CABLE COMMUNICATIONS SYSTEMS NV

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

PREPARED IN ACCORDANCE WITH
IAS 34 INTERIM FINANCIAL REPORTING
for the three month period ended 31 March 2016

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GENERAL INFORMATION

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Cable Communications Systems N.V.
Condensed Consolidated Statement of financial position (unaudited)
for the three month period ended 31 March 2016
(all amounts are in thousand Eur, unless specified otherwise)

	Notes	31 March 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	4	704,446	674,743
Intangible assets	5	206,680	205,128
Available for sale financial assets		45,681	43,373
Investments in associates		961	1,000
Long term receivables		5,783	5,852
Deferred tax asset		3,982	3,951
Total non-current assets		**967,533**	**934,047**
Current assets			
Inventories		12,722	13,205
Programme assets	5	23,671	29,536
Trade and other receivables		95,684	82,545
Income tax receivable		109	202
Other assets		14,013	8,209
Derivative financial assets		13,017	9,937
Cash and short term deposits		48,551	49,662
Total current assets		**207,767**	**193,296**
Total assets		**1,175,300**	**1,127,343**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		51	51
Share premium		8,247	8,247
Treasury shares		(16,703)	(16,703)
Reserves		29,104	31,597
Retained earnings		92,660	77,462
Total equity attributable to equity holders of the parent		**113,359**	**100,654**
Non-controlling interest		2,232	2,160
Total equity		**115,591**	**102,814**
Non-current liabilities			
Interest-bearing loans and borrowings	6	632,508	624,897
Deferred tax liability		26,449	26,981
Other long term liabilities		11,263	7,598
Total non-current liabilities		**670,220**	**659,476**
Current liabilities			
Trade payables and other payables		280,865	271,118
Interest-bearing loans and borrowings	6	71,665	63,118
Income tax payable		2,570	1,746
Derivative financial instruments	15	8,481	8,253
Deferred revenue		25,907	20,818
Total current liabilities		**389,019**	**365,053**
Total liabilities		**1,059,239**	**1,024,529**
Total equity and liabilities		**1,175,299**	**1,127,343**

The notes on pages 6 to 23 are an integral part of this condensed consolidated interim financial report.

The condensed consolidated interim financial report was issued on 3 June 2016.

Cable Communications Systems N.V.
Condensed Consolidated Statement of Comprehensive Income (unaudited)
for the three month period ended 31 March 2016
(all amounts are in thousand Eur, unless specified otherwise)

	Notes	**Continuing operations 31 March 2016**	**Discontinued operations 31 March 2016**	**Three month period ended 31 March 2016**	**Continuing operations 31 March 2015**	**Discontinued operations 31 March 2015**	**Three month period ended 31 March 2015**
Revenues	8	199,836	-	199,836	174,933	3,097	178,030
Other income		3,284	-	3,284	-	-	-
Operating expenses	9	(181,489)	-	(181,489)	(166,729)	(2,184)	(168,913)
Operating Profit		**21,631**	**-**	**21,631**	**8,204**	**913**	**9,117**
Finance income	10	6,877	-	6,877	7,921	-	7,921
Finance expenses	10	(14,232)	-	(14,232)	(15,545)	(32)	(15,577)
Net finance costs		**(7,355)**	**-**	**(7,355)**	**(7,624)**	**(32)**	**(7,656)**
Profit before taxation		**14,276**	**-**	**14,276**	**580**	**881**	**1,461**
Income tax		(1,252)	-	(1,252)	(1,165)	(26)	(1,191)
Net profit / (loss) for continuing operations		**13,024**	**-**	**13,024**	**(585)**	**855**	**270**
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Foreign operations – foreign currency translation differences		(1,011)	-	(1,011)	5,407	-	5,407
Available for sale financial asset, net change in fair value		1,332	-	1,332	-	-	-
Cash Flow hedge reserves		(184)	-	(184)	-	-	-
Other comprehensive income for the period, net of income tax		**137**	**-**	**137**	**5,407**	**-**	**5,407**
Total comprehensive income for the period		**13,161**	**-**	**13,161**	**4,822**	**855**	**5,677**
Profit / (Loss) attributable to:							
Equity holders of the parent		12,520	-	12,520	(872)	819	(53)
Non-controlling interest		503	-	503	(64)	36	(28)
Profit / (Loss) for the year		**13,023**	**-**	**13,023**	**(936)**	**855**	**(81)**
Total comprehensive income/(loss) attributable to:							
Equity holders of the parent		12,708	-	12,708	4,301	819	5,120
Non-controlling interest		452	-	452	170	36	206
Total comprehensive income/(loss) for the period		**13,160**	**-**	**13,160**	**4,471**	**855**	**5,326**

In Q4 2015 we recorded certain adjustments which referred to the entire year ended December 31, 2015. For comparison and presentation purposes, the results for the three months period ended 31 March 2015 were rested accordingly. The net impact of the restatement for the three months period ended 31 March 2015 is a surplus of EUR 0.35 million on EBITDA and Net result.

The notes on pages 6 to 23 are an integral part of this condensed consolidated interim financial report.
The condensed consolidated interim financial report was issued on 3 June 2016.

Cable Communications Systems N.V.
Condensed Consolidated Cash Flow Statement (unaudited)
for the three month period ended 30 September 2015
(all amounts are in thousand Eur, unless specified otherwise)

	Notes	Three month period ended 31 March 2016	Three month period ended 31 March 2015
Cash flows from operating activities			
Profit before taxation		**14,276**	**1,461**
Adjustments for:			
Depreciation, amortization and impairment	9	45,689	47,293
Interest expense, net	6	11,602	12,985
Impairment of trade and other receivables	9	2,169	2,599
Unrealised (gains) / losses on derivative financial instruments	15	(1,447)	1,302
Equity settled share-based payments	14	-	472
Unrealised foreign exchange loss / (gain)		(5,297)	(11,634)
Other non-cash items		-	-
Gain on disposal of subsidiary		(238)	-
Cash flows from operations before working capital changes		**66,754**	**54,478**
Changes in:			
Trade receivables and other assets		(20,628)	(7,706)
Inventories		483	1,729
Trade payables and other current liabilities		9,351	15,386
Deferred revenue		4,868	5,414
Cash flows from operations		**60,828**	**69,302**
Interest paid		(3,212)	(3,600)
Income tax paid		(802)	(913)
Cash flows from operating activities		**56,814**	**64,789**
Cash flow used in investing activities			
Purchases of property, plant and equipment		(38,173)	(30,499)
Purchases of intangibles		(20,408)	(25,801)
Acquisition of subsidiaries, net of cash and NCI		(1,301)	(963)
Acquisition of AFS		-	(395)
Sale of subsidiaries, net of cash disposed		-	-
Proceeds from sale of property, plant and equipment		-	-
Cash flows used in investing activities		**(59,882)**	**(57,658)**
Cash flows from financing activities			
Dividends paid to shareholders		(315)	(1,260)
Proceeds from borrowings		7,024	78
Repayment of borrowings		(2,382)	(1,013)
Financing costs paid		-	-
Settlement of derivatives		(1,352)	(463)
Payment of finance lease obligations		(463)	(247)
Cash flows from financing activities		**2,512**	**(2,905)**
Net increase/(decrease) in cash and cash equivalents		**(556)**	**4,226**
Cash and cash equivalents at the beginning of the period		49,662	54,288
Effect of exchange rate fluctuations of cash and cash equivalents held		(555)	(877)
Cash and cash equivalents at the end of the period		**48,551**	**57,637**

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The condensed consolidated interim financial report was issued on 3 June 2016.

Cable Communications Systems N.V.
Condensed Consolidated Statement of Changes in Equity (unaudited)
for the three month period ended 31 March 2016
(all amounts are in thousand Eur, unless specified otherwise)

	Share capital	**Share premium**	**Treasury shares**	**Translation reserve**	**Revaluation reserve**	**Fair value Reserves**	**Cash flow hedge reserves**	**Retained earnings**	**Total equity attributable to equity holders of the parent**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2016	**51**	**8,247**	**(16,703)**	**(31,726)**	**36,314**	**31,355**	**(4,346)**	**77,462**	**100,654**	**2,160**	**102,814**
Comprehensive income for the period											
Net loss for the year	-	-	-	-	-	-	-	12,521	**12,521**	503	**13,024**
Foreign currency translation differences	-	-	-	(972)	-	-	-		**(972)**	(43)	**(1,015)**
Fair value	-	-	-	-	-	1,332	-	-	**1,332**	-	**1,332**
Cash Flow hedge reserves(*)	-	-	-	-	-	-	(176)	-	**(176)**	(8)	**(184)**
Transfer of revaluation reserve (depreciation)	-	-	-	-	(2,680)	-	-	2,680	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**(972)**	**(2,680)**	**1,332**	**(176)**	**2,680**	**184**	**(51)**	**133**
Total comprehensive income for the period	**-**	**-**	**-**	**(972)**	**(2,680)**	**1,332**	**(176)**	**15,201**	**12,705**	**452**	**13,157**
Transactions with owners, recognized directly in equity	-	-	-	-	-	-		-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-	-
Equity-settled share-based payment transactions	-	-	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	-	-	-	-			(380)	**(380)**
Total contributions by and distributions to owners	-	-	-	-	-	-		-	-	*(380)*	*(380)*
Changes in ownership interests in subsidiaries											
Payments while having full control	-	-	-	-	-	-	-	-	-	-	-
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	-	-	-	-
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-	-	**(380)**	**(380)**
Balance at 30 March 2016	**51**	**8,247**	**(16,703)**	**(32,698)**	**33,634**	**32,687**	**(4,522)**	**92,663**	**113,359**	**2,232**	**115,591**

The notes on pages 6 to 23 are an integral part of this condensed consolidated interim financial report.

*)*The amount presented on Cash Flow Hedge reserves is included in Reserves in Statement of financial position.*

Cable Communications Systems N.V.
Condensed Consolidated Statement of Changes in Equity (unaudited)
for the three month period ended 31 March 2016
(all amounts are in thousand Eur, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash Flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2015	**51**	**8,247**	**(16,703)**	**(31,616)**	**46,775**	**30,128**	**-**	**68,261**	**105,143**	**2,197**	**107,340**
Comprehensive income for the period											
Profit for the year								3,970	**3,970**	57	**4,027**
Foreign currency translation differences				*(110)*					***(110)***	*2*	***(108)***
Fair Value for AFS	-	-	-	-	-	*1,227*	-	-	***1,227***	-	***1,227***
Cash Flow hedge reserves	-	-	-	-	-	-	*(4,346)*	-	***(4,346)***	*(189)*	***(4,535)***
Transfer of revaluation reserve (depreciation)	-	-	-	-	*(10,461)*	-	-	*10,461*	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**(110)**	**(10,461)**	**1,227**	**(4,346)**	**14,431**	**741**	**(130)**	**611**
Transactions with owners, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity-settled share-based payment transactions *(Note 23)*	**-**	-	-	-	-	-	-	1,968	**1,968**	86	**2,054**
Dividends distributed (note 12)	-	-	-	-	-	-	-	(3,500)	**(3,500)**		**(3,500)**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***(1,532)***	***(1,532)***	***86***	***(1,446)***
Changes in ownership interests in subsidiaries											
Payments while having full control (Note 21)	-	-	-	-	-	-	-	(707)	**(707)**	(31)	**(738)**
Movement in ownership interest while retaining control (Note 21)	-	-	-	-	-	-	-	(2,991)	**(2,991)**	38	**(2,953)**
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***(3,698)***	***(3,698)***	***7***	***(3,691)***
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,230)**	**(5,230)**	**93**	**(5,137)**
Balance at 31 December 2015	**51**	**8,247**	**(16,703)**	**(31,726)**	**36,314**	**31,355**	**(4,346)**	**77,462**	**100,654**	**2,160**	**102,814**

1. CORPORATE INFORMATION

Cable Communications Systems Group ("the Group" or "CCS Group") comprises Cable Communications Systems N.V., RCS&RDS S.A. and their subsidiaries.

The parent company of the Group is Cable Communications Systems N.V. ("CCS" or "the Company" or "the Parent"), a company incorporated in Netherlands. The main operations are carried by RCS&RDS S.A (Romania) ("RCS&RDS"), Digi T.S kft (Hungary), Digi Spain Telecom SLU and Digi Italy SL. CCS registered office is located in Amsterdam (1043 BW), Naritaweg 165, Telestone 8, The Netherlands.

RCS&RDS is a company incorporated in Romania and its registered office is located at Dr. Staicovici 75, Bucharest, Romania.

RCS&RDS was setup in 1994, under the name of Analog CATV, and initially started as a cable TV operator in several cities in Romania. In 1996 following a merger with a part of another cable operator (Kappa) the name of the company became Romania Cable Systems S.A. ("RCS").

In 1998 Romania Cable Systems S.A established a new subsidiary Romania Data Systems S.A. ("RDS") for the purposes of offering internet, data and fixed telephony services to the Romanian market.

In August 2005, Romania Cable Systems S.A. absorbed through merger its subsidiary Romania Data Systems S.A. and changed its name into RCS&RDS.

RCS&RDS evolved historically both by organic growth and by acquisition of telecommunication operators and customer relationships.

The Group provides telecommunication services of Cable TV (television), Fixed and Mobile Internet and Data, Fixed-line and Mobile Telephony ("CBT") and Direct to Home television ("DTH") services in Romania, Hungary, Spain and Italy. The largest operating company of the Group is RCS&RDS.

The principal shareholder of the CCS is RCS Management ("RCSM") a company incorporated in Romania. The ultimate controlling shareholder of CCS and RCSM is Mr. Zoltan Teszari. CCS and RCSM have no operations, except for holding and financing activities, and their primary/ only asset is the ownership of RCS&RDS and respectively CCS.

The consolidated financial statements were authorized for issue by the Board of Directors of CCS on 3 June 2016

2.1 BASIS OF PREPARATION

(a) Statement of compliance

This condensed consolidated interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2015. This condensed consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

(b) Judgements and estimates

Preparing the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

(all amounts are in thousand Eur, unless specified otherwise)

(b) Judgements and estimates (continued)

The assets and liabilities of the subsidiaries are translated into the presentation currency at the rate of exchange ruling at the reporting date (none of the functional currencies of the subsidiaries or the Parent is hyperinflationary for the reporting periods). The income and expenses of the Parent and of the subsidiaries are translated at transaction date exchange rates. The exchange differences arising on the retranslation from functional currency to presentation currency are taken directly to equity under translation reserve. On disposal of a foreign entity, accumulated exchange differences relating to it and previously recognized in equity as translation reserve are recognized in profit or loss as component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The following rates were applicable at various time periods according to the National Banks of Romania, Hungary and Czech Republic:

Currency	2016			2015		
	Jan – 1	Average for the 3 months	Mar – 31	Jan – 1	Average for the 3 months	Mar – 31
RON per 1EUR	4.5245	4.4926	4.4738	4.4821	4.4509	4.4098
HUF per 1EUR	313.12	312.05	314.16	314.89	308.96	299.14
CZK per 1EUR	N/A	N/A	N/A	27.73	27.62	27.53
USD per 1EUR	1.0887	1.1020	1.1385	1.2141	1.1261	1.0759

The Group established reverse factoring agreements with suppliers. In some cases, payment terms are extended in agreements between the supplier and the Group. Depending on the nature of the agreements' clauses, these transactions are classified as trade payables. If these agreements imply extended payment terms, trade payables are classified as long term. Corresponding cash flows are presented as Cash flow from operating activities.

2.2. GOING CONCERN

Management believes that the Group will continue as a going concern for the foreseeable future. In recent years the Group operated in an environment of exchange rate volatility whereby the functional currencies (RON, HUF, etc.) fluctuated against the USD and EUR. The unfavourable evolution of the exchange rates has impacted the financial result. However it did not affect the operations of the Group. Despite these circumstances, the Group was able to mitigate the effects of the financial crisis that started globally in the second half of 2008 by readjusting its tariffs, maintaining its investment program and paying higher attention to the working capital management.

In the current year and recent years, the Group has managed to achieve consistently strong local currency revenue streams and cash flows from operating activities and has continued to grow the business. These results have been achieved during a period of significant investments in technological upgrades, new services and footprint expansion. The ability to offer multiple services is a central element of CCS Group strategy and helps the Group to attract new customers, to expand the uptake of service offerings within the existing customer base and to increase customer loyalty by offering high value-for-money package offerings of services and exclusive content.

For further information refer to Note 13b) Liquidity risk.

2.3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2015.

(all amounts are in thousand Eur, unless specified otherwise)

3. SEGMENT REPORTING

31 March 2016	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	144,618	32,885	20,202	2,131	-	-	**199,836**
Inter-segment revenues	387	-	284	-	(671)	-	**-**
Segment operating expenses	(96,645)	(19,610)	(17,123)	(3,092)	671	-	**(135,799)**
Adjusted EBITDA	**48,360**	**13,275**	**3,363**	**(961)**	**-**	**-**	**64,037**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	(45,690)	-	**(45,690)**
Other income	3,284	-	-	-	-	-	**3,284**
Operating profit						-	**21,631**
Additions to tangible non-current assets	42,020	8,741	97	92	-	-	**50,950**
Additions to intangible non-current assets	6,931	173	678	192	-	-	**7,974**
Carrying amount of:							
Property, plant and equipment	601,082	102,261	941	162	-	-	**704,446**
Non-current intangible assets	171,536	30,736	3,477	931	-	-	**206,680**
Investments in associates and AFS	851	-	-	43,373	-	-	**44,224**

The types of products and services from which each segment derives its revenues are disclosed in Note 8.

(all amounts are in thousand Eur, unless specified otherwise)

3. SEGMENT REPORTING (continued)

31 March 2015	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	126,464	30,974	15,839	4,753	-	-	**178,030**
Inter-segment revenues	392		250		(642)	-	**-**
Segment operating expenses	(85,010)	(18,727)	(13,954)	(4,571)	642	-	**(121,620)**
							-
Adjusted EBITDA	**41,846**	**12,247**	**2,134**	**182**	**-**	**-**	**56,410**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(47,293)	**(47,293)**
Other income	-	-	-	-	-	-	**-**
Operating profit							**9,117**
Additions to tangible non-current assets	24,174	3,397	121	203	-	-	**27,894**
Additions to intangible non-current assets	3,950	231	743	101	-	-	**5,025**
Carrying amount of:							
Property, plant and equipment	547,978	105,523	798	617	-	-	**654,916**
Non-current intangible assets	144,853	54,738	3,951	613	-	-	**204,154**
Investments in associates	2,365	-	-	41,296	-	-	**43,661**

The types of products and services from which each segment derives its revenues are disclosed in Note 8

In Q4 2015 we recorded certain adjustments which referred to the entire year ended December 31, 2015. For comparison and presentation purposes, the results for the three months period ended 31 March 2015 were rested accordingly. The net impact of the restatement for the three months period ended 31 March 2015 is a surplus of EUR 0.35 million on EBITDA and Net result.

(all amounts are in thousand Eur, unless specified otherwise)

4. PROPERTY, PLANT AND EQUIPMENT (PPE)

Acquisitions and disposals

During the three month period ended 31 March 2016, the Group acquired property, plant and equipment with a cost of EUR 50,950 (31 March 2015: EUR 26,695). The acquisitions related mainly to cable plant EUR 13,857 (three months ended 31 March 2015: EUR 10,210), land of EUR 7,029 (three months ended 31 March 2015: EUR 9) customer premises equipment of EUR 4,980 (three months ended 31 March 2015: EUR 6,925), equipment and devices of EUR 15,356 (three months ended 31 March 2015: EUR 4,797), buildings and structures of EUR 5,234 (three months ended 31 Mach 2015: EUR 3,680). Other new investments including energy projects were of EUR 230 (three months ended 31 March 2015: EUR 172).

5. NON-CURRENT INTANGIBLE ASSETS AND PROGRAMME ASSETS

Acquisitions

Non-current intangible assets
During the three month period ended 31 March 2016, the Group acquired non-current intangible assets with a cost of EUR 7,884 (31 March 2015: EUR 5,025) as follows:

- Software and licences in amount of EUR 5,981 (31 March 2015: EUR 1,516);
- Customer relationships by acquiring control in other companies in amount of EUR 90 (31 March 2015: EUR 2,101);
- Subscriber acquisition costs ("SAC") in amount of EUR 1,903 (31 March 2015: EUR 1,409); SAC represents third party costs for acquiring and connecting customers of the Group;
- Goodwill didn't increase through new additions in the first three months of 2016 (31 March 2015: EUR 0).

Programme assets

During the three month period ended 31 March 2016, additions of programme assets in the amount of EUR 4,770 (31 March 2015: EUR 24,884) represent broadcasting rights for sports competitions for 2016/2017 season and related advance payments for future seasons, and also rights for movies and documentaries.

Goodwill

(i) Reconciliation of carrying amount

Cost	
Balance at 1 January 2015	**80,988**
Additions	-
Effect of movement in exchange rates	2,001
Balance at 31 March 2015	**82,990**
Balance at 1 January 2016	**77,240**
Additions	-
Effect of movement in exchange rates	537
Balance at 31 March 2016	**77,777**

(ii) Impairment testing of goodwill

Goodwill is not amortized, but is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying values may be impaired. There were no impairment indicators for the cash generating units to which goodwill was allocated as of 31 March 2016.

(all amounts are in thousand Eur, unless specified otherwise)

6. INTEREST-BEARING LOANS AND BORROWINGS

Included in Long term interest-bearing loans and borrowings are bonds EUR 439,653 (December 2015: EUR 439,176), bank loans EUR 186,695 (December 2015: EUR 179,005) and leasing EUR 6,160 (December 2015: EUR 6,716).

Included in Short term interest-bearing loans and borrowing are bank loans EUR 3,530 (December 2015: EUR 4,757), short portion of long term interest-bearing loans EUR 50,519 (December 2015: EUR 49,317), leasing obligations amounting to EUR 2,142 (December 2015: EUR 2,047), other short term debts of EUR 12 (December 2015: EUR 12) and interest payable amounting to EUR 15,462 (December 2014: EUR 6,985).

The movements in total Interest bearing loans and borrowings is presented in the table below:

	Carrying amount
Balance as of 1 January 2016	**688,015**
New drawings	
Proceeds from bank borrowings	7,024
Interest expense for the period	11,602
Repayment	
Payment of lease obligations	(463)
Repayment of borrowings	(2,382)
Current year interest paid	(3,212)
Effect of movements in exchange rates	3,589
Balance as of 31 March 2016	**704,173**

(all amounts are in thousand Eur, unless specified otherwise)

7. RELATED PARTY DISCLOSURES

		31 March 2016	31 December 2015
Receivables from Related Parties			
Ager Imobiliare S.R.L.	(ii)	682	673
Digi Serbia	(ii)	203	211
Music Channel S.R.L.	(ii)	52	51
RCS Management S.A.	(i)	-	26
Other		12	13
Total		**949**	974

		31 March 2016	31 December 2015
Payables to Related Parties			
Related parties-share options	(ii)	1,395	453
RCS-Management	(i)	5,628	5,628
Digi Serbia	(ii)	110	114
Mr. Teszari Zoltan	(iii)	862	700
Other		2,711	3,149
Total		**10,706**	**10,044**

(i) Shareholder of CCS
(ii) Entities affiliated to a shareholder of the parent
(iii) Ultimate beneficial shareholder

Compensation of key management personnel of the Group

	Three months ended 31 March 2016	Three months ended 31 March 2015
Short term employee benefits – salaries	314	474

Certain members of the management team (including key management personnel) benefited in 2015 from a share based payment plan mandated by the shareholders of RCS&RDS.

(all amounts are in thousand Eur, unless specified otherwise)

8. REVENUES

Allocation of revenues through business lines and geographical areas is as follows:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Revenues from continuing operations	**199,836**	**174,933**
Cable TV		
Romania	42,986	40,202
Hungary	9,659	8,990
	52,645	**49,192**
Internet and data		
Romania	44,795	42,675
Hungary	9,330	8,432
Spain	5,662	3,635
Italy	182	54
	59,969	**54,796**
Telephony Revenues		
Romania	29,289	18,737
Hungary	1,725	1,998
Spain	14,508	12,143
Italy	1,893	1,592
	47,415	**34,470**
DTH Revenue		
Romania	9,790	10,143
Hungary	7,590	7,502
	17,380	**17,645**
Other revenues		
Romania	17,758	14,706
Hungary	4,581	4,052
Spain	33	61
Italy	55	11
	22,427	**18,830**
Revenues from discontinued operations	**-**	**3,097**
DTH Revenue	**-**	3,084
Czech Republic	**-**	**3,084**
Other revenues	**-**	13
Czech Republic	**-**	**13**
Total revenues from continuing and discontinued operations	**199,836**	**178,030**

In Q4 2015 we recorded certain adjustments which referred to the entire year ended December 31, 2015. For comparison and presentation purposes, revenues for the three months period ended 31 March 2015 were rested accordingly. More precisely a reassessment of revenues from promotions was made, as well as reallocation of revenues between business lines.

(all amounts are in thousand Eur, unless specified otherwise)

9. OPERATING EXPENSES

	Three months ended 31 March 2016	Three months ended 31 March 2015
Operating expenses from continuing operations	**181,489**	**166,729**
Depreciation of property, plant and equipment	26,885	28,943
Amortization of programme assets	10,943	12,747
Amortization of non-current intangible assets	7,900	5,594
Salaries and related taxes	28,691	27,868
Contribution to pension related fund	4,448	3,709
Programming expenses	17,322	15,895
Telephony expenses	28,468	22,842
Cost of goods sold	12,015	12,291
Rentals	11,736	10,732
Invoicing and collection expenses	3,557	3,268
Taxes and penalties	3,552	3,287
Utilities	3,421	3,148
Copyrights	2,153	2,046
Internet connection and related services	4,550	1,165
Impairment of receivables, net of reversals	2,169	2,596
Impairment of property, plant and equipment	(39)	(93)
Other expenses	13,718	10,690
Operating expenses from discontinued operations	**-**	***2,184***
Total operating expenses	**181,489**	**168,913**

10. NET FINANCE COSTS

	Three months ended 31 March 2016	Three months ended 31 March 2015
Financial revenues		
Interest from banks	23	15
Other financial revenues	1	7
	24	**22**
Financial expenses		
Interest expense	(11,602)	(12,985)
Net gain/(loss) on derivative financial instruments	(1,630)	(1,277)
Other financial expenses	(1,000)	(1,283)
	(14,232)	**(15,545)**
Foreign exchange differences (net)	6,853	7,899
Net Financial Gain/(Expenses) from continuing operations	**(7,355)**	**(7,624)**
Net Financial Gain/(Expenses) from discontinued operations	**-**	**(32)**
Net finance costs	**(7,355)**	**(7,656)**

11. ACQUISITIONS OF SUBSIDIARY

During the three months period ended 31 March 2016 there were no acquisitions of entities.

12. DISCONTINUED OPERATIONS

At the end of April 2015 the Group disposed of the Czech entity.
Details of income and expenses and other comprehensive income of the discontinued operations are presented in the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2016, there were no discontinued operations.

13. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from the use of financial instruments:
- credit risk
- liquidity risk
- market risk (including currency risk and interest rate risk).

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables from customers.
The carrying amount of trade and other receivables, net of impairment adjustment, and cash and cash equivalents represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

Cash and cash equivalents are placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

(b) Liquidity risk

At 31 March 2016, the Group had net current liabilities of EUR 181,253 (31 December 2015: EUR 171,757). As a result of the volume and nature of the telecommunication business current liabilities exceed current assets. A large part of the current liabilities is generated by investment activities.
The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due and to keep the Group's leverage optimized. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and working capital, whilst considering future cash flows from operations. Management believes that there is no significant risk that the Group will encounter liquidity problems in the foreseeable future.

(c) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in other currencies than the functional currencies of the Company and each of its subsidiaries.

Management has set up a policy to manage the foreign exchange risk against the functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group uses forward/option contracts, transacted with local banks.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

14. SHARE-BASED PAYMENT

In 2016 no share options were granted to eligible employees under the share based payment plan (31 December 2015: 935,000 shares).

15. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March 2016 the Group had derivative financial assets in amount of EUR 13,017 (31 December 2015: EUR 9,937), which included:

- Embedded derivatives of EUR 9,360 related to the bond (the Bonds include several call options as well as one put option (31 December 2015: EUR 9,255).

- Electricity trading assets (term contracts) of EUR 3,657 being mark to market gain from fair valuation of electricity trading contracts (31 December 2015: EUR 682).

As at 31 March 2016 the Group had derivative financial liabilities in amount of EUR 8,481 (31 December 2015: EUR 8,253), which included:

- Cross currency swaps with fair value of EUR 557 (31 December 2015: EUR 493). The Group does not use hedge accounting in accordance with IAS 39 because an effective hedging relationship as set out in IAS 39 does not exists. Therefore the changes in the fair values of these derivatives are recognized in profit or loss. In 2014 were concluded coupon swaps for the entire Proceeds Loan's value (EUR 450 million), all with a termination date of 23 September 2016.

- Interest rate swaps: On May 22, 2015 RCS & RDS concluded an interest rate SWAP for the entire term loan facility through which the company hedges against the volatility of cash flows on its floating rate borrowings due to modification of market interest rates (i.e.: ROBOR). For this purpose the company uses interest rate swaps, paying fixed and receiving variable cash flows on the same dates on which is settles the interest on its hedged borrowings. Hedged cash flows occur periodically, on the settlement of the interest on hedged loans, and impact profit or loss throughout the life of the loan, through accrual. Given that critical terms of the hedging instrument match the critical terms of the hedged cash flows, there is no significant ineffectiveness.

- Electricity trading liabilities (term contracts) of EUR 1,354 being mark to market loss from fair valuation of electricity trading contracts (31 December 2015: EUR 1,666).

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

(all amounts are in thousand Eur, unless specified otherwise)

	Level 1	Level 2	Level 3	Total
31 March 2016				
Available for sale financial assets	-	-	45,681	45,681
Cross currency swaps	-	-	(557)	(557)
Interest rate swaps			(6,570)	(6,570)
Embedded derivatives	-	9,360	-	9,360
Electricity trading assets (term contracts)	-	-	3,657	3,657
Electricity trading liabilities (term contracts)	-	-	(1,354)	(1,354)
Total	**-**	**9,360**	**40,857**	**50,217**

	Level 1	Level 2	Level 3	Total
31 December 2015				
Available for sale financial assets	-	-	43,373	43,373
Cross currency swaps	-	-	(493)	(493)
Interest rate swaps			(6,094)	(6,094)
Embedded derivatives	-	9,255	-	9,255
Electricity trading assets (term contracts)	-	-	682	682
Electricity trading liabilities (term contracts)	-	-	(1,666)	(1,666)
Total	**-**	**9,255**	**35,802**	**45,057**

16. GENERAL COMMITMENTS AND CONTINGENCIES

(a) Contractual commitments

Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR + 5% p.a., 3M EURIBOR + 5% p.a. or 3M ROBOR + 5% p.a.

The Group leases under operating leases several main types of assets:
- pillars for network support in Romania and Hungary in several rural areas for the Romanian and Hungarian fibre optics main ring;
- pillars for network support in Romania in several urban areas for “fibre to the block networks”;
- fibre optic line capacities in Hungary;
- commercial spaces for cash collection points in Romania and Hungary;
- office facilities in Romania, Hungary, Spain, Italy.

As at 31 March 2016, contractual commitments for capital expenditure amounted to approximately EUR 103,477 (31 December 2015: EUR 86,045) and contractual operating commitments amounted to approximately EUR 123,984 (31 December 2014: EUR 158,050), including operating leases.

In addition to the above, there are approximately another 500 operating lease contracts signed for a period of over 5 years, with an automatic renewal clause or for an indefinite term. The annual rent for these contracts is EUR 1,676 (31 December 2015: EUR 1,721).

(b) Letters of guarantee

As of 31 March 2016, there were bank letters of guarantee and letters of credit issued in amount of EUR 10,967 mostly in favour of content and satellite suppliers and for participation to tenders (31 December 2015: EUR 12,717).

We have cash collateral agreements for issuance of letters of counter guarantees. As at March 31, 2016 we had letters of guarantee issued in amount of €0.2 million. These agreements are secured with moveable mortgage over cash collateral accounts.

(c) Legal proceedings

During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

Intact Media Group Litigation

In March 2011, the Intact Media Group initiated a series of lawsuits against us. Although we consider the Intact Media Group litigation to be, at least in a large part, abusive and vexatious, if these court claims are successful, they will generate significant adverse effects on our finances, management and business model.

a) The must carry related litigations

In March 2011, Antena Group (Intact Media Group) initiated three separate lawsuits in tort against us alleging that we illegally refused to carry its channels breaching, among other things, the Romanian must carry rules. They claim damages of approximately EUR 100 million and have requested that the court impose other non-monetary remedies, such as requiring that we provide the Intact Media Group channels to our subscribers free of charge and in compliance with the highest technical standards.

In the first proceeding, Antena Group claims that we are bound by the must carry rules to provide Antena 1, the Intact Media Group's lead channel, free of charge to our subscribers in a package that only contains must carry channels. Antena Group has requested injunctive relief which would require us to offer such a package to our subscribers (neither we nor any other Romanian distributor currently offers to its customers such a package) and has sought damages amounting to EUR 65 million for our alleged breach of the must carry rules. The initial court case was split into two proceedings as Antena Group assigned its monetary claims related to this lawsuit to First Quality Debt Recovery.

The claim regarding the EUR 65 million monetary damages was suspended until settlement of both the claim for injunctive relief and a lawsuit we initiated challenging the effects of an arrangement regarding the assignment of receivables from Antena Group to First Quality Debt Recovery. On April 15, 2015, the Bucharest Tribunal partially admitted RCS&RDS' claim and annulled the assignment of receivables from Antena Group to First Quality Debt Recovery. We expect this decision to have a significant positive impact on RCS&RDS' defence against Antena Group's claim regarding the EUR 65 million monetary damages. Please note that this decision is not final as it has been challenged by Antena Group. The first hearing in the appeal is scheduled for 20 September 2016.

In the case regarding the injunctive relief request, both the court of first instance and the court of appeal ruled in our favor and dismissed Antena Group's claims. However, in February 2014, the Romanian Supreme Court admitted the higher appeals filed by Antena Group and First Quality Debt Recovery and quashed the decisions issued by both the first instance and the appeal courts, ordering a retrial of the case by the first court. The decision of the Supreme Court does not confirm Antena Group's allegations on the merits of the case, as the retrial was ordered solely based on procedural reasons. The Bucharest Tribunal annulled the monetary claims (EUR 65 million) filed in the case file and suspended the proceedings until a final settlement will be issued in the lawsuit we initiated to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

Separately, Antena Group has also filed two lawsuits claiming (i) monetary damages of approximately EUR 35 million consisting of loss of revenue due to our temporary refusal to carry the tv channels GSP TV and Antena 2 which allegedly breached, among other things, the must carry rules; and (ii) injunctive relief that would require us to provide the disputed channels to our customers in compliance with the highest technical standards. Approximately EUR 24 million out of these claims are related to our refusal to carry GSP TV, while the remaining EUR 11 million is related to our refusal to carry Antena 2. Because Antena Group assigned to First Quality Debt Recovery the claims regarding the EUR 35 million monetary damages as well, First Quality Debt Recovery became involved in these proceedings. Consequently, the court split both the GSP TV and the Antena 2 lawsuits into two: in each case, the monetary claim formed one lawsuit and the claim for injunctive relief another one. At our request, both the GSP TV and the Antena 2 claims for monetary damages were suspended until the final settlement of the lawsuit we initiated for challenging the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

The case regarding the injunctive relief sought in relation to the GSP TV channel was settled by the Bucharest Tribunal in favour of Antena Group, the court ordering us to include the channel in our network in compliance with several technical requirements. However, we have been carrying the channel as of January 2012 and therefore the decision did not impact our network. The appeal filed by RCS & RDS against the first court decision was rejected in October 2014. The decision of the Bucharest Tribunal remained final.

The case regarding the injunctive relief sought in respect to Antena 2 was settled in March 2014 by the Bucharest Tribunal in our favour; Antena Group's claims were rejected in their entirety. Antena Group appealed the decision, but the appeal was rejected in October 2014. Antena Group filed a higher appeal against the appeal decision and the High Court of Cassation and Justice ordered a retrial of the appeal by the Bucharest Court of Appeal. On 19 April 2016, the Bucharest Court of Appeal appears to have confirmed the previous ruling rejecting Antena Group's injunctive relief. Details of this ruling will be available once the court will issue a full decision. This decision may be appealed by either party.

At the end of 2014, Antena Group initiated two new lawsuits requesting damages in relation to the carriage of GSP TV and Antena 2. The claims are almost identical to the ones regarding the same channels and assigned to First Quality Debt Recovery in 2012, except for the much lower amounts requested, specifically RON 500,000 in relation to GSP TV and RON 250,000 in relation to Antena 2. Both lawsuits have been suspended until the final settlement of the trial initiated by RCS&RDS to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

We have also challenged, but failed to overturn in court a number of NAC (National Audiovisual Council of Romania) decisions on must carry rules and, particularly, a decision finding that we breached the obligation to provide certain must carry channels to our customers (including GSP TV). This adverse decision could be used in the monetary claims of Antena Group against us in relation to the alleged breach of the must carry rules with respect to GSP TV (such claims being approximately EUR 24 million).

Antena Group has not yet provided any objective criteria for the determination of their claims in damages. However, there is a risk that we could be found liable for substantial sums. Moreover, should Antena Group be successful in all or part of its non-monetary claims, we may be forced to change our business model of providing must carry channels to our customers as we would be forced to provide separate, free of charge packages containing only the must carry channels. This litigation is relevant only to our cable television distribution and would not affect our DTH distribution since DTH distribution is as per current regulations expressly exempt from the must carry rules.

b) Litigation on grounds of an alleged abuse of dominant position

In July 2014, two companies of the Intact Media Group (Antena Group and Antena 3) filed another claim against RCS&RDS requesting the court to ascertain that RCS & RDS abused its dominant position by its alleged refusal to negotiate and conclude an agreement for the remunerated carriage of Antena Group channels, should Antena Group eventually choose to waive the must carry regime currently applicable to all Intact Media Group's TV channels. The claimants also requested the court to order RCS & RDS to negotiate with Antena Group in view of concluding a pay-tv based agreement under terms similar to the ones agreed by us with Pro TV S.A.

We requested the court to reject the claim as RCS&RDS's behaviour is neither abusively discriminatory nor an abusive refusal to deal. We are mainly arguing that: (i) the claimants didn't initiate good-faith negotiations, as their channels are still under must-carry regime and they didn't even issue an offer to begin with; (ii) the alleged refusal to negotiate would be justified by the abusive past conduct of the claimant; (iii) the negotiations requested by Intact Media Group are not comparable to the ones with Pro TV S.A., given the different market conditions at the moment of the negotiations and the different legal status of the TV channels of the two groups; and (iv) the conditions required by antitrust legislation are not met (e.g., the claimants are not risking exiting the market).

In March 2015, RCS & RDS requested the court to stay the proceedings until the final settlement of four other trials. The court decided on April 14, 2015 in favour of RCS&RDS' request and suspended the trial until the final settlement of the lawsuit including the €65 million monetary damages. The decision on suspension of the trial was challenged by Antena Group. The first hearing in front of the Bucharest Tribunal is scheduled for 15 June 2016.

If, in this litigation, the Court finally rules in favour of the plaintiffs, we risk to be forced to conclude the carriage agreement for Intact Media Group's channels on similar financial conditions to those agreed with Pro TV S.A. An unfavourable decision could also be used as argument by other broadcasters to claim similar conditions.

c) The copyright related litigation

In June 2014, Antena Group filed a new monetary claim against RCS&RDS, requesting approximately EUR 40 million on the grounds of an alleged breach of its copyright over the Antena 1, Antena Stars (former Antena 2), Euforia Lifestyle TV and ZU TV (former GSP TV) channels. The claimant argues that these TV programs have

been carried by RCS&RDS, from June 2011 till June 2014, without Antena Group's consent and in the absence of an agreement on the fees for the use of its copyright.
RCS&RDS requested the dismissal of the claim for being submitted by a person lacking standing on the matter, as the rights invoked by Antena Group (if any) are subject to mandatory collective management, and also for being unfounded, as the carriage was performed having either legal or contractual coverage.
On 30 October 2014, the Bucharest Tribunal rejected the claim on procedural grounds and stated that Antena Group does not have legal standing in this lawsuit. On 16 March 2016 the Bucharest Court of Appeals admitted Antena Group's appeal, annulled the first court's decision and sent the file back to the Bucharest Tribunal for a trial on the merits of the case. A higher appeal before the Supreme Court is available to RCS & RDS, but the full decision of the Court of Appeals has not been yet communicated to us.

d) Litigation regarding the outcome of the GSP investigation
On 3 March 2015, the Romanian Competition Council dismissed Antena Group's complaint regarding an alleged abuse of dominant position of RCS&RDS in relation to the GSP TV channel.
On 10 April 2015, Antena Group challenged the Competition Council's decision and requested the courts of law to: (i) annul that decision, as the conduct of RCS & RDS with respect to the GSP channel fulfils the legal criteria to be considered an abuse of dominant position and (ii) order the Competition Council to re-open the investigation and issue a decision taking into consideration all arguments raised by Antena Group. The main grounds of this court claim regard the Competition Council's alleged wrongful analysis of the RCS&RDS' refusal to negotiate the retransmission of GSP TV channel, as well as the authority's alleged lack of a proper analysis regarding RCS&RDS' (alleged) discriminatory behaviour.
Antena Group initiated the proceedings only against the Competition Council, but the court decided that RCS & RDS needs to be introduced in the trial as defendant. The next hearing in front of Bucharest Court of Appeal is scheduled for 12 September 2016.
Should the court decide in favour of Antena Group's claim, it might force the Competition Council to reopen the investigation against RCS&RDS, which could ultimately lead to the application of antitrust fines amounting up to 10% of RCS&RDS' turnover.

e) Reciprocal contractual claims with the Intact Media Group
We have filed two lawsuits against Antena Group requesting a total amount of approximately EUR 2.6 million resulting from the breach of several agreements. Antena Group filed counterclaims in both case files.
In these two proceedings, we are claiming that Antena Group must: (i) refund the fees we paid until December 2010 for retransmitting two channels of the Intact Media Group, based on the "most favoured client clause" agreed by Antena Group and (ii) pay for the telecommunication services we provided in 2010 and 2011. Antena Group has filed counterclaims alleging that we are liable for: (i) retransmission fees from 2010 and 2011 for two of Intact Media Group's channels; and (ii) the contractual price of the advertising services that we requested in 2010 and that Antena Group allegedly provided.
In the first lawsuit, on 2 November 2015, the Bucharest Tribunal fully rejected our claim for a refund of the retransmission fees paid until 2010 and partially admitted the counterclaim of Antena Group regarding the retransmission in 2010 and 2011. As a result, we were ordered to pay to Antena Group approx. EUR 1,9 million representing (i) retransmission fees and (ii) judiciary expenses. Both RCS&RDS and Antena Group filed an appeal against the decision of the first court. The next hearing in front of the Bucharest Court of Appeals is scheduled for 9 September 2016.
In the lawsuit regarding telecommunication and advertising services, the court of first instance fully rejected both our claim and the counterclaim of Antena Group. Both RCS&RDS and Antena Group appealed the decision of the first court, the case currently pending before the Bucharest Court of Appeals. The next hearing is scheduled for 19 September 2016.

Litigation between the Cluj Napoca Municipality and CFO Integrator S.R.L. (RCS&RDS's subsidiary)

In March 2015, the Cluj Napoca Municipality filed a claim against CFO Integrator S.R.L. (a company that has been taken over by RCS&RDS starting March 2014) asking for approx. RON 3.5 million as penalties for the late payment by CFO Integrator S.R.L. during 2010-2014 of the outstanding annual royalty due by CFO Integrator S.R.L. to the Cluj Napoca Municipality under the ongoing joint venture agreement on the development and management of the electronic communications infrastructure Ductcity in Cluj Napoca. The Cluj Napoca Municipality's abusive allegations for payment are grounded on several legal and local regulatory provisions that we consider not to be applicable to the joint venture agreement in place between the parties and ignores the fact that CFO Integrator S.R.L. paid in May 2014 all outstanding debts towards Cluj Napoca Municipality, including all applicable penalties

for late payment as computed according to the terms of the joint venture agreement (total penalties amounting to approx. RON 220,000).
CFO Integrator S.R.L. submitted its statement of defence on April 4, 2015. The court appointed an accounting expert to certify both the claimant's and the defendant's computation of the penalties making the object of the case file. At this stage, the appointed expert was required to redo her calculations according to the observations submitted by the Cluj Napoca Municipality against the initial report (that generally sustained CFO Integrator S.R.L.' defences). On 13 May 2016, the court rejected the Cluj Napoca Municipality's claim in its entirety. This decision is subject of appeal.
Should the court rule in whole or in part in favour of the Cluj Napoca Municipality, this approach would risk granting the Cluj Napoca Municipality excessive powers under the joint venture agreement (in place until 2028) and expose CFO Integrator S.R.L. to a greater liability towards the Cluj Napoca Municipality.

Litigation initiated by Electrica Distribuţie Transilvania Nord against the concession agreement concluded between RCS & RDS and the Oradea Municipality
Following a public tender, we have concluded in August 2014 with the Oradea Municipality a concession agreement regarding the use a specified area of land owned by the municipality. The contract provides for the right to use the land in view of developing an underground cable trough, an investment estimated at approx. €6.3 million.
In 2015, Electrica Distributie Transilvania Nord SA requested the Bihor Tribunal to annul the concession agreement and the administrative decisions underlying it. On the one hand, the claimant argues that the tender organised by the local municipality did not comply with all applicable mandatory rules. On the other hand, the claimant contends that the underground cable trough is intended to include electricity distribution wires and this would represent a breach of its exclusive right to distribute electricity in Oradea.
The Oradea Municipality raised both procedural pleas and defences on the merits of the case.
Although Electrica Distributie Transilvania Nord SA filed this claim only against the Oradea Municipality, the court decided that the proceedings must include us and therefore we were requested to join the proceedings as defendants.
In accordance with the decision of the court, we filed a statement of defence on 19 April 2016. We supported the Municipality's defence regarding the merits of the case, but we also raised additional procedural pleas, On the one hand, we requested to court to ask the claimant to pay stamp duties computed by reference to the value of the concession agreement (approx. 1% of the estimated €6.3 million investment) before continuing with the proceedings. On the other hand, we emphasised that the claimant would derive no direct and legitimate benefit from the admission of its claim. We raised the following grounds in support of this plea: (i) the claimant did not prove that it was interested in participating in the public tender organised by the local municipality in relation to the concession agreement; (ii) the concession agreement does not specify that the underground cable trough will include the electricity distribution wires mentioned by the claimant; and (iii) the alleged exclusivity of the claimant to provide the electricity distribution service in Oradea does not entitle it to prevent the development of distribution networks in that region.
Moreover, we indicated that two companies from our group (Delalina S.R.L. and Foto Distributie S.R.L.) have challenged before the Bucharest Court of Appeals the administrative provisions relied upon by Electrica Transilvania Nord to support its alleged exclusivity. Should Electrica Transilvania Nord insist in relying on this alleged exclusivity in its challenge against the concession agreement, we will request the Bihor Tribunal to stay the proceedings pending final settlement of the case heard by the Bucharest Court of Appeals.
At the hearing taking place on 17 May 2016, the Bihor Tribunal decided to suspend the trial until the issuance by the relevant courts of a final ruling regarding the above mentioned claims (see previous paragraph).

Pecuniary claim filed by the National Cinematography Centre
On 19 April 2016, the National Cinematography Centre in Romania (which is the Romanian public entity under the Romanian Ministry of Culture) filled against RCS&RDS a payment injunction amounting to at least EUR 1.6 million, including principal amount and penalties for late payment.
Under the law, the National Cinematography Centre is entitled, amongst others, to collecting 1% of the monthly aggregate income gained from the cable and satellite carriage of TV channels, as well as from the digital retransmission of TV content. We have dully declared our income to the National Cinematography Centre, but did perform only partial payments (i.e., until the present, we have only paid the outstanding amounts until, including, 2010).
We have carried out until December 2015 several discussions and correspondence with the National Cinematography Centre during which we admitted the fact that RCS&RDS is bound to pay the principal amounts, but we had several divergences on the amount of the applicable penalties, while the National Cinematography Centre has not indicated a correct bank account to allow us to perform due payments.
The court has not yet schedules a date for the first hearing. Irrespective of the decision that will be issued by the Bucharest Tribunal, we admit the fact that RCS&RDS is liable to pay the principal outstanding amounts as reported

by RCS&RDS, but we will continue to challenge the several aspects arising from the National Cinematography Centre's claim, including the interpretation regarding the applicable penalties for late payment.

Competition Council Investigations
RCS&RDS has been until 2015 subject to two investigations by the Competition Council. As per our knowledge, no other infringement investigation is pending against RCS&RDS.

Telecom market interconnection investigation
In May 2010, RCS&RDS made a complaint to the Romanian Competition Council in relation to the interconnection tariffs applied on the Romanian mobile telecom market, seeking to obtain a reduction in the tariffs charged. In February 2011, the Romanian Competition Council opened an investigation on the mobile telephony market in relation to relatively high interconnection tariffs. Subsequently, the investigation focused on differences in fees charged to consumers based on whether the person being called subscribed to the same network as the consumer making the call. We have submitted a commitment that has been accepted by the Competition Council by decision no 33/2015. We will need to implement this commitment for 2 years. During the term of the commitments, RCS&RDS is required to provide to the Romanian Competition Council, upon request, business information, and to commission periodic independent market studies on the evolution of the mobile telephony sector.
The Competition Council's decision accepting RCS&RDS' commitment has closed the investigation without the application of any fines for the alleged anticompetitive conduct. The offering of commitments does not imply any admission of wrongdoing. Failure by RCS&RDS to comply with the terms of the commitment as accepted by the Competition Council may lead to penalties of up to 10% of the aggregate turnover of RCS&RDS.

GSP investigation
In May 2011, the Antena Group, a media group in Romania and a former commercial partner of RCS&RDS, made a complaint to the Romanian Competition Council in relation to RCS&RDS refusal to retransmit one of the group's channel, GSP TV. The Romanian Competition Council opened an investigation against RCS&RDS in relation to this matter in August 2011. The Romanian Competition Council issued its final decision on March 3, 2015. The antitrust authority's decision amounted to the conclusion that RCS&RDS' refusal to negotiate the carriage of GSP TV channel is not abusive and that it does not amount to a competition law infringement. The Romanian Competition Council additionally considered that such refusal was justified by the existence of multiple judicial disputes between the parties, including with respect to the application and meaning of the must-carry regime.
The Romanian Competition Council's decision is not final and is subject to judicial review. Antena TV Group S.A. challenged the decision and that trial is ongoing (the details of this case are explained in a dedicated section above: "Litigation regarding the outcome of the GSP investigation").

17. SUBSEQUENT EVENTS

On 29 April 2016 we have repaid the second principal installment from the 2015 Senior Facility, in amount of RON 110 million (EUR 24.6 million equivalent).

(all amounts are in thousand Eur, unless specified otherwise)

18. EBITDA

In the telecommunications industry the benchmark for measuring profitability is EBITDA (earnings before interest, taxes, depreciation and amortization). EBITDA is a non-IFRS accounting measure.

For the purposes of disclosure in these notes, EBITDA is calculated by adding back to consolidated operating profit/(loss) our charges for depreciation, amortization and impairment of assets. Adjusted EBITDA is defined as EBITDA adjusted for the effect of extraordinary or one-off items. In addition, we adjust EBITDA for mark to market results (unrealized) from fair value assessment of energy trading contracts.

	Three month period ended 31 March 2016	**Three month period ended 31 March 2015**
Revenues and other income	**199,836**	**178,030**
EBITDA		
Operating profit	21,631	9,117
Depreciation, amortization and impairment	45,690	47,293
Other income	3,284	-
Adjusted EBITDA	**64,037**	**56,410**
Adjusted EBITDA (%)	*32.04%*	*31.69%*

Other income includes mark to market gain from fair value assessment of the energy trading contracts as at 31 March 2016. As of March 31, 2015 EBITDA from discontinued operations was EUR 1,015 (March 31, 2016: 0).