 2002, actual asset returns for the Company's plans were adversely affected by continued deterioration in the equity markets. For the year ended December 31, 2002, the asset returns on the plans were negative. During the same time, corporate bond yields, which are used in determining the discount rate for future pension obligations, continued to decline. The negative asset returns and declining discount rates unfavorably affected the Company's year end, funded status. However, additional contributions, which are expected to be $0.6 million in 2003, will favorably impact the pension funded status. As of December 31, 2002, future benefit obligations of these plans exceeded the fair value of plan assets by $9.2 million.

Loan Guarantee. As part of its investment in Tyumenruskom, the Company agreed to provide a guarantee of payment of $6.1 million to Ericsson Radio Systems, A.B. for equipment financing provided by Ericsson to Tyumenruskom. In 1999, the Company reserved $4.3 million for its contingent obligations under this guarantee. At December 31, 2002, only $1.4 million remained outstanding under this financing arrangement.

Contingencies

Risks Associated with the Company's Investments

The ability of the Company and its business ventures and subsidiaries to establish and maintain profitable operations is subject to, among other things, significant political, economic and social risks inherent in doing business in emerging markets such as Eastern Europe and the CIS. These include matters arising out of government policies, economic conditions, imposition of or changes in government regulations or policies, imposition of or changes to taxes or other similar charges by government bodies, exchange rate fluctuations and controls, civil disturbances, deprivation or unenforceability of contractual rights, and taking of property without fair compensation.

Issues were raised about the Company's control of Roscomm Limited, a Guernsey company ("Roscomm") through which the Company owns a 10% stake in Teleport-TP, and about the Company's control of Roscomm's ownership interest in Teleport-TP. An individual who was a former minority shareholder in Technocom and its subsidiaries at the time of the September 1999 merger of the Company and PLD Telekom, Inc. (at which time, the Company, and who undertook at the time of the merger, in exchange for compensation, to resign from all positions, including Roscomm), apparently retained the position of sole director of Roscomm following the merger, and continues to retain that position. The Company believes that the individual in question wrongfully occupied the position of sole director of Roscomm Limited in violation of the 1999 agreement. Negotiations with the individual failed to result in a solution acceptable to the Company.

Due to these events, the Company ceased consolidation of Teleport-TP as of March 31, 2002 and began reporting results of Teleport-TP on the equity method of accounting. Due to further deteriorations of events throughout the year including denied access to financial records, the Company determined that it was most appropriate to account for its investment in Teleport-TP on the cost method of accounting. In light of these events and the unsatisfactory resolution of court proceedings during 2002, the Company determined that an indicator of impairment of its investment in Teleport-TP had occurred.

In accordance with the provisions of APB Opinion No. 18, management compared the carrying value of Teleport-TP with the probability weighted cash flow analysis based on management's expectations as to its ability to extract value from Teleport-TP. Such comparison resulted in the Company recording a charge to Equity in losses of and write-down of investment in unconsolidated investees of $5.5 million in the three months ended June 30, 2002, which represented management's then best estimate of the excess carrying value of the Company's investment in Teleport-TP over the expected fair value. Such remaining investment is included in Other Assets in the accompanying balance sheet.

Summarized financial information as of and for the years ended December 31 of Teleport-TP which is included in the Company's consolidated financial statements is as follows (in thousands):

	2002	2001	2000
Revenues	$ 7,368	$ 31,621	$ 27,360
Cost of sales and operating expenses	5,558	21,938	14,518
Selling, general and administrative	1,146	9,099	8,872
Depreciation and amortization	576	11,392	10,688
Asset impairment charge		11,955	
Operating income (loss)	$ 88	$ (22,763)	$ (6,718)
Equity in losses of unconsolidated investees	$ (6,046)	$	$

	2001
Current assets	$ 14,025
Total assets	45,842
Current liabilities	46,873
Total liabilities	57,925

On June 25, 2003, the Company sold its 100% interest in Technocom to Grosco Holding Limited for proceeds of $4.5 million. See Note 18 for further discussion.

Foreign Currency

The Company's strategy is to minimize its foreign currency risk. To the extent possible, the Company bills and collects all revenues in U.S. dollars or an equivalent local currency amount adjusted on a monthly basis for exchange rate fluctuations. The Company's subsidiaries and business ventures are generally permitted to maintain U.S. dollar accounts to service their U.S. dollar denominated debt and current account obligations, thereby reducing foreign currency risk. As the Company's subsidiaries

and business ventures expand their operations and become more dependent on local currency based transactions, the Company expects that its foreign currency exposure will increase.

Licenses

The licenses pursuant to which the Company's businesses operate are issued for limited periods, including certain licenses, which are renewable annually. Certain of these licenses expire over the next several years. As of December 31, 2002, certain licenses held by the Company had expired, although the Company has been permitted to continue operations while the decision on reissuance is pending. Certain other licenses held or used by the Company's business ventures will expire during 2003 and 2004. The Company's business ventures will apply for renewals of their licenses as these licenses come up for renewal.

Credit Concentrations

The Company's trade receivables do not represent significant concentrations of credit risk at December 31, 2002, due to the wide variety of customers/subscribers and markets into which the Company's services are sold and their dispersion across many geographic areas.

Certain customers account for a significant portion of the total revenues of certain of the Company's telephony business ventures and the loss of these customers would materially and adversely affect their results of operations.

Several of the Company's customers, interconnect parties or local operators experience liquidity problems from time to time. The Group's dependence on these parties may make it vulnerable to their liquidity problems, both in terms of pressure for financial support for the expansion of their operations, and in its ability to achieve prompt settlement of accounts.

Letters of Credit

At December 31, 2002 the Company had $3.5 million of outstanding letters of credit which serve principally as collateral for certain liabilities under the Company's self-insurance program. Such letters of credit are fully collateralized.

Escrowed Severance

As a condition of the settlement for the disposal of Snapper's assets and the termination of its employees, the Company was required to escrow monies owed to former employees under severance arrangements. Such amounts outstanding totaled $2.3 million as of December 31, 2002.

Litigation

The Company is involved in various legal and regulatory proceedings. While the results of any litigation or regulatory issue contain an element of uncertainty, management believes that the outcome of any known, pending or threatened legal proceedings, including those noted in the preceding paragraph, will not have a material effect on the Company's consolidated financial position and results of operations.

Environmental Protection

The Company has agreed to indemnify a former subsidiary of the Company for certain obligations, liabilities and costs incurred by the subsidiary arising out of environmental conditions existing on or prior to the date on which the subsidiary was sold by the Company in 1987.

Since that time, the Company has been involved in various environmental matters involving property owned and operated by the subsidiary, including clean-up efforts at landfill sites and the remediation of groundwater contamination. The costs incurred by the Company with respect to these matters have not been material during any year through and including the year ended December 31, 2002. As of December 31, 2002, the Company had a remaining reserve of approximately $0.8 million to cover its obligations to its former subsidiary. During 1996, the Company was notified by certain potentially responsible parties at a superfund site in Michigan that the former subsidiary may also be a potentially responsible party at the superfund site. The former subsidiary has agreed to participate in remediation in a global settlement, but the amount of the liability has not been finally determined. The Company believes that such liability will not exceed the reserve.

Report to the Pension Benefit Guaranty Corporation

The Company and a subsidiary maintain tax-qualified pension plans that are subject to regulation by the Pension Benefit Guaranty Corporation ("PBGC"). In June 2003, we notified the PBGC (i) that the Company may have historically failed to timely satisfy certain minimum funding requirements with respect to one plan, (ii) that the sale of corporate assets by a subsidiary of the Company may have triggered certain PBGC reporting, bonding and/or escrow requirements with respect to a second plan, (iii) that the Company had recently added extra contributions to one plan, and (iv) that the Company believes that there are no further corrective actions required with respect to either plan. The PBGC has not responded to our June 2003 notification but it might seek late reporting penalties and/or other corrective actions, the cost of which could be material to the Company and/or its subsidiary.

16. Related Party Transactions

The Company paid a management fee to Metromedia Company, the Company's largest shareholder, for certain general and administrative services provided by Metromedia Company personnel. Such management fee amounted to $3.8 million for each of the years ended December 31, 2001 and 2000. The agreement pursuant to which the fixed management fee was payable to Metromedia Company was terminated effective as of December 31, 2001. Thereafter, the Company entered into a new Consulting Services Agreement with Metromedia Company for the provision by Metromedia Company to the Company of certain consulting services on an hourly basis as requested by the Company.

In early September 2002, the existing Consulting Services Agreement between the Company and Metromedia Company was amended to provide that the term of the Consulting Services Agreement would continue in effect until September 15, 2002 and would continue, thereafter unless and until Metromedia Company or the Company provided written notice of termination to the other party, whereupon the Consulting Services Agreement would immediately terminate. Metromedia Company has not given any notice of termination as of the date of filing of this Annual Report on Form 10-K.

The services provided by Metromedia Company pursuant to the agreement have been provided as requested and have been invoiced and paid at agreed-upon hourly rates. There is no minimum required

level of services. We are also obligated to reimburse Metromedia Company for all of its out-of-pocket costs and expenses incurred and advances paid by Metromedia Company in connection with the agreement. Pursuant to the agreement, we agreed to indemnify and hold Metromedia Company harmless from and against any and all damages, liabilities, losses, claims, actions, suits, proceedings, fees, costs or expenses (including reasonable attorneys' fees and other costs and expenses incident to any suit, proceeding or investigation of any kind) imposed on, incurred by or asserted against Metromedia Company in connection with the agreement. Such consulting fees amounted to $0.8 million for the year ended December 31, 2002.

17. Selected Quarterly Financial Data (unaudited)

Selected financial information for the quarterly periods in 2002 and 2001 is presented below (in thousands, except per share amounts):

	For the quarterly period ended (a)			
	March 31, 2002	June 30, 2002	September 30, 2002(c)	December 31, 2002(c)
		(restated)		
Revenues	$ 31,257	$ 23,940	$ 24,368	$ 25,081

	For the quarterly period ended (a)			
Operating loss	(8,566)	(9,886)	(7,253)	(12,834)
Equity in income (losses) of unconsolidated investees	510	(2,337)	(26,293)	(231)
Loss from continuing operations attributable to common stockholders (b)	(17,068)	(22,470)	(40,747)	(23,861)
(Loss) income from discontinued components (a)	(14,194)	767	(7,913)	3,894
Cumulative effect of a change in accounting principle (d)	(3,157)			
Net loss attributable to common stockholders	$ (34,419)	$ (21,703)	$ (48,660)	$ (19,967)
Income (loss) per common share attributable to common stockholders Basic and Diluted:				
Continuing operations (b)	$ (0.19)	$ (0.24)	$ (0.44)	$ (0.25)
Loss from discontinued components (a)	(0.15)	0.01	(0.08)	0.04
Cumulative effect of a change in accounting principle (d)	(0.03)			
Net loss per common share attributable to common stockholders	$ (0.37)	$ (0.23)	$ (0.52)	$ (0.21)

	For the quarterly period ended (a)			
	March 31, 2001	June 30, 2001	September 30, 2001(c)	December 31, 2001(c)
Revenues	$ 29,740	$ 27,864	$ 30,181	$ 28,838
Operating loss	(9,102)	(14,377)	(11,268)	(81,771)
Equity in losses and write-down of investment in unconsolidated investees	(9,210)	(1,394)	(8,761)	(29,019)
Loss from continuing operations attributable to common stockholders (b)	(29,414)	(25,989)	(31,316)	(122,363)
Loss from discontinued components (a)	(675)	(189)	(4,369)	(49,224)
Net loss attributable to common stockholders	$ (30,089)	$ (26,178)	$ (35,685)	$ (171,587)
Loss per common share attributable to common stockholders Basic and Diluted:				
Continuing operations	$ (0.31)	$ (0.28)	$ (0.33)	$ (1.30)
Loss from discontinued components (a)	(0.01)		(0.05)	(0.52)
Net loss per common share attributable to common stockholders	$ (0.32)	$ (0.28)	$ (0.38)	$ (1.82)

(a) As more fully discussed in Note 3, the Company adopted the provisions of Statement of Financial Accounting Standards No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," and has presented the entities that met the criteria for classification as a Discontinued Component as of December 31, 2002 and presented restated selected quarterly financial data, accordingly.

(b) Loss from continuing operations has been adjusted to reflect the dividend requirements on the Company's $7^1/_4$% cumulative convertible preferred stock.

(c)

The Company adjusted the carrying value of goodwill and other intangibles, fixed assets and investments in and advances to business ventures. The total non-cash charge and write-down, net was $30.3 million and $11.9 million in the third and fourth quarters of 2002, respectively. The total non-cash charge and write-down was $7.0 million and $143.9 million in the third and fourth quarters of 2001, respectively.

(d)

The Company adopted SFAS No. 142, *"Goodwill and Other Intangible Assets"* as of January 1, 2002. As a result of applying transitional impairment tests, the Company recorded a cumulative effect of a change in accounting principle of $3.2 million as of January 1, 2002.

18. Subsequent Events

Delisting Action

On February 25, 2003, the Company received notice from the staff of The American Stock Exchange (the "Exchange" or "AMEX") indicating that the Exchange filed an application with the United States Securities and Exchange Commission on February 20, 2003, to strike the Company's Common Stock and $7^1/_4$% Cumulative Convertible Preferred Stock from listing and registration on the Exchange, effective at the opening of the trading session on March 3, 2003. As a result, the Company's

Common Stock (OTCBB: MTRM) and $7^1/_4$% Cumulative Convertible Preferred Stock (OTCBB: MTRMP) are now trading on the OTC Bulletin Board.

Employee Matters

In February 2003, Mr. Brazell resigned his positions as Chairman of the Board of Directors, President and Chief Executive Officer with the Company and was replaced by Mr. Hauf who was also elected Chairman of the Board of Directors. Mr. Brazell continued as a director of the Company until his resignation, in April 2003.

In February 2003, Mr. Mosner's employment was terminated by the Company without cause as part of the Company's overall restructuring and cost reduction program. Mr. Mosner had served the Company in the capacity of Senior Vice President, General Counsel and Secretary.

In connection with the terminations of substantially all of the Company's employees at its headquarters in New York and certain European-based business venture support presonnel during the first quarter 2003, the Board of Directors of the Company approved a key employee retention program providing retention and severance payments for terminated employees.

In accordance with generally accepted accounting principles, the amount of termination benefits will be reflected over the service periods of affected employees in selling, general and administrative expenses in the Company's operating results in each of the three quarters ending September 30, 2003. To the extent that the affected employees are employed at businesses that will be discontinued, the expense will be reflected in results of operations of discontinued components.

Adamant Transaction

On April 24, 2003 the Company completed an exchange with Adamant of its ownership in certain of its business units in Russia for approximately $58.6 million, face value, of the Company's Senior Discount Notes held by Adamant. The Company conveyed to Adamant its ownership interests in Comstar, a Moscow based fixed-line telephony operator, Kosmos TV, a Moscow based cable television operator, and the Company's Russian radio businesses (the "Radio Businesses"). In addition to conveying the Senior Discount Notes to the Company, Adamant paid $5.0 million in cash and released the Company of its $3.5 million obligation to pay interest accrued on the Senior Discount Notes being exchanged. The consideration was determined by arms length negotiations between the Company and Adamant. The Company will recognize a total gain of $33.0 million on the transaction in April 2003, which is comprised of a gain of $25.4 million related to the early extinguishment of the exchanged Senior Discount Notes and $7.6 million on the transfer of its interests in the Radio Businesses. The extinguishment gain will be reflected in loss from continuing operations and the gain on sale of business interests will be reflected in gain or loss on sale of discontinued components will be reflected in the consolidated statement of operations for the three months ended June 30, 2003. In addition, in the year ended December 31, 2002, the Company recorded an additional impairment charge of $1.1 million to reflect Comstar and Kosmos TV, unconsolidated investees of the Company, at their respective fair values. This charge was reflected in the equity in losses and write-down of investment in unconsolidated investees in the accompanying consolidated statement of operations.

Technocom Transaction

On June 27, 2003, the Company sold its wholly-owned subsidiary Technocom Limited ("Technocom") for $4.5 million. Technocom holds interests in several Russian telecommunication enterprises including satellite-based transport operator Teleport-TP. Simultaneous with the sale of Technocom, the Company entered into agreements intended to settle all historical claims concerning Technocom-related businesses; including claims arising from the litigation in Guernsey that Technocom initiated in 2002 concerning its majority-owned subsidiary Roscomm and from arbitration proceedings initiated in 2003 in connection with that Guernsey litigation. The Company further expects that the broad releases, from and among all potential claimants contained in the settlement agreements will avoid any further dispute in connection with Technocom, its subsidiary businesses, or its past or present stakeholders. The Company received cash proceeds of $4.5 million and incurred closing costs of $0.6 million, principally legal fees and severance costs, resulting in the Company realizing an estimated gain of $2.9 million on the disposition, which will be recorded in the three months ended June 30, 2003.

The Radio Businesses discussed above and Technocom met the criteria for classification as a Discontinued Component as outlined in SFAS No. 144 during the three months ended March 31, 2003 and will be presented as such in those financial statements. The combined operating results of the Radio Businesses, included in the Radio Segment, reflected in the accompanying consolidated statement of operations are as follows:

	Year ended December 31,		
	2002	**2001**	**2000**
Revenues	$ 7,430	$ 8,043	$ 6,485
Operating income	2,147	2,584	1,610
Net income	$ 1,083	$ 1,477	$ 1,175

The operating results of Technocom, included in the Telephony segment, reflected in the accompanying statement of operations are as follows:

	Year ended December 31,		
	2002	**2001**	**2000**
Revenues	$ 8,625	$ 32,419	$ 27,808
Asset impairment charge		(66,829)	
Operating loss	(3,634)	(69,934)	(954)
Net loss	$ (9,517)	$ (70,897)	$ (3,719)

Included in the consolidated balance sheet are the following assets and liabilities of the Radio Businesses and Technocom:

	2002	**2001**
Accounts receivable, net	$ 859	$ 7,693
Other current assets	2,189	8,272
Current assets	$ 3,048	$ 15,965
Property, plant and equipment, net	$ 6,254	$ 9,648

	2002	2001
Intangibles, net	1,375	5,865
Other noncurrent assets	8,795	130
Noncurrent assets	$ 16,424	$ 15,643
Accrued expenses	$ 12,143	$ 13,790
Accounts payable	860	845
Current portion of long-term debt	1,675	806
Current liabilities	$ 14,678	$ 15,441

Comstar and Kosmos TV, unconsolidated investees of the Company included in the Adamant disposal group, met the criteria for classification as an Asset Held for Sale as outlined in SFAS 144 during the three months ended March 31, 2003 and will be reflected as such in those financial statements. Included in investments in and advances to ventures on the consolidated balance sheet at December 31, 2002 and 2001, respectively, is $31.2 million and $63.7 million related to such ventures. As SFAS 144 does not apply to investments accounted for on the equity method of accounting when determining whether such assets are considered discontinued components, the results of such ventures will continue to be presented in the statement of operations of the company in equity in losses and write-down of investment in unconsolidated investees until the disposal date. The combined results of Comstar and Kosmos TV for the years ended December 31, 2002, 2001 and 2000 (which includes only the results of Comstar from the date the Company's 50% interest was acquired) are summarized as follows:

	2002	2001	2000
Revenues	$ 70,651	$ 74,369	$ 10,283
Operating (loss) income	7,540	7,201	(836)
Net (loss) income	$ 3,314	(1,567)	(1,752)
Adjustments for basis differences	(31,977)	(25,252)	(2,481)
Equity in (losses) income of unconsolidated investees	$ (30,310)	$ (26,103)	$ (3,083)

$10^1/_2$% Senior Discount Note Compliance

On May 16, 2003, the Company received notification from the trustee of its Series A and B $10^1/_2$% Senior Discount Notes Due 2007 ("Senior Notes") concerning compliance with the covenants as outlined in the indenture governing the Senior Notes (the "Indenture"). The trustee reported that the Company had not yet filed with the Securities and Exchange Commission and furnished to the trustee certain statements, the timely public filing of which is required under Section 4.3(a) of the Indenture.

The required statements include the Company's Form 10-K and Form 10-Q for periods ending December 31, 2002 and March 31, 2003, respectively. The trustee reported that, under the terms of the Indenture, the Company must resolve this compliance item within 60 days of receipt of the trustee's letter or the trustee will be required to declare an event of default. If such default were declared, the trustee or holders of at least 25% aggregate principal value of Senior Notes outstanding could demand all Senior Notes to be due and Payable immediately. As part of his annual reporting duties under Section 7.6 of the Indenture, the trustee reported these compliance issues to the SEC and the holders of the Senior Notes on May 15, 2003. Concurrent with the filing of this Form 10-K and the Company's March 31, 2003 10-Q and delivery of certain certifications to the Trustee, the Company expects to be in compliance with such covenants.

SCHEDULE I CONDENSED FINANCIAL INFORMATION OF REGISTRANT
METROMEDIA INTERNATIONAL GROUP, INC.
Condensed Statements of Operations
(in thousands, except per share amounts)

	Years ended December 31,		
	2002	2001	2000
	(restated)		
Revenues	$	$	$
Cost and expenses:			
Selling, general and administrative	8,698	2,513	1,886
Depreciation and amortization	64	64	69
Operating loss	(8,762)	(2,577)	(1,955)
Interest expense	(21,921)	(20,389)	(18,954)
Interest income	33,593	34,684	37,862
Equity in losses of subsidiaries	(95,918)	(206,424)	(28,213)
Other income	733	632	5,000
Income tax benefit	4,403		389
Loss from continuing operations	(87,872)	(194,074)	(5,871)
Loss discontinued components	(17,446)	(54,457)	(18,433)
Cumulative effect of a change in accounting principle	(3,157)		
Net loss	(108,475)	(248,531)	(24,304)
Cumulative convertible preferred stock dividend requirement	(16,274)	(15,008)	(15,008)
Net loss attributable to common stockholders	$ (124,749)	$ (263,539)	$ (39,312)
Weighted average number of common shares-Basic and diluted	94,035	94,035	93,978
Loss per common share attributable to common stockholders Basic and diluted:			
Continuing operations	$ (1.11)	$ (2.22)	$ (0.22)
Discontinued components	(0.19)	(0.58)	(0.20)
Cumulative effect of change in accounting principle	(0.03)		
Net loss per common share attributable to common stockholders	$ (1.33)	$ (2.80)	$ (0.42)

The accompanying notes are an integral part of the condensed financial information.
See notes to Condensed Financial Information on page S-4.

SCHEDULE I CONDENSED FINANCIAL INFORMATION OF REGISTRANT
METROMEDIA INTERNATIONAL GROUP, INC.
Condensed Balance Sheets
(in thousands)

	December 31, 2002	December 31, 2001
	(restated)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,474	$ 15,077

		December 31, 2002		December 31, 2001
Other assets		5,410		1,471
Total current assets		23,884		16,548
Investment in and receivables from subsidiaries		180,751		251,536
Other assets		4,000		1,804
Investments in discontinued components		3,973		47,979
Total assets	$	212,608	$	317,867

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)

Current liabilities:				
Accounts payable	$	569	$	1,633
Accrued expenses		23,714		19,957
Total current liabilities		24,283		21,590
Long-term debt		210,631		205,378
Other long term liabilities		192		123
Total liabilities		235,106		227,091
Stockholders' equity (deficiency):				
Preferred stock		207,000		207,000
Common stock		94,035		94,035
Paid-in surplus		1,102,769		1,102,769
Accumulated deficit		(1,414,354)		(1,305,879)
Accumulated other comprehensive loss		(11,948		