

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 2014

Cable Communications Systems N.V.
Condensed Consolidated Interim Financial Report
Prepared in accordance with International Financial Reporting Standards
for the three month period ended 31 March 2014

CONTENTS	Page
GENERAL INFORMATION.....	-
REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT.....	-
CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT (unaudited).....	1 - 19
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited).....	1
CONDENSED CONSOLIDATED INCOME STATEMENT (unaudited).....	2
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited).....	2
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (unaudited).....	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited).....	4 - 5
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT (unaudited).....	6 - 19

GENERAL INFORMATION

Directors:

Zoltan Tetzari, President of the Board of Directors

Marius Cătălin Vărzaru

Monique Charlotte Rosenkotter-Donker

Parveen Chantal Soebrati

Registered Office:

Cable Communications Systems N.V.

Naritaweg 165, 1043 BW, Amsterdam, Netherlands

Cable Communications Systems N.V.
Condensed Consolidated Statement of Financial Position (unaudited)
as of 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

	Notes	31 March 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	4	634,975	624,672
Intangible assets	5	171,817	168,653
Available for sale financial assets (AFS)		30,982	30,982
Investments in associates		2,381	2,280
Long term receivables		2,913	2,666
Deferred tax assets		4,758	5,008
Total non-current assets		847,826	834,261
Current assets			
Inventories		24,710	21,065
Programme assets	5	25,847	29,387
Trade and other receivables		83,074	81,484
Income tax receivable		3,987	4,857
Other assets		11,406	11,680
Cash and cash equivalents		49,879	50,234
Total current assets		198,903	198,707
Total assets		1,046,729	1,032,968
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		51	51
Share premium		8,247	8,248
Treasury shares		(16,703)	(16,703)
Reserves		43,075	54,094
Retained earnings		85,044	71,397
Total equity attributable to equity holders of the parent		119,714	117,087
Non-controlling interest		3,260	3,396
Total equity		122,973	120,483
Non-current liabilities			
Interest-bearing loans and borrowings	6	639,344	638,933
Deferred tax liabilities		37,934	37,826
Other long-term liabilities		7,423	5,280
Total non-current liabilities		684,701	682,039
Current liabilities			
Trade and other payables		169,591	174,740
Interest-bearing loans and borrowings	6	21,132	11,458
Income tax payable		887	640
Derivative financial instruments	14	1,783	317
Deferred revenue		45,662	43,291
Total current liabilities		239,055	230,446
Total liabilities		923,756	912,484
Total equity and liabilities		1,046,729	1,032,968

The notes on pages 6 to 19 are an integral part of this condensed consolidated interim financial report.
The condensed consolidated interim financial report was issued on 12 June 2014.

Cable Communications Systems N.V.
Condensed Consolidated Statement of Comprehensive Income (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

	Notes	Continuing operations	Discontinued operations	Three month period ended 31 March 2014	Continuing operations	Discontinued operations	Three month period ended 31 March 2013
Revenues	8	153,853	-	153,853	149,082	7,500	156,582
Other income		8,332	-	8,332	-	-	-
Operating expenses	9	(141,254)	-	(141,254)	(139,804)	(5,435)	(145,239)
Operating profit		20,931	-	20,931	9,278	2,065	11,343
Finance income		7,459	-	7,459	81	1	82
Finance expense		(14,957)	-	(14,957)	(15,292)	(7)	(15,299)
Net finance costs	10	(7,498)	-	(7,498)	(15,211)	(6)	(15,217)
Gain / (Loss) before taxation		13,433	-	13,433	(5,932)	2,058	(3,874)
Income tax (expense) / income		(1,872)	-	(1,872)	124	0	124
Net gain / (loss) for the period		11,561	-	11,561	(5,808)	2,058	(3,750)
Other comprehensive income							
Foreign currency translation differences							
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>							
<i>Items that may be reclassified to profit or loss in subsequent periods</i>							
		(7,029)	-	(7,029)	(1,969)	-	(1,969)
Other comprehensive loss for the period		(7,029)	-	(7,029)	(1,969)	-	(1,969)
Total comprehensive gain / (loss) for the period		4,532	-	4,532	(7,777)	2,058	(5,719)
Net gain/ (loss) attributable to:							
Equity holders of the parent		11,143	-	11,143	(5,585)	1,979	(3,606)
Non-controlling interest		418	-	418	(224)	80	(145)
Net gain / (loss) for the period		11,561	-	11,561	(5,809)	2,058	(3,751)
Total comprehensive result attributable to:							
Equity holders of the parent		(6,749)	-	(6,749)	(3,647)	1,979	(1,668)
Non-controlling interest		(280)	-	(280)	(380)	80	(301)
Total comprehensive gain/(loss) for the period		(7,029)	-	(7,029)	(4,027)	2,058	(1,969)

The notes on pages 6 to 19 are an integral part of this condensed consolidated interim financial report.

The condensed consolidated interim financial report was issued on 12 June 2014.

Cable Communications Systems N.V.
Condensed Consolidated Cash Flow Statement (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

	Notes	3 months period ended March 2014	3 months period ended March 2013
Cash flows from operating activities			
Profit/(loss) before taxation		13,433	(3,874)
Adjustments for:			
Depreciation, amortization and impairment	9	48,309	54,294
Interest expense, net	6	12,278	8,977
Finance costs		193	-
Impairment of trade and other receivables	9	1,203	1,738
Unrealised (gains) / losses on derivative financial instruments		1,466	(41)
Equity settled share-based payments	13	466	453
Unrealised foreign exchange loss / (gain)		(8,144)	6,151
Other non cash items		-	1,317
Gain on disposal of subsidiary		(9,040)	0
Cash flows from operations before working capital changes		60,164	69,015
Changes in:			
Trade receivables and other assets		(790)	(2,186)
Inventories		(3,629)	1,800
Trade payables and other current liabilities		(10,085)	(13,889)
Deferred revenue		2,371	3,317
Cash flows from operations		48,031	58,057
Interest paid		(3,336)	(7,513)
Income tax paid		(537)	(332)
Cash flows from operating activities		44,158	50,212
Cash flow used in investing activities			
Purchases of property, plant and equipment		(23,829)	(39,643)
Purchases of intangibles		(22,181)	(22,372)
Acquisition of subsidiaries and NCI		(6,808)	(1,068)
Sale of subsidiaries, net of cash disposed		8,330	850
Proceeds from sale of property, plant and equipment		1,276	35
Cash flows used in investing activities		(43,212)	(62,198)
Cash flows from financing activities			
Dividends paid to shareholders		(1,026)	(321)
Proceeds from borrowings		2,014	4,192
Proceeds from related party borrowings		-	453
Repayment of borrowings		(440)	-
Financing costs paid		(2,879)	-
Settlement of derivatives		(193)	-
Payment of finance lease obligations		(254)	(256)
Cash flows from financing activities		(2,778)	4,068
Net (decrease)/ increase in cash and cash equivalents		(1,832)	(7,917)
Cash and cash equivalents at the beginning of the period		50,234	12,561
Effect of exchange rate fluctuations of cash and cash equivalents held		1,477	6
Cash and cash equivalents at the end of the period		49,879	4,650

The notes on pages 6 to 19 are an integral part of this condensed consolidated interim financial report.
The condensed consolidated interim financial report was issued on 12 June 2014.

Cable Communications Systems N.V.
Condensed Consolidated Statement of Changes in Equity (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2014	51	8,247	(16,703)	(23,160)	55,688	21,567	71,397	117,087	3,396	120,483
Comprehensive income for the period										
Profit for the year							11,143	11,143	418	11,561
Other comprehensive income				(6,896)	(4,123)		4,271	(6,749)	(280)	(7,029)
Total comprehensive income for the period	-	-	-	(6,896)	(4,123)		15,414	4,394	138	4,532
Transactions with owners, recognised directly in equity										
<i>Contributions by and distributions to owners</i>										
Equity-settled share-based payment transactions							449	449	18	466
Dividends distributed										
Total contributions by and distributions to owners	-	-	-	-	-	-	449	449	18	466
Changes in ownership interests in subsidiaries										
Acquisition of non-controlling interests while retaining control										
Movement in ownership interest while retaining control							(2,216)	(2,216)	(292)	(2,508)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	(2,216)	(2,216)	(292)	(2,508)
Total transactions with owners	-	-	-	-	-	-	(1,768)	(1,768)	(274)	(2,042)
Balance at 31 March 2014	51	8,247	(16,703)	(30,056)	51,565	21,567	85,044	119,714	3,260	122,973

The notes on pages 6 to 19 are an integral part of this condensed consolidated interim financial report.

Cable Communications Systems N.V.
Condensed Consolidated Statement of Changes in Equity (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2013	51	8,247	(16,703)	(17,866)	75,948	16,272	37,044	102,993	3,516	106,509
Comprehensive income for the period										
Profit for the year							(3,606)	(3,606)	(145)	(3,751)
Other comprehensive income				(6,726)	(5,315)	5,056	5,315	(1,670)	(301)	(1,971)
Total comprehensive income for the period	-	-	-	(6,726)	(5,315)	5,056	1,709	(5,276)	(445)	(5,721)
Transactions with owners, recognised directly in equity										
<i>Contributions by and distributions to owners</i>										
Equity-settled share-based payment transactions	-	-	-	-	-	-	434	434	19	453
Dividends distributed										
Total contributions by and distributions to owners	-	-	-	-	-	-	434	434	19	453
<i>Changes in ownership interests in subsidiaries</i>										
Acquisition of non-controlling interests while retaining control										
Movement in ownership interest while retaining control										
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	434	434	19	453
Balance at 31 March 2013	51	8,247	(16,703)	(24,592)	70,633	21,328	39,187	98,151	3,090	101,241

The notes on pages 6 to 19 are an integral part of this condensed consolidated interim financial report.

Cable Communications Systems N.V.
Notes to the Condensed Consolidated Interim Financial Report (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

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 holding company of the Group is Cable Communications Systems N.V. (“CCS” or “the Company”), 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, Digi Czech Republic S.R.O., Digi Italy SL (Italy). Cable Communications Systems N.V. 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.

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

The condensed consolidated interim financial report was issued on 12 June 2014.

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 2013. 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 2013.

(b) Judgements and estimates

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

Currency	2014			2013		
	Jan 1 st	Average for the 3 mohts	Mar 31 st	Jan 1 st	Average for the 3 mohts	Mar 31 st
RON per 1EUR	4.4847	4.5021	4.4553	4.4287	4.3852	4.4154
HUF per 1EUR	296.91	308.03	307.06	291.29	296.51	304.3
CZK per 1EUR	27.43	27.44	27.44	25.14	25.57	25.74
RSD per 1EUR	111.61	115.75	115.38	113.72	111.69	111.96
HRK per 1EUR	7.58	7.65	7.65	7.55	7.58	7.59

Cable Communications Systems N.V.
Notes to the Condensed Consolidated Interim Financial Report (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

USD per 1EUR 1.3791 1.3696 1.3788 1.319 1.3203 1.2815

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 while 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 RCS&RDS 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 services and exclusive content. Historically capital expenditure has been significant given the upgrade of the network however is expected to decline in the short-to-medium term as the upgrade of the fibre network has been largely completed and the Group has the ability to add subscribers through bundled services at minimal incremental cost.

For further information refer to Note 12b) Liquidity risk.

2.3 SIGNIFICANT ACCOUNTING POLICIES

The 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 2013.

Cable Communications Systems N.V.
Notes to the Condensed Consolidated Interim Financial Report (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

3. SEGMENT REPORTING

31 March 2014	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	107,614	29,310	12,070	4,859	-	-	153,853
Inter-segment revenues	929	-	245	-	(1,174)	-	-
Segment operating expenses	(60,811)	(17,772)	(11,389)	(4,147)	1,174	-	(92,946)
EBITDA	47,732	11,537	926	712	-	-	60,907
Depreciation, amortization and impairment of tangible and intangible assets					-	(48,308)	(48,308)
One off transactions						8,332	8,332
Operating profit					-		20,931
Additions to tangible non-current assets	45,207	2,271	19	15	-	-	47,511
Additions to intangible non-current assets	6,758	71	468	343	-	-	7,640
<i>Carrying amount of:</i>							
Property, plant and equipment	525,077	109,384	256	258	-	-	634,975
Non-current intangible assets	146,034	22,644	2,292	846	-	-	171,817
Investments in associates	2,381	-	-	30,982	-	-	33,363

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

Cable Communications Systems N.V.
Notes to the Condensed Consolidated Interim Financial Report (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

31 March 2013	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	101,961	29,447	11,662	13,512	-	-	156,582
Inter-segment revenues	1,141	-	264	-	(1,405)	-	-
Segment operating expenses	(54,829)	(17,815)	(9,678)	(10,029)	1,405	-	(90,946)
EBITDA	48,273	11,632	2,248	3,483	-	-	65,636
Depreciation, amortization and impairment of tangible and intangible assets						(54,294)	(54,294)
Operating profit							11,342
Additions to tangible non-current assets	29,457	4,512	76	70	-	-	34,115
Additions to intangible non-current assets	1,315	255	136	115	-	-	1,821
<i>Carrying amount of:</i>							
Property, plant and equipment	519,138	121,117	310	10,247	-	-	650,812
Non-current intangible assets	139,446	23,497	1,789	1,849	-	-	166,581
Investments in associates	2,482	-	-	29,721	-	-	32,203

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

4. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the three month period ended 31 March 2014, the Group acquired property, plant and equipment with a cost of EUR 47,511 (31 March 2013: EUR 34,115). The acquisitions related mainly to cable plant - EUR 24,476 (three months ended 31 March 2013: EUR 12,605) out of which EUR 11,249 represents the network assets of the newly acquired CFO Integrator, customer premises equipment of EUR 13,008 (three months ended 31 March 2013: EUR 7,421), equipment and devices of EUR 6,447 (three months ended 31 March 2013: EUR 6,839) and new investment in solar energy projects of EUR 69 (three months ended 31 March 2013: EUR 4,353)

Assets with a net book value of EUR 1,323 (31 March 2013: EUR 183) were disposed by the Group during the three month period ended 31 March 2014.

5. NON-CURRENT INTANGIBLE ASSETS AND PROGRAMME ASSETS

(a) Acquisitions

Non-current intangible assets

During the three month period ended 31 March 2014, the Group acquired non current intangible assets with a cost of EUR 7,640 (31 March 2013: EUR 1,821) as follows:

- Software in amount of EUR 1,658 (31 March 2013: EUR 567);
- Customer relationships by acquiring control in other companies in amount of EUR 2,885 (31 March 2013: EUR 493);
- Subscriber acquisition costs ("SAC") in amount of EUR 540 (31 March 2013: EUR 418); SAC represents third party costs for acquiring and connecting customers of the Group;
- Goodwill in amount of EUR 2,557 acquired through business combination (31 March 2013: EUR 343).

Programme assets

During the three month period ended 31 March 2014, additions of programme assets in the amount of EUR 9,473 (31 March 2013: EUR 13,012) represent broadcasting rights for sports competitions for 2014/2015 season and related advance payments for future seasons, and also rights for movies and documentaries.

(c) Goodwill

(i) Reconciliation of carrying amount

Cost	
Balance at 1 January 2013	81,649
Additions from acquisition of subsidiaries	343
Effect of movement in exchange rates	(786)
Balance at 31 March 2013	81,206
Balance at 1 January 2014	80,554
Additions from acquisition of subsidiary	2,557
Effect of movement in exchange rates	(391)
Balance at 31 March 2014	82,720

(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 2014.

6. INTEREST-BEARING LOANS AND BORROWINGS

Included in Long term interest-bearing loans and borrowings are bonds EUR 434,565 (December 2013: EUR 434,245), bank loans EUR 198,465 (December 2013: EUR 198,154) and leasing EUR 6,314 (December 2013: EUR 6,534).

Included in Short term interest-bearing loans and borrowing are bank loans EUR 6,288 (December 2013: EUR 4,674) and leasing obligations amounting to EUR 969 (31 December 2013: EUR 1,007), interest payable amounting to EUR 13,875 (31 December 2013: EUR 5,777).

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

	Carrying amount
Balance as of 01 January 2014	650,391
<i>New issuance</i>	
Proceeds from short term borrowings (overdraft)	2,014
Interest expense for the period	12,278
<i>Repayment</i>	
Payment of lease obligations	(254)
Current year interest paid	(3,336)
<i>Effect of movements in exchange rates</i>	(617)
Balance as of 31 March 2014	660,476

7. RELATED PARTY DISCLOSURES

Balances with related parties		31 March 2014	31 December 2013
Receivables from Related Parties			
Companies			
Ager Immobiliare (i)		633	626
RCS-Management S.A. (i)		125	72
Music Channel S.R.L. (i)		64	63
Digi SAT (i)		166	-
Other		-	80
Total		988	841
		31 March 2014	31 December 2013
Payables to Related Parties			
Companies			
Related parties - share options (i)		-	88
RCS-Management S.A. (i)		2,812	3,173
Digi SAT (i)		75	-
Total		76	3,261
Individuals			
Mr. Zoltan Teszari (ii)		416	416
Others		55	-
Total Payables to Related Parties		547	3,677

(i) Entities affiliated to a shareholder of the parent

(ii) Ultimate beneficial shareholder

Compensation of key management personnel of the Group

	Three months ended 31 March 2014	Three months ended 31 March 2013
Short term employee benefits – salaries	155	158

Certain members of the management team (including key management personnel) benefit from a share based payment plan mandated by the shareholders of RCS&RDS S.A. Total share options granted for the year 2014 of 1,157,000 are part of the remuneration received by key management personnel (31 March 2013: approximately 1,100,000), in addition to the salaries above.

8. REVENUES

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

	Three months ended 31 March 2014	Three months ended 31 March 2013
Total revenues from continuing operations	153,853	149,082
Cable TV		
Romania	37,872	36,344
Hungary	8,499	8,458
	46,372	44,802
Internet and data		
Romania	39,744	36,962
Hungary	7,797	7,597
Italy	8	-
Spain	1,843	620
	49,392	45,179
Telephony		
Romania	13,931	14,210
Hungary	2,112	2,625
Spain	10,205	11,039
Italy	1,207	1,494
	27,455	29,368
DTH		
Romania	11,250	13,166
Hungary	7,850	8,607
Czech Republic	3,620	4,496
	22,720	26,269
Other revenues		
Romania	4,816	1,279
Hungary	3,051	2,160
Czech Republic	24	22
Spain	23	3
	7,915	3,464

Cable Communications Systems N.V.
Notes to the Condensed Consolidated Interim Financial Report (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

	Three months ended 31 March 2014	Three months ended 31 March 2013
Total revenues from discontinued operations	0	7,500
Cable TV		
Slovakia	0	899
	0	899
Internet and data		
Slovakia	0	135
	0	135
DTH		
Slovakia	0	5,575
Serbia	0	545
Croatia	0	231
	0	6,351
Other revenues		
Slovakia	0	16
Serbia	0	65
Croatia	0	34
	0	115
Total revenues	153,853	156,582

Cable Communications Systems N.V.
Notes to the Condensed Consolidated Interim Financial Report (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

9. OPERATING EXPENSES

	Three months ended 31 March 2014	Three months ended 31 March 2013
Depreciation of property, plant and equipment	31,118	31,170
Amortization of programme assets	13,335	17,786
Amortisation of non-current intangible assets	3,841	4,437
Salaries and related taxes	28,323	27,198
Programming expenses	15,057	14,681
Telephony expenses	12,631	11,555
Rentals	9,138	7,551
Invoicing and collection expenses	2,904	2,994
Taxes and penalties	2,919	2,320
Utilities	3,363	3,827
Copyrights	2,034	2,008
Internet connection and related services	1,233	1,376
Impairment of receivables, net of reversals	1,217	1,787
Impairment of property, plant and equipment	15	0
Other expenses	14,126	11,113
<i>Operating expenses from discontinued operations</i>	0	5,435
	141,254	145,239

10. NET FINANCE COSTS

NET FINANCE COSTS	Three months ended 31 March 2014	Three months ended 31 March 2013
<i>Finance income</i>		
Interest income	22	81
Other finance income	140	0
	162	81
<i>Finance expenses</i>		
Interest expense	(12,278)	(8,976)
Net loss on derivative financial instruments	(1,642)	(502)
Other financial expenses	(1,037)	(1,229)
	(14,957)	(10,707)
Foreign exchange (loss)/gain, net	7,297	(4,585)
Net Financial Expenses from continuing operations	(7,498)	(15,211)
Net Financial Expenses from discontinued operations	0	(6)
Net finance costs	(7,498)	(15,217)

11. ACQUISITIONS OF SUBSIDIARY

In March 2014 the Group acquired CFO Integrator (100%), UCR (93,62%) and Vesatel (100%). The entities are located in Romania.

12. FINANCIAL RISK MANAGEMENT

(a) 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.

(b) Liquidity risk

At 31 March 2014, the Group had net current liabilities of EUR 40,152 (31 December 2013: EUR 31,739). 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) 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.

13. SHARE-BASED PAYMENT

In 2014, 1,157,000 share options were granted to eligible employees under the share based payment plan. A quarter of the fair value equivalent of the share options has been accrued as of 31 March 2014 as management estimates that performance criteria will be met. The related share option expense for three months ended 31 March 2014 of EUR 466 (March 2013: EUR 453) has been recorded in the consolidated statement of comprehensive income in the line item Operating expenses, within Salaries and related taxes (refer to Note 9).

14. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March 2014 the Group had derivative financial liabilities in amount of EUR 1,783 which included an amount of EUR 282 corresponding to a cross currency interest rate swap and an amount of EUR 1,501

Cable Communications Systems N.V.
Notes to the Condensed Consolidated Interim Financial Report (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

corresponding to a USD/RON Treasury Hedging Transaction.

On March 31, 2014 the Group concluded a cross currency interest rate swap with a termination date 23 September 2014 with a notional of EUR 225,000 representing half of the Proceeds Loan's value.

Following the refinancing of its USD debt into EUR, RCS&RDS restructured on 13 March 2014 its USD/RON Participating Cross-currency swap into a USD/RON Treasury Hedging Transaction corresponding to a series of options structures for buying USD against RON at certain exchange rates. The cost of the option amounts to fifteen equal monthly payments of RON 910, amounting to a total of RON 13,650, including the amount required for replacing the previous derivative financial instrument. The maturity of the new instrument is 20 May 2015.

v) 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)

	Level 1	Level 2	Level 3	Total
31 March 2014				
Cross currency swap	-	-	(281)	(281)
Foreign exchange forwards	<u>-</u>	<u>(1,501)</u>	<u>-</u>	<u>(1,501)</u>
Total liabilities	-	(1,501)	(281)	(1,783)
31 December 2013				
Cross currency swap	-	-	(254)	(254)
Foreign exchange forwards	<u>-</u>	<u>(63)</u>	<u>-</u>	<u>(63)</u>
Total liabilities	-	(63)	(254)	(317)

15. 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.

As at 31 March 2014, contractual commitments for capital expenditure amounted to approximately EUR 17,594 (31 December 2013: EUR 23,871) and contractual operating commitments amounted to approximately EUR 89,138 (31 December 2013: EUR 88,503), including operating leases.

In addition to the above, there are approximately another 716 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 of maximum EUR 2,456 (quarterly rent of EUR 614).

(b) Letters of guarantee

As of 31 December 2013, there were bank letters of guarantee and letters of credit issued in amount of EUR 17,269 mostly in favour of content and satellite suppliers and for participation to tenders (31 December 2013: EUR 18,212)

(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 financial statements.

Intact Media Group Litigation

RCS&RDS is part in a series of lawsuits with Intact Media Group - a Romanian media conglomerate. Management considers that all these lawsuits are substantially groundless, abusive and vexatious.

a) Insolvency litigation

In 2011, Antena Group (the parent company of the Intact Media Group), filed a request for the initiation of involuntary insolvency proceedings against RCS&RDS in the Bucharest Tribunal, alleging that RCS&RDS had to satisfy debts of approximately EUR 17,800. Subsequently, the claim was split in two separate proceedings because Antena Group assigned part of its alleged receivables against RCS&RDS to a separate company, First Quality Debt Recovery. At the date of these financial statements the Courts irrevocably dismissed Antena Group and First Quality Debt Recovery insolvency claims.

b) The “must carry” related litigations

In 2011, Antena Group (or “Antena”) initiated three separate lawsuits against RCS&RDS alleging that it breached, inter alia, the Romanian must carry rules in relation to three tv stations owned by the plaintiff. Antena is claiming damages of approximately EUR 100,000 and has requested that the Court impose other non-monetary remedies, such as requiring RCS&RDS to provide the Intact Media Group channels to its subscribers free of charge and in compliance with the highest technical standards.

In the first proceedings, Antena Group claimed that RCS&RDS is bound by the must carry rules to provide Antena 1, the Intact Media Group’s lead channel free of charge to subscribers within a distinct package containing only must carry channels. Antena Group requested injunctive relief which would require RCS&RDS to offer such a package to subscribers and sought damages of EUR 65,000 for the alleged breach of the must carry rules by failing to do so in the past. The initial case file was split into two proceedings as Antena Group assigned its monetary claims related to this lawsuit to First Quality Debt Recovery.

The trial relating to the claim for damages of EUR 65,000 was suspended until the final settlement of the trial regarding injunctive relief and a lawsuit initiated by RCS&RDS challenging the validity and legality of the assignment of receivables from Antena Group to First Quality Debt Recovery.

The trial regarding the injunctive relief requested by Antena Group was settled in the court of first instance and the court of appeals in RCS&RDS favour, with both courts dismissing Antena Group’s request. However, the Romanian Supreme Court admitted the higher appeals filed by Antena Group and First Quality and quashed the decisions from both the first instance and the appeal courts, ordering a retrial of the case by the first court. As the higher appeals requesting the retrial of the case were based solely on procedural matters, it results that the decision of the Supreme Court does not confirm Antena Group’s allegations on the merits of the case. Moreover, RCS&RDS considers that the proceedings before the High Court were performed in breach of basic principles governing a fair trial, as the higher appeals were solved based on grounds never disclosed to us. Consequently, we requested the retrial of the higher appeal by means of an extraordinary appeal, the hearing date of which has not been set yet.

Separately, Antena Group have also filed two law suits claiming that RCS&RDS breached the must carry rules by refusing to include two other channels of the Intact Media Group (GSP tv in one case file and Antena 2 in the other) in the packages provided to customers and to carry such channels in compliance with the highest technical standards. Antena Group requested that they be awarded damages of approximately EUR 35,000 and that RCS&RDS provides the disputed channels to customers in compliance with the highest technical standards in the future. As Antena Group also assigned to First Quality Debt Recovery the claim for damages of EUR 35,000, First Quality Debt Recovery became involved in these proceedings.

At RCS&RDS request, both lawsuits for monetary damages have been suspended until the final settlement of the challenge concerning the validity of the assignment of receivables between Antena Group and First Quality Debt Recovery. A first hearing in this lawsuit initiated by RCS&RDS has not been scheduled up to this moment due to the fact that the court having jurisdiction for this case is still to be decided upon.

The case file regarding 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 some technical requirements. However, RCS&RDS is carrying the channel as of January 2012 and therefore the decision did not impact our network. RCS&RDS appealed the decision of the Bucharest Tribunal, the next hearing before the Court of Appeal being scheduled in June 2014.

The case file regarding the carriage of Antena 2 channel was settled in March 2014 by the Bucharest Tribunal in our favour; Antena Group's claims were rejected in their entirety. Antena Group has appealed this decision, the first hearing before the Court of Appeal being scheduled in June 2014.

Competition Council Investigations

As per our knowledge, RCS&RDS is subject to two investigations by the Competition Council. An investigation by the Romanian Competition Council could take up to several years. If RCS&RDS is found to have committed breaches of competition law, sanctions could include fines as well as cancellation of contracts or rights that contravene applicable legislation.

Given that the investigations are in progress and that the Competition Council has not issued preliminary reports in this respect, RCS&RDS was not able to quantify the risks related to these investigations, but management does not believe RCS&RDS has committed any violations of competition law and would challenge any ruling that would be made 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 seemed to also focus 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. RCS&RDS is fully cooperating with the Romanian Competition Council in this investigation.

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. RCS&RDS does not believe it has engaged in any anticompetitive behaviour and believes that the Intact Media Group made the complaint as a means of pressurising RCS&RDS in relation to other existing disputes (refer to the "Legal proceedings" paragraph above). Although RCS&RDS considers the demands of the Antena Group to be abusive and groundless, GSP TV is retransmitted (following injunctive relief the Antena Group has obtained against RCS&RDS). RCS&RDS has cooperated with this investigation, which is still ongoing, and it will continue to vigorously defend against it.

16. SUBSEQUENT EVENTS

On April 28, 2014 and May 7, 2014 we concluded two coupon swaps for the remaining portion of the Proceeds Loan's value (€225 million), both with a termination date of 23 September 2016.

In April 2014 we concluded a share buy-back agreement through which RCS&RDS purchases 10 million of its own shares from CCS for a consideration of EUR 18,000.

Cable Communications Systems N.V.
Notes to the Condensed Consolidated Interim Financial Report (unaudited)
for the three month period ended 31 March 2014
(all amounts are in thousand Eur, unless specified otherwise)

17. 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 the consolidated operating profit/ (loss) of the Group before taking into account:

- any interest expenses and other financing charges,
- income tax or interest income and other financing revenues,
- add back charges for depreciation, amortization and impairment of assets
- extraordinary and one off items.

In years where there are extraordinary and one off items, EBITDA is referred to as “Adjusted EBITDA”.

	Three months ended 31 March 2014	Three months ended 31 March 2013
Revenues	153,853	156,582
EBITDA		
Operating profit	20,931	11,343
Depreciation, amortization and impairment	48,308	54,294
One off transactions	8,332	-
EBITDA/Adjusted EBITDA	60,907	65,637
<i>EBITDA /Adjusted EBITDA (%)</i>	<i>39.59%</i>	<i>41.92%</i>

For breakdown of depreciation, amortization and impairment refer to Note 9.