CABLE COMMUNICATIONS SYSTEMS

Parent Company of

RCS & RDS

FINANCIAL REPORT

for the three months period ended June 30, 2016

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1. IMPORTANT INFORMATION

FORWARD-LOOKING STATEMENTS

Certain statements in this report are not historical facts and are forward-looking. Forward-looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future operating revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy, and the trends we anticipate in the industries and the political and legal environments in which we operate and other information that is not historical information.

Words such as “believe,” “anticipate,” “estimate,” “target,” “potential,” “expect,” “intend,” “predict,” “project,” “could,” “should,” “may,” “will,” “plan,” “aim,” “seek” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

The forward-looking statements contained in this report are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors, some of which are discussed below. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management’s assumptions about future events may prove to be inaccurate. All readers are cautioned that the forward-looking statements contained in this report are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond our control, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, without limitation, various risks related to our business, risks related to regulatory matters and litigation, risks related to investments in emerging markets, risks related to our financial position as well as risks related to the notes and the related guarantee.

Any forward-looking statements are only made as of the date of this report. Accordingly, we do not intend, and do not undertake any obligation, to update forward-looking statements set forth in this report. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this report. As a result, you should not place undue reliance on such forward-looking statements.

OPERATING AND MARKET DATA

In this report, we refer to persons who subscribe to one or more of our services as customers. We use the term revenue generating unit (“**RGU**”) to designate a subscriber account of a customer in relation to one of our services. An individual customer may represent one or several RGUs depending on the number of our services to which it subscribes.

More specifically:

- for our cable TV and DTH services, we count each basic package that we invoice to a customer as an RGU, without counting separately the premium add-on packages that a customer may subscribe for;
- for our fixed internet and data services, we consider each subscription package to be a single RGU;
- for our fixed-line telephony and mobile telephony businesses, we consider each phone line that we invoice to be a separate RGU, so that a customer will represent more than one RGU if it has subscribed for more than one phone line (whether fixed-line or mobile); and
- for our mobile telecommunications services we consider each mobile voice and mobile data SIM that we invoice to be a separate RGU.

Since RGUs can be defined differently by different companies within our industry, you should use caution in comparing our RGU figures to those of our competitors.

We use the term average revenue per unit (“**ARPU**”) to refer to the average monthly revenue per RGU in each business line or geographic segment and we calculate it by dividing the total revenue per business line or country for that relevant period (month, quarter, year), by the total number of RGUs for that business line or country invoiced for services in that month or the average RGUs in the period for periods longer than one month and divided by the number of months in that period, without differentiating between various types of subscription packages or the number and nature of services an individual customer subscribes for. As our definition of RGU is different for our different business lines, you should use caution when trying to compare ARPU between our business lines. In addition, because we calculate ARPU differently from some of our competitors, you should use caution when comparing our ARPU figures with those of other telecommunications companies.

Where information has been sourced from a third party, such information has been accurately reproduced and as far as we are aware and are able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, you should keep in mind that we have not independently verified information we have obtained from industry and government sources. These information and statements from our internal estimates and surveys have not been verified by any independent sources.

NON-GAAP FINANCIAL MEASURES

In this report, we present certain financial measures that are not defined in and, thus, not calculated in accordance with IFRS, U.S. GAAP or generally accepted accounting principles in any other relevant jurisdiction. This includes EBITDA and Adjusted EBITDA (each as defined below). Because these measures are not standardized, companies can define and calculate these measures differently, and therefore we urge you not to use them as a basis for comparing our results with those of other companies.

We calculate EBITDA 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 and one-off/non-recurring items. In addition, we adjust EBITDA for mark to market results (unrealised) from fair value assessment of energy trading contracts. EBITDA and Adjusted EBITDA under our definition may not be comparable to similar measures presented by other companies and labelled “EBITDA”. We believe that EBITDA and Adjusted EBITDA are useful analytical tools for presenting a normalized measure of cash flows that disregards temporary fluctuations in working capital, including due to fluctuations in inventory levels and due to timing of payments received or payments made. Since operating profit and actual cash flows for a given period can differ significantly from this normalized measure, we urge you to consider these figures for any period together with our data for cash flows from operations and other cash flow data and our operating profit. You should not consider EBITDA or Adjusted EBITDA a substitute for operating profit or cash flows from operating activities.

We define EBITDA margin as the ratio of revenues to EBITDA (for both June 30, 2015 and June 30, 2016, Adjusted EBITDA).

The covenants computation for the Notes uses EBITDA which may be different from the EBITDA/Adjusted EBITDA presented in this report.

ROUNDING

Certain amounts that appear in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS for the three month period ended June 30, 2016

This report includes and analyses the unaudited interim condensed consolidated financial statements of the Company as of June 30, 2016.

The following discussion and analysis of the financial condition and results of operations of the Company and its subsidiaries should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries as at and for the six months ended June 30, 2016 and the related notes, prepared in accordance with IFRS as adopted by EU ("IFRS").

The following discussion includes forward-looking statements based on assumptions about our future business.

OVERVIEW

We are a leading provider of pay TV and telecommunications services in Romania and Hungary and of mobile services as an MVNO to the large Romanian communities in Spain and Italy. Our service offerings include cable TV, fixed internet and data, fixed- line telephony, mobile telecommunications services and DTH satellite television services. We offer our own TV channels and pay TV services, which carry premium movies and sports content, as well as channels produced by third parties to our customers in Romania and Hungary through our cable TV and DTH satellite television platforms.

For the three months ended June 30, 2016, we had revenues of €205.3 million, net loss of €6.5 million and Adjusted EBITDA of €65.7 million. For the six months ended June 30, 2016, we had revenues of €405.2 million, other income of €2.7 million, net profit of €6.5 million and Adjusted EBITDA of €129.7 million.

RECENT DEVELOPMENTS

Business

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

In May 2016 we won four 5 MHz frequency blocks in the 3800 MHz spectrum in Hungary, for a consideration of HUF 248 million (€0.8 million equivalent).

In August 2016 we have signed a new back-stop facility for RON 135 million from a banking syndicate arranged by Citibank, London branch and BRD-Groupe Societe Generale. The facility was not drawn yet.

The Group reviews its debt position and funding requirements on an ongoing basis. Although the EUR450,000,000 7.50% Senior Secured Notes issued by Cable Communications Systems N.V. and guaranteed by RCS&RDS S.A. do not mature until 2020, the Group monitors market conditions to assess when refinancing options may be available and seeks to be prepared to refinance promptly should an opportunity arise in the future. Furthermore, the Company continues to consider a number of strategic options going forward, including an initial public offering.

BASIS OF FINANCIAL PRESENTATION

The Company prepares its consolidated financial statements in accordance with IFRS. For the periods analyzed in this report, the Company's presentation currency was the euro.

Functional Currencies and Presentation Currency

Each of our Group entities prepares its individual financial statements in the currency of the primary economic environment in which it operates; this local currency is the functional currency of the entity.

The Company presents its consolidated financial statements in euros. The Company uses the euro as the presentation currency of its consolidated financial statements under IFRS because the euro is used as a reference currency in the telecommunications industry in the European Union and management analysis and reporting is prepared in euros.

Segments

We evaluate business and market opportunities and consider our results primarily on a country by country basis. As such, we report our results of operations in accordance with four geographic segments: Romania, Hungary, Spain and Other, which includes Italy. For period ended June, 30 2015, Other includes also the results of Czech Republic subsidiary, disposed of in April 2015.

In addition, we present revenues and certain other financial information in accordance with our five business lines: cable TV, fixed internet and data, fixed-line telephony, mobile telecommunication services and DTH.

TRENDS AND OTHER FACTORS IMPACTING OUR RESULTS OF OPERATIONS

The following are the key factors that have significantly affected our results of operations and financial condition during the periods under review, or which we expect will significantly affect our operations in the future.

Exchange Rates

Our operating subsidiaries record their financial results in their respective functional currencies (principally the Romanian leu; to a lesser extent, the Hungarian forint), which are then translated into euros in preparing our consolidated financial statements. In addition, because the mix of currencies in which our operating expenses are incurred differs significantly from the mix of currencies in which we generate revenue, we are also exposed to significant currency transactional risk.

In recent years, the values of local currencies in the principal countries where we operate have fluctuated relative to the euro, our presentation currency, and the U.S. dollar. We have significant exposure to euro and to a lesser degree to U.S. dollar, as most of our financing agreements are in euro and we purchase certain content and services for our cable TV and DTH businesses in euros and U.S. dollars. In the six month period ended June 30, 2016, compared with the same period in 2015, the Romanian leu depreciated by 1% relative to the euro and declined by 1.4% relative to the U.S. dollar, and the Hungarian forint declined by 1.7% relative to the euro and depreciated by 2.1% relative to the U.S. dollar. In the 2nd quarter of 2016, compared with the same period in 2015, the Romanian leu declined by 1.2% relative to the euro and appreciated by 0.4% relative to the U.S. dollar, and the Hungarian forint depreciated by 2.4% relative to the euro and declined by 0.7% relative to the U.S. dollar. The changes in currencies discussed are computed using the average rates in the period presented in the table below.

Going forward, we plan to continue to present our consolidated financial results in euros. Any further significant appreciation of the euro against our other functional currencies in coming periods could have the effect of significantly reducing our financial results as reported in euro.

The following table sets out the period end and average exchange rates of the euro against each of our local functional currencies, in each case as reported by the relevant central bank on its website (unless otherwise stated):

	As at and for the three months ended June 30		**As at and for the six months ended June 30**	
	2015	**2016**	**2015**	**2016**
	Value of one euro in the relevant currency			
Romanian leu (RON)				
Period end rate	4.47	4.52	4.47	4.52
Average rate	4.44	4.50	4.45	4.50
Hungarian forint (HUF)				
Period end rate	315.04	316.16	315.04	316.16
Average rate	306.03	313.32	307.50	312.68
Czech koruna (CZK)				
Period end rate	27.43	N.M	27.43	N.M
Average rate	27.44	N.M	27.58	N.M
United States Dollar (USD)(1)				
Period end rate	1.12	1.11	1.12	1.11
Average rate	1.11	1.13	1.12	1.12

(1) According to the exchange rates published by the European Central Bank.

In the three months ended June 30, 2016, we had a net foreign exchange loss (which is recognized in net finance expenses on our statement of comprehensive income) of €5.7 million due to the depreciation of the Romanian leu against the euro at the end of the quarter as compared to March 31, 2016. In the three months ended June 30, 2015, we had a net foreign exchange loss of €6.9 million due to the depreciation of the Romanian leu against the euro at the end of the quarter as compared to March 31, 2015.

In the six months ended June 30, 2016, we had a net foreign exchange gain (which is recognized in net finance income on our statement of comprehensive income) of €1.2 million due to the appreciation of the Romanian leu against the euro at the end of the period as compared to December 31, 2015. In the six months ended June 30, 2015, we had a net foreign exchange gain of €1 million due to the appreciation of the Romanian leu against the euro at the end of the period as compared to December 31, 2014.

Growth in Business, RGUs and ARPU

Our revenues are mostly a function of the number of our RGUs and ARPU. Neither of these terms is a measure of financial performance under IFRS, nor have these measures been reviewed by an outside auditor, consultant or expert. Each of these measures is derived from management estimates. See "*Important Information – Operating and Market Data*"

The following table shows, by segment and business, our RGUs at the beginning and at the end of the second quarter in each of 2015 and 2016 and monthly ARPU for the three months ended June 30, 2015 and 2016. ARPU figures are not shown on a constant currency basis.

	RGUs (in thousands)						**ARPU (EUR/RGU/month)**		
	As at March 31,		**% change**	**As at June 30,**		**% change**	**For the three month period ended June 30,**		**% change**
	2015	**2016**		**2015**	**2016**		**2015**	**2016**	
Romania									
Cable TV	2,633	2,752	5%	2,659	2,782	5%	5.22	5.29	1%
Fixed Internet and data									
Residential	1,776	1,907	7%	1,802	1,930	7%	5.14	5.02	-2%
Business	92	106	15%	96	109	14%	39.44	36.27	-8%
Fixed-line telephony									
Residential	1,331	1,270	-5%	1,318	1,252	-5%	1.30	1.30	0%
Business	124	127	2%	125	127	2%	3.56	3.67	3%
Mobile telecommunications services(1)	2,232	2,840	27%	2,349	2,950	26%	2.86	3.24	13%
DTH	693	666	-4%	690	657	-5%	4.83	4.89	1%
Hungary									
Cable TV	416	452	9%	420	460	10%	7.33	7.24	-1%
Fixed internet and data	355	398	12%	361	407	13%	7.77	7.69	-1%
Fixed-line telephony	307	334	9%	312	340	9%	1.76	1.63	-7%
Mobile telecommunications services (1) (2)	18	15	-17%	18	15	-17%	6.72	6.76	1%
DTH	326	317	-3%	331	322	-3%	7.79	8.04	3%
Spain									
Mobile telecommunications services (1) (3)	515	592	15%	553	601	9%	11.28	11.86	5%
Italy									
Mobile telecommunications services (1) (3)	53	63	19%	56	67	20%	11.37	11.29	-1%
Discontinued operations									
DTH(4)	131	0	N.M	0	0	0%	8.09	0.00	N.M

(1) As of June 30, 2016, we aggregate the mobile telephony and mobile data SIMs and present them as mobile telecommunications services RGU. As of December 31, 2015, the definition for RGUs for mobile telephony in Italy was revised to contain only cards having traffic in the last month of the relevant reporting period. RGU and ARPU data presented for the periods ended June, 30 2015 was restated accordingly. In Q4 2015 we recorded certain adjustments which referred to the entire year ended December 31, 2015. For comparison and presentation purposes,

revenues for 3 months ended June 30, 2015 and for 6 months ended June 30, 2015 were rested accordingly. A reassessment of revenues from promotions was made and results from energy activity were presented on a net basis in Statement of profit or loss. A reallocation of revenues between business lines was made as well. Consequently, ARPU for the comparative period ended June 30, 2015 was restated accordingly.

(1) As a reseller, selling services which utilize the Telenor network under our "Digi" brand.

(2) As an MVNO.

(3) Includes services provided in Czech Republic (disposed of at the end of April 2015)

N.M – not meaningful

HISTORICAL RESULTS OF OPERATIONS

Results of Operations for the three months ended June 30, 2015 and 2016

	Three months ended June 30,		Six months ended June 30,	
	2015	**2016**	**2015[1]**	**2016**
	(euro in millions)		**(euro in millions)**	
Revenues				
Romania	132.5	149.0	259.4	294.0
Hungary	31.4	33.3	62.4	66.2
Spain	18.5	21.8	34.6	42.3
Other	1.9	2.3	3.6	4.4
Discontinued operations	0.7	-	3.8	-
Elimination of intersegment revenues	(0.7)	(0.9)	(1.3)	(1.6)
Total revenues	**184.4**	**205.3**	**362.4**	**405.2**
Other income/(Other expenses)	**(0.8)**	**(0.6)**	**(0.8)**	**2.7**
Gain from sale of discontinued operations	**21.9**	**-**	**21.9**	**-**
Operating expenses				
Romania	91.3	99.3	176.3	196.0
Hungary	18.8	19.9	37.6	39.5
Spain	15.6	17.4	29.5	34.5
Other	2.3	4.0	4.8	7.1
Discontinued operations	0.9	-	3.0	-
Elimination of intersegment expenses	(0.7)	(0.9)	(1.3)	(1.6)
Depreciation, amortization and impairment of tangible and intangible assets	46.8	50.0	94.1	95.7
Total operating expenses	**175.0**	**189.7**	**343.9**	**371.2**
Operating profit	**30.5**	**15.1**	**39.6**	**36.7**
Finance income	9.2	4.8	17.2	6.0
Finance expense	(19.0)	(20.0)	(34.6)	(28.5)
Net finance costs	**(9.8)**	**(15.1)**	**(17.4)**	**(22.5)**
Profit before taxation	**20.7**	**0.0**	**22.1**	**14.3**
Income tax expense	(1.8)	(6.5)	(3.0)	(7.7)
Profit/(loss) for the period	**18.9**	**(6.5)**	**19.2**	**6.5**

[1] In Q4 2015 we recorded certain adjustments which referred to the entire year ended December 31, 2015. For comparison and presentation purposes, the Statement for profit and loss for 3 months ended June 30, 2015 and for 6 months ended June 30, 2015 were rested accordingly.

Revenues

Our revenues for the three months ended June 30, 2016 were €205.3 million, compared with €184.4 million for the three months ended June 30, 2015, an increase of 11.3%. On a constant currency basis (by reference to the three month period ended June 30, 2015 average exchange rates), our revenues would have grown by an additional €2 million to €207.4 million for the three months ended June 30, 2016, an aggregate increase of 12.5%.

Our revenues from continuing operations for the three months ended June 30, 2016 were €205.3 million, compared with €183.7 million for the three months ended June 30, 2015, an increase of 11.8%. On a constant currency basis (by reference to the three month period ended June 30, 2015 average exchange rates), our revenues from continuing operations would have grown by an additional €2 million to €207.4 million for the three months ended June 30, 2016, an aggregate increase of 12.9%.

Our revenues for the six months ended June 30, 2016 were €405.2 million, compared with €362.4 million for the six months ended June 30, 2015, an increase of 11.8%. On a constant currency basis (by reference to the six month period ended June 30, 2015 average exchange rates), our revenues would have increased by €3.3 million to €408.5 million for the six months ended June 30, 2016, an aggregate increase of 12.7%.

Our revenues from continuing operations for the six months ended June 30, 2016 were €405.2 million, compared with €358.6 million for the six months ended June 30, 2015, an increase of 13.0%. On a constant currency basis (by reference to the six month period ended June 30, 2015 average exchange rates), our revenues from continuing operations would have increased by €3.3 million to €408.5 million for the six months ended June 30, 2016, an aggregate increase of 13.9%.

The following tables show the distribution of revenues by country and business line for the three and six months ended June 30, 2015 and 2016 and the revenues calculated on constant currency basis:

	Three months ended June 30,		**% change**	**Six months ended June 30,**		**% change**
	2015	**2016**		**2015**	**2016**	
	(euro in millions)			**(euro in millions)**		
Romania[1]						
Cable TV	41.5	43.9	5.8%	81.7	86.9	6.4%
Fixed internet and data	38.7	40.6	4.9%	77.0	80.7	4.8%
Fixed-line telephony	6.5	6.3	-3.1%	12.9	12.7	-1.6%
Mobile telecommunications services	19.6	28.1	43.4%	36.3	55.7	53.4%
DTH	10.0	9.7	-3.0%	20.2	19.5	-3.5%
Other revenues	15.8	19.9	25.9%	30.5	37.7	23.6%
Total	**132.1**	**148.5**	**12.4%**	**258.6**	**293.1**	**13.3%**
Hungary						
Cable TV	9.2	9.9	7.6%	18.2	19.6	7.7%
Fixed internet and data	8.3	9.3	12.0%	16.4	18.3	11.6%
Fixed-line telephony	1.6	1.7	6.3%	3.6	3.4	-5.6%
Mobile telecommunications services[2]	0.4	0.3	-25.0%	0.7	0.6	-14.3%
DTH	7.7	7.7	0.0%	15.2	15.3	0.7%
Other revenues	4.2	4.4	4.8%	8.3	9.0	8.4%
Total	**31.4**	**33.3**	**6.1%**	**62.4**	**66.2**	**6.1%**
Spain						
Mobile telecommunications services	18.1	21.2	17.1%	33.9	41.4	22.1%
Other revenues	0.1	0.1	N.M.	0.2	0.1	-50.0%
Total	**18.2**	**21.3**	**17.0%**	**34.0**	**41.5**	**22.1%**
Italy						
Mobile telecommunications services	1.9	2.2	15.8%	3.5	4.3	22.9%
Other revenues	0.1	0.1	N.M.	0.1	0.1	0.0%
Total	**1.9**	**2.3**	**21.1%**	**3.6**	**4.4**	**22.2%**

Discontinued operations(3)						
DTH	0.7	0.0	-100.0%	3.8	0.0	-100.0%
Other revenues	0.0	0.0	N.M.	0.0	0.0	N.M.
Total	**0.7**	**0.0**	**-100.0%**	**3.8**	**0.0**	**-100.0%**
Total	**184.4**	**205.3**	**11.3%**	**362.4**	**405.2**	**11.8%**

(2) In Q4 2015 we recorded certain adjustments which referred to the entire year ended December 31, 2015. For comparison and presentation purposes, revenues for 3 months ended June 30, 2015 and for 6 months ended June 30, 2015 were rested accordingly. A reassessment of revenues from promotions was made and results from energy activity were presented on a net basis in the Statement of profit or loss. A reallocation of revenues between business lines was made as well.

(3) As of June 30, 2016, we aggregate revenues from mobile telephony and mobile data revenues and present them as revenues from mobile telecommunications services. For presentation and comparison purposes, revenues for the periods ended June 30, 2015 were restated accordingly.

(2) Revenues for the 3 month and 6 month periods ended June 30, 2015 include only revenues of the Czech subsidiary, disposed at the end of April 2015.

Revenues in Euro millions in constant currency

	Three months ended June 30,		Six months ended June 30,	
Segment	**2015**	**2016**	**2015(1)**	**2016**
	Actual	**Constant Currency**	**Actual**	**Constant Currency**
Romania	132.5	150.2	259.4	296.2
Hungary	31.4	34.1	62.4	67.3
Spain	18.5	21.8	34.6	42.3
Other	1.9	2.3	3.6	4.4
Discontinued operations	0.7	-	3.8	-
Elimination of intersegment revenue	(0.7)	(0.9)	(1.3)	(1.6)
Total	**184.4**	**207.4**	**362.4**	**408.5**

(1)In Q4 2015 we recorded certain adjustments which referred to the entire year ended December 31, 2015. For comparison and presentation purposes, revenues for 3 months ended June 30, 2015 and for 6 months ended June 30, 2015 were rested accordingly.

Revenues in Romania (including intersegment revenues) for the three months ended June 30, 2016 were €149 million compared with €132.5 million for the three months ended June 30, 2015, an increase of 12.5%. On a constant currency basis (by reference to the 2nd quarter of 2015 average exchange rates), our revenues in Romania would have been €150.2 million for the three months ended June 30, 2016 (higher by €1.3 million), leading to an aggregate increase of 13.4%. Revenue growth in Romania was driven primarily by an increase in our mobile telecommunications services RGUs and ARPU, cable TV and fixed internet and data RGUs and other revenues. Mobile telecommunications services RGUs increased from 2,349,000 at June 30, 2015 to 2,950,000 at June 30, 2016, an increase of 26%. This increase is the result of our attractive offer with competitive tariffs and also the possibility of acquiring a mobile handset. As a result, also the ARPU from mobile telecommunications services increased in the three months ended June 30, 2016 to 3.24 €/month compared with 2.86 €/month for the three months ended June 30, 2015, an increase of 13%. Our cable TV RGUs increased from 2,659,000 at June 30, 2015 to 2,782,000 at June 30, 2016, an increase of 5%, and our fixed internet and data RGUs increased from 1,898,000 at June 30, 2015 to 2,039,000 at June 30, 2016, an increase of 7.4%. Both increases were driven primarily by our investments in expanding and upgrading our fiber optic network, which allowed us to connect more customers. Other revenues increased mainly as a result of sales of handsets to our customers and revenues from advertising. Growth in our cable TV, fixed internet and data, mobile telecommunications services and other revenues were partially offset by a decrease in our number of DTH RGUs and a decrease in residential fixed telephony RGUs and ARPU. DTH RGUs decreased from 690,000 at June 30, 2015 to 657,000 at June 30, 2016, a decrease of 5%. Residential fixed telephony RGUs decreased from 1,318,000 at June 30, 2015 to 1,252,000 at June 30, 2016, a decrease of 5% and fixed telephony ARPU remained constant at 1.3 €/month.

Revenues in Hungary for the three months ended June 30, 2016 were €33.3 million compared with €31.4 million for the three months ended June 30, 2015, an increase of 6.1%. The increase in revenues was principally due to an increase in our cable TV RGUs, fixed internet and data RGUs and other revenues. Our cable TV RGUs increased from 420,000 at June 30, 2015 to 460,000 as at June 30, 2016, an increase of 10%. Our fixed internet and data RGUs increased from 361,000 at June 30, 2015 to 407,000 at June 30, 2016, an increase of 13%. The increases in RGUs were driven primarily by the quality of our network. The above increases were partially offset by a decrease in our DTH RGUs and fixed telephony ARPU. Our DTH RGUs decreased from 331,000 at June 30, 2015 to 322,000 at June 30, 2016, a decrease of 3%. Our fixed-line telephony RGUs increased from 312,000 at June 30, 2015 to 340,000 at June 30, 2016, an increase of 9%. Despite the increase in the fixed-line telephony RGUs, the revenues decreased as a result of lower traffic leading to lower ARPU.

Revenues in Spain (including intersegment revenues) for the three months ended June 30, 2016 were €21.8 million compared with €18.5 million for the three months ended June 30, 2015, an increase of 17.8%. This growth was the result of an increase in our number of mobile telecommunications services RGUs from 553,000 at June 30, 2015 to 601,000 at June 30, 2016, an increase of 9%.

Revenues in Italy for the three months ended June 30, 2016 were €2.3 million compared with €1.9 million for the three months ended June 30, 2015, an increase of 21.1%. The increase in revenues was due to an increase our mobile telecommunications services RGUs from 56,000 at June 30, 2015 to 67,000 as at June 30, 2016. ARPU slightly decreased by 1% from 11.37 €/month for the three months ended June 30, 2015 to 11.29 €/month for the three months ended June 30, 2016 due to the launch in the second quarter of 2016 of combined mobile offerings (voice and data) at lower prices.

Total operating expenses

Our total operating expenses for the three months ended June 30, 2016 were €189.7 million compared with €175.0 million for the three months ended June 30, 2015, an increase of 8.4%.

Our total operating expenses for the six months ended June 30, 2016 were €371.2 million compared with €343.9 million for the six months ended June 30, 2015, an increase of 7.9%.

The table below sets out the expenses per segment (which excludes depreciation and amortization) as a percentage of revenues for the three months ended June 30, 2015 and 2016 (including intersegment transactions).

	Three months ended June 30,		**Six months ended June 30,**	
Segment	**2015**	**2016**	**2015**	**2016**
	Expenses as % of revenues		**Expenses as % of revenues**	
Romania	68.85%	66.70%	67.95%	66.67%
Hungary	59.91%	59.87%	60.18%	59.75%
Spain	84.35%	79.80%	85.46%	81.63%
Other	121.41%	175.93%	134.83%	160.94%
Discontinued operations	120.46%	N.M.	77.53%	N.M.

Operating expenses in Romania (including intersegment expenses) for the three months ended June 30, 2016 were €99.3 million compared with €91.3 million the three months ended June 30, 2015, an increase of 8.8%. This increase comes mainly from larger telephony interconnection charges associated with our mobile offerings, increase in salaries, increase in sales of handsets and other equipment and increase in rental costs related to increased number of mobile sites and shops.

Operating expenses in Hungary for the three months ended June 30, 2016 were €19.9 million compared with €18.8 million the three months ended June 30, 2015, an increase of 5.9%. This is mainly the result of the increase in direct costs associated with the increase in RGUs.

Operating expenses in Spain (including intersegment expenses) for the three months ended June 30, 2016 were €17.4 million compared with €15.6 million for the three months ended June 30, 2015, an increase of 11.5%. This increase is the result of an increase in traffic as a result of an increase in data traffic and in our RGU number.

Operating expenses in Other (excluding discontinued operations) for the three months ended June 30, 2016 were €4 million compared with €2.3 million for the three months ended June 30, 2015, an increase of 73.9%. The increase is the result of increased interconnection charges associated with the increase in RGUs and traffic in our subsidiary in Italy.

Depreciation, amortization and impairment of tangible and intangible assets

Depreciation, amortization and impairment of tangible and intangible assets was €50.0 million for the three months ended June 30, 2016 compared with €46.8 million for three months ended June 30, 2015, an increase of 6.8%. This increase was primarily due to amortization of mobile licenses 2600 MHz and 3700 MHz which were acquired in the 3rd and

4th quarter of 2015.

Other income/(expense) for the three months ended June 30, 2016 of 0.6 million represents mark to market loss from fair valuation of energy trading contracts. For the period ended June 30, 2015 the Gain from sale of discontinued operations is represented by €21.9 million gain for the sale of our Czech subsidiary. Other expenses as at June 30, 2015 of €0.8 million represent mark to market loss from fair valuation of energy trading contracts

Operating profit

For the reasons set forth above, our operating profit was €15.1 million for the three months ended June 30, 2016 compared with €30.5 million for three months ended June 30, 2015.

Net finance expense

We recognized net finance expense of €15.1 million in the three months ended June 30, 2016 compared with €9.8 million in the three months ended June 30, 2015. The increase in net expense is the result of lower financial income in amount of €4.8 million in the three months ended June 30, 2016 compared to €16.2 million in the three months ended June 30, 2015, which mainly represent fair value gain related to the embedded derivative asset in the two periods. Borrowing costs have decreased to €2.6 million the three month period ended June 30, 2016 compared to €7.6 million in the three month period ended June 30, 2015 because of accelerated amortisation of borrowing costs in 2015 caused by the refinancing of the 2013 Senior Facility. Foreign exchange expense of €5.7 million in the three months ended June 30, 2016 has decreased compared with a foreign exchange expense of €6.9 million in the three months ended June 30, 2015.

Profit before taxation

For the reasons set forth above, we had a profit before taxation is €0.02 million for the three months ended June 30, 2016 compared and a profit before taxation of €20.7 million for the three months ended June 30, 2015.

Income tax expense

An income tax expense (mainly deferred tax) of €6.5 million was recognized in the three months ended June 30, 2016, compared with €1.8 million recognized in the three months ended June 30, 2015.

Profit/(Loss) for the period

For the reasons set forth above, our net loss for the three months ended June 30, 2016 was €6.5 million and our net profit for the three months ended June 30, 2015 was €18.9 million.

LIQUIDITY AND CAPITAL RESOURCES

Historically, our principal sources of liquidity have been our operating cash flows and debt financing. Going forward, we expect to fund our cash obligations and capital expenditures primarily out of our operating cash flows, supplemented in part by the *2015 Senior Facilities Agreement*, the ING Facilities Agreement, the Citi Facilities Agreement, other letter of guarantee facilities and other credit agreements. We believe that our strong and relatively predictable operating cash flows will continue to allow us to maintain a flexible capital expenditure policy.

Our businesses generally produce positive operating cash flows that are relatively constant from month to month. Variations in our aggregate cash flow during the periods under review principally represented increased or decreased cash flow used in investing activities and cash flow from financing activities.

We have made and intend to continue to make significant investments in the growth of our businesses by acquiring new and renewing existing content rights, expanding our mobile telecommunications network and our fiber optic networks and procuring CPE which we provide to our customers for the duration of their subscriptions.

We also believe that, for the coming 12 months, our operating cash flows will be adequate to fund our working capital requirements.

Historical Cash Flows

The following table sets forth, for the three months ended June 30, 2015 and 2016 our consolidated cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

	Three months ended June 30,		Six months ended June 30,	
	2015(1)	**2016**	**2015(1)**	**2016**
	(euro in millions)		**(euro in millions)**	
Cash flows from operations before working capital changes	**60.7**	**65.6**	**115.2**	**132.4**
Cash flows from changes in working capital	(0.8)	(5.2)	14.0	(11.2)
Cash flows from operations	**59.9**	**60.4**	**129.2**	**121.2**
Interest paid	(18.9)	(18.8)	(22.5)	(22.0)
Income tax paid	(0.4)	(1.0)	(1.3)	(1.8)
Cash flow from operating activities	**40.6**	**40.5**	**105.4**	**97.3**
Cash flow used in investing activities	**(24.2)**	**(48.4)**	**(81.8)**	**(108.3)**
Cash flows from financing activities	**(22.9)**	**(24.6)**	**(25.8)**	**(22.1)**
Net increase (decrease) in cash and cash equivalents	(6.4)	(32.6)	(2.2)	(33.1)
Cash and cash equivalents at the beginning of the period	57.6	48.6	54.3	49.7
Effect of exchange rate fluctuation on cash and cash equivalent held	0.8	(0.0)	(0.1)	(0.6)
Cash and cash equivalents at the closing of the period	**52.0**	**16.0**	**52.0**	**16.0**

(1) In Q4 2015 we recorded certain adjustments which referred to the entire year ended December 31, 2015. For comparison and presentation purposes, Cash flows for 3 months ended June 30, 2015 and for 6 months ended June 30, 2015 were rested accordingly.

Cash flows from operations before working capital changes were of €65.6 million in the three months ended June 30, 2016 and €60.7 million in the three months ended June 30, 2015 for the reasons discussed above under "*—Results of Operations for the three months ended June 30, 2016 and 2015.*"

The following table shows changes in our working capital:

	Three months ended June 30,		Six months ended June 30,	
	2015(1)	**2016**	**2015(1)**	**2016**
Changes in:	**(euro in millions)**		**(euro in millions)**	
Trade receivables and other assets	(5.7)	(4.1)	(13.4)	(24.7)
Inventories	(1.6)	(4.8)	0.1	(4.3)
Trade payables and other current liabilities	7.3	9.6	22.7	18.9
Deferred revenue	(0.8)	(5.9)	4.6	(1.1)
Total	**(0.8)**	**(5.2)**	**14.0**	**(11.2)**

(1) In Q4 2015 we recorded certain adjustments which referred to the entire year ended December 31, 2015. For comparison and presentation purposes, Cash flows for 3 months ended June 30, 2015 and for 6 months ended June 30, 2015 were rested accordingly

We had a net working capital requirement of €5.2 million in the three months ended June 30, 2016. The net working capital requirements is mainly the result of an increase in trade receivables and other assets balances of €4.1 million, coming mostly from the energy activity, and the increase in inventories of €4.8 million which were necessary to sustain our mobile business growth. These movements are offset by trade payables and other current liabilities movement of €9.6 million is due to acquisitions of mobile handsets, and increase in several other expenses such as mobile interconnection and salaries. We have concluded reverse factoring agreements with suppliers of equipment which implies longer payment periods. The decrease in deferred revenues of €5.9 million represents mainly the transfer of deferred revenues related to deferred green certificates from deferred revenues position to long term receivables allowance position.

We had a net working capital requirement of €0.8 million in the three months ended June 30, 2015. This is the result of an increase in trade payables of €7.3 due to acquisitions of equipments, especially mobile handsets and increase in several other expenses such as mobile interconnection, salaries and programming. These changes were partially offset by an increase in our trade receivables and other assets balances of €5.7 million and an increase in our inventories balance of

€1.6 million. Deferred revenue movement is €0.8 million.

Cash flows from operating activities were €40.5 million in the three months ended June 30, 2016 and €40.6 million in the three months ended June 30, 2015. Included in these amounts are deductions for interest paid and income tax paid, which were €19.9 million in the three months ended June 30, 2016 and €19.3 million in the three months ended June 30, 2015.

Cash flows used in investing activities were €48.4 million in the three months ended June 30, 2016 and €24.2 million in the three months ended June 30, 2015, which includes €24.5 million as proceeds from the sale of Czech Republic, net of cash disposed.

Purchases of property, plant and equipment were €28 million in the three months ended June 30, 2016 and €28.7 million in the three months ended June 30, 2015.

Purchases of intangible assets were €19.9 million in the three months ended June 30, 2016 and €20.1 million in the three months ended June 30, 2015.

Cash flows used in financing activities were €24.6 million (representing an outflow) in the three months ended June 30, 2016 and €22.9 million (representing an outflow) in the three months ended June 30, 2015. This is mainly the result of the payment of the second instalment of the *2015 Senior Facilities Agreement* in amount of RON 110 million.

Contractual Obligations

Our principal contractual obligations consist of our obligations in respect of financial indebtedness that is owed under our credit facilities, our contractual obligations for the lease of satellite capacity from Intelsat, the annual radio spectrum fees for our mobile licenses in Romania and Hungary, the remaining payments for certain broadcasting rights, operational leasing arrangements and financial leasing arrangements.

The following table sets forth our payment obligations as at June 30, 2016 based on the agreements in place as at that date. We expect that our contractual commitments may evolve over time in response to current business and market conditions, with the result that future amounts due may differ considerably from the expected amounts payable set out in this table:

	TOTAL	**July 1, 2016 - June 30, 2017**	**July 1, 2017 - June 30, 2019**	**July 1, 2019 - June 30, 2021**	**July 1, 2021 and after**
			(euro in millions)		
Interest bearing loans and borrowings, including short term facilities(1)	843.4	102.3	192.1	549.0	-
Finance lease obligations(1)	8.6	2.5	4.5	0.7	0.9
Overdraft facilities	4.9	4.9	-	-	-
Capital expenditure and operating expenditure contractual commitments(2)	256.2	108.4	86.0	24.8	37.0
Acquisition of subsidiaries	1.5	1.5	-	-	-
Trade and other payables(3)	332.2	298.7	33.5	-	-
Derivative instruments	7.9	7.9	-	-	
Total	**1,454.6**	**526.1**	**316.1**	**574.5**	**37.9**

(1) Includes estimated interest. Interest was estimated by using 3-month ROBOR, 3-months EURIBOR or a fixed rate as of June 30, 2016 for all future periods.
(2) Includes mainly payments for premium content, satellite usage, spectrum fee payments, open orders for purchases of equipment and obligations under agreements to lease real property or movable property that are enforceable and legally binding and that specify all significant terms (*e.g.*, object of the lease, pricing terms and duration).
(3) Includes trade payables, other long-term liabilities and income tax.
*all amounts are presented without discounting

Financial Obligations

Bond (the Notes)

On October 25, 2013, CCS entered into a Purchase Agreement through which on November 4, 2013 issued Notes with a value of €450 million. The Notes, are secured, by (i) substantially all of the movable assets of RCS&RDS, including bank accounts, receivables, intellectual property rights, networks, equipment, inventories, insurance and proceeds related to any of the foregoing, (ii) certain shares of the Company's material subsidiaries and its own treasury shares, in each case, held by the Company and (iii) certain assets of the Company, including the shares it holds in RCS&RDS, certain bank accounts and receivables under the Proceeds Loan (collectively, the "Collateral"). The Collateral is shared with the 2015 Senior Facilities Agreement, ING Facilities Agreement and the Citi Facilities Agreement on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement. The Proceeds Loan is the loan provided by CCS to its subsidiary, RCS&RDS on 4 November 2013.

In 2014 we concluded coupon swaps for the entire Proceeds Loan's value (€450 million), all with a termination date up to the non-call period.

2015 Senior Facilities Agreement

On April 30, 2015 we entered into a committed facility agreement, as borrower, with BRD-Groupe Societe Generale, Citibank, London branch, ING Bank, and Unicredit Tiriac Bank as mandated lead arrangers, for the repayment of our 2013 Senior Facilities Agreement (the "**2015 Senior Facilities Agreement**"). The 2015 Senior Facilities Agreement is unconditionally guaranteed by CCS on a senior secured basis, and shares in the Collateral pursuant to the terms of the Intercreditor Agreement.

The 2015 Senior Facilities Agreement consisted initially of a term loan facility with a capacity of RON 994.2 million and a revolving credit facility with a capacity of RON 39.8 million. The facility could have been increased by EUR 25 million (in RON and the exchange rate from the date of the notice) until the end of 2015. The interest rate under the 2015 Senior Facilities Agreement is floating at a margin of 2.5% per annum plus ROBOR. Interest is payable every three months. On May 22, 2015 we drew the amount available from both the term loan facility and the revolving credit facility. The term loan facility is repayable in 10 equal semiannual installments starting with October 30, 2015 and the revolving credit facility is repayable in full on April 30, 2018. On May 22, 2015 we concluded an interest rate SWAP for the entire initial term loan facility through which interest is fixed until maturity date. The interest rate SWAP is secured by the Collateral pursuant to the terms of the Intercreditor Agreement.

On 29th December 2015 we have drawn an additional amount of RON 105.4 million from the term loan and the revolver credit ("Accordion Agreement"). The interest rate for the additional amount drawn ("Accordion Agreement") in December 2015 is fixed through interest rate SWAP for the term loan facility portion and floating ROBOR + 2.5% for the revolver credit portion.

On 29th April 2016 we repaid the second principal installment in amount of RON 110 million.

The 2015 Senior Facilities Agreement contains certain financial covenants, including maintaining: (i) at the end of each accounting quarter a maximum consolidated total net indebtedness to EBITDA ratio of 3.75 until December 31, 2016 and afterwards a maximum consolidated total net indebtedness to EBITDA ratio of 3.25; and (ii) a minimum EBITDA to net total interest ratio of 3.75 until December 31, 2016 and afterwards a minimum EBITDA to net total interest ratio of 4.25.

The 2015 Senior Facilities Agreement contains certain other covenants, including a cross-default provision pursuant to which an event of default occurs if any financial obligation of the Group is not paid when due or becomes payable or is capable of becoming payable before its due date or any facility under which financial obligations arise ceases to be available or becomes capable of early termination.

ING Facilities Agreement

On November 1, 2013, we entered, into the ING Facilities Agreement with ING Bank N.V. in order to consolidate the Group's existing credit facilities with ING Bank N.V. into a single facility for working capital purposes. The existing facilities with ING Bank N.V. were fully repaid and terminated on November 4, 2013 using the proceeds of the Bond and the 2013 Senior Facilities Agreement. The ING Facilities Agreement entered into force thereafter. The ING Facilities Agreement is sharing in the Collateral, pursuant to the terms of the Intercreditor Agreement.

The ING Facilities Agreement consists of (i) an uncommitted overdraft facility of up to €5.0 million and (ii) an uncommitted facility for letters of guarantee of up to €5.0 million.

As of June 30, 2016, we had €4.9 million drawn under the overdraft facility and out of the uncommitted facility for letters of guarantee, total amount of the Letters of Guarantee issued is € 2.0 million and lei 8.8 million.

Citi Facilities Agreement

On October 25, 2013, we entered into, as borrower, the Citi Facilities Agreement with Citibank, to consolidate its existing uncommitted credit facilities with Citibank into a single uncommitted facility for working capital purposes. On October 25, 2013, the Company entered into a personal guarantee agreement with Citibank pursuant to which it provides Citibank with a personal guarantee for the due performance of the Citi Facilities Agreement by the Group.

On November 4, 2013 we repaid the Citi Facilities Agreement using the proceeds from the Bond and the 2013 Senior Facilities Agreement. Following the repayment, the maximum amount made available under the Citi Facilities Agreement was decreased. Currently, the Citi Facilities Agreement consists of (i) an uncommitted overdraft/bank guarantee facility in the amount of US$ 10.5 million and (ii) an uncommitted bank guarantee facility with an initial amount of US$4.7 million and €500,000.

As of June 30, 2016, overdraft/bank guarantee facility utilized was (i) the cash overdraft facility was not used and, and (ii) we had letters of guarantee issued in the amount of US$ 0.9 million, €1.0 million and lei 17.2 million.

BRD Letters of Guarantee Facility

On July 13, 2015 we entered into a uncommitted Letters of Guarantees facility with BRD of €5.0 million. The BRD Letters of Guarantee Facility is sharing in the Collateral, pursuant to the terms of the Intercreditor Agreement. The existing letters of guarantee were included under the new facility. As of June 30, 2016 we had letters of guarantee issued by BRD with a value of €0.9 million.

Santander Facility

On October 30, 2015, we entered into a new short-term facility agreement with Banco Santander for €1.5 million (the “Santander Facility”). The maturity date for this facility is October 30, 2016. As of June 30, 2016, the balance drawn under the Santander Facility was €0.695 million.

Caixa Facility

On February 6, 2014, we entered into a facility agreement with Caixabank, S.A. (the “Caixa Facility”), containing an overdraft and a reverse factoring option. On January 30, 2015, we renewed the agreement and on July 28, 2015 we agreed to modify the facility agreement to get lower financing interest rates. The term of the Caixa Facility is indefinite and the maximum amount which can be used is €500,000. As of June 30, 2016, the balance drawn under the Caixa Facility overdraft was €0.03 million.

Unicredit facilities

We have cash collateral agreements with UniCredit Tiriac Bank S.A. for issuance of letters of counter guarantees. As at June 30, 2016 we had letters of guarantee issued in amount of €59,484. This agreement is secured with moveable mortgage over cash collateral accounts opened with UniCredit Tiriac Bank S.A.

We have an agreement for an uncommitted overdraft/ bank guarantee facility in amount of €2 million. As at June 30, 2016 this facility was not used.

Libra Bank facility

In February 2016 a new loan agreement was concluded in amount of RON 32 million (EUR 7.2 million equivalent) repayable in 5 years, which was used for the acquisition of a property in Bucharest. Out of the total facility, the amount drawn was RON 31.6 million (EUR 7.1 million equivalent). As at June 30, 2016 the outstanding amount was RON 29.7 million (EUR 6.6 million equivalent).

Financial Leasing Agreements

As at June 30, 2016, we had four leasing agreements in place with a total outstanding value of approximately €7.8 million.

One of these leasing agreements is a sale-leaseback arrangement entered into on May 11, 2009 for part of our headquarters in Bucharest with ING Lease Romania IFN SA. ING Lease Romania IFN SA has sold all its assets to Raiffeisen Leasing IFN SA at the end of January 2014. In December 2015 this lease was refinanced with an amount of €4.3 million. As at June 30, 2016, the outstanding amount under the sale-leaseback agreement was EUR 3.7 million.

We have also entered into a leasing agreement for a parcel of land in Poiana Brasov city, Brasov County, with a financed amount of €3.2 million (excluding VAT). As at June 30, 2016, the outstanding amount under this leasing agreement was €2.3 million.

In December 2015 we entered into 2 lease agreements with Unicredit Leasing IFN for two buildings in Timisoara and Arad for a total financed amount of €2.2 million. As at June 30, 2016, the outstanding amount under these leases was €1.8 million.

Pension Obligations

Under the regulatory regimes applicable in our countries of operation, employers are required to make payments to a national social security fund for the benefit of employees. Other than these social security payments, we do not maintain any pension plans for employees and incur no pension obligations.

Contingent Obligations

Apart from the commitments described above, we have no material contingent obligations.

OFF-BALANCE SHEET ARRANGEMENTS

Other than commitments included under the caption “capital expenditure and operating expenditure contractual commitments” in “*Contractual Obligations*” we do not have any material off-balance sheet arrangements.

ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGMENT AND DISCRETION

We prepare our financial statements in accordance with IFRS as adopted by EU. Certain financial reporting standards under IFRS require us to make judgments or to use our discretion in determining the values to be recorded, as described in the notes to our annual audited financial statements. There were no changes in our accounting policy during the three months period ended June 30, 2016.