CABLE COMMUNICATIONS SYSTEMS

Parent Company of

RCS & RDS

FINANCIAL REPORT

for the three months period ended March 31, 2015

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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 internet and data business, we consider each mobile internet and data subscription that we invoice and each mobile internet and data package sold in a bundle with our fixed internet and data subscriptions 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 month, by the total number of RGUs for that business line or country invoiced for services in that month, 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 items. 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 and other income to EBITDA (for March 31, 2014, 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 March 31, 2015

This report includes and analyses the unaudited condensed consolidated financial statements of the Company as of March 31, 2015.

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 report of the Company and its subsidiaries as at and for the three months ended March 31, 2015 and the related notes, prepared in accordance with 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 telephony, mobile internet and data 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 March 31, 2015, we had revenues of €177.3 million, net loss of €0.1 million and EBITDA of €56.1 million.

RECENT DEVELOPMENTS

Business

On January 15, 2015 we acquired the rights for the Romanian Football League for the period February 2015 – May 2019.

On April 21, 2015 we completed the sale of our subsidiary in the Czech Republic. At closing we received €25.4 million and we expect to incur transaction related costs of €1.1 million before the end of 2016.

On May 22, 2015 we refinanced our 2013 Senior Facilities Agreement through a new club bank facility (the 2015 Senior Facilities Agreement). Total amount drawn under the 2015 Senior Facilities Agreement was RON 1,034 million (the equivalent in RON of €235 million at the exchange rate of 4.4 RON/EUR). The interest rate for the term loan facility (RON 994.2 million) is 5.75% fixed and for the revolver credit facility (RON 39.2 million) is floating ROBOR + 2.5%.

Starting with the beginning of 2015, we launched an offer for energy supply to business clients. The energy sold is from our own production capacities and/or purchased on the open market.

Alexandru Oprea, has resigned from the position of CEO of RCS&RDS starting with April 14, 2015. The new CEO appointed on May 4, 2015 in the General Shareholders' Meeting is Serghei Bulgac.

On December 22, 2014 we signed the contract for the acquisition of three radio stations in Romania. In February 2015 the National Audiovisual Council approved the transfer of the radio licenses. The transaction was closed on May 29, 2015.

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

Our board of directors evaluates business and market opportunities and considers 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 our operations in the Czech Republic (disposed of in April 2015) and Italy.

In addition, we present revenues and certain other financial information in accordance with our six business lines: cable TV, fixed internet and data, fixed-line telephony, mobile telephony, mobile internet and data 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, the Czech koruna, the Croatian Kuna and the Serbian dinar), 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 considerably 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 and in euro and we purchase certain content and services for our cable TV and DTH businesses in U.S. dollars and euros. In the 1st quarter of 2015, compared with the same period in 2014, the Romanian leu appreciated by 1.1% relative to the euro and declined by 20.2% relative to the U.S. dollar, and the Hungarian forint declined by 0.3% relative to the euro and 22.01% relative to the U.S. dollar. The changes in currencies discussed are computed using the average rates in the period.

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 year ended December 31		As at and for the three months ended March 31	
	2013	2014	2014	2015
	Value of one euro in the relevant currency			
Romanian leu (RON)				
Period end rate	4.48	4.48	4.46	4.41
Average rate	4.42	4.44	4.50	4.45
Hungarian forint (HUF)				
Period end rate	296.91	314.89	307.06	299.14
Average rate	297.01	308.66	308.03	308.97
Czech koruna (CZK)				
Period end Rate	27.43	27.73	27.44	27.73
Average rate	25.99	27.53	27.44	27.53
United States Dollar (USD)[(1)]				
Period end rate	1.38	1.21	1.38	1.08
Average rate	1.33	1.33	1.37	1.13

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

In the three months ended March 31, 2015, we had a net foreign exchange gain (which is recognized in net finance income on our statement of comprehensive income) of €7.9 million due to the appreciation of the Romanian leu against the euro at the end of the quarter as compared to December 31, 2014. In the three months ended March 31, 2014, we had a net foreign exchange gain of €7.3 million due to the appreciation of the Romanian leu against the euro at the end of the quarter as compared to December 31, 2013.

Growth in Business, RGUs and ARPU

Our revenues are most directly 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 third quarter in each of 2014 and 2015 and monthly ARPU for the three months ended March 31, 2014 and 2015. ARPU figures are not shown on a constant currency basis.

	RGUs (in thousands)						ARPU (EUR/RGU/month)		
	As at December 31,		% change	As at March 31,		% change	For the three months period ended March 31,		% change
	2013	2014		2014	2015		2014	2015	
Romania									
Cable TV	2,451	2,599	6.0%	2,506	2,633	5.1%	5.09	5.11	0.4%
Fixed Internet and data									
Residential	1,605	1,745	8.7%	1,648	1,776	7.8%	5.22	5.18	-0.8%
Business	78	89	14.1%	80	92	15.0%	44.95	40.44	-10.0%
Fixed-line telephony									
Residential	1,403	1,346	-4.1%	1,390	1,331	-4.2%	1.64	1.26	-23.2%
Business	116	124	6.9%	119	124	4.2%	5.27	3.64	-30.9%
Mobile telephony	1,089	1,388	27.5%	1,066	1,485	39.3%	1.41	2.54	80.1%
Mobile internet and data	670	1,223	82.5%	734	1,362	85.6%	1.69	1.26	-25.4%
DTH	821	725	-11.7%	781	693	-11.3%	4.63	4.77	3.0%
Hungary									
Cable TV	404	411	1.7%	401	416	3.7%	7.06	7.25	2.7%
Fixed internet and data	329	347	5.5%	330	355	7.6%	7.46	7.68	2.9%
Fixed-line telephony	288	301	4.5%	290	307	5.9%	2.43	2.19	-9.9%
Mobile internet and data(1)	21	19	-9.5%	20	18	-10.0%	6.53	6.55	0.3%
DTH	341	330	-3.2%	336	326	-3.0%	7.56	7.62	0.8%
Spain									
Mobile telephony(2)	309	423	36.9%	336	451	34.2%	10.47	9.26	-11.6%
Mobile internet and data(2)	103	187	81.6%	128	203	58.6%	5.31	6.21	16.9%
Italy									
Mobile telephony(2)	60	63	5.0%	57	69	21.1%	6.61	8.04	21.6%
Mobile internet and data(2)	0	3	N.M.	1	3	200.0%	4.44	5.98	34.7%
Other									
DTH(3)	157	134	-14.6%	150	131	-12.7%	7.85	7.76	-1.1%

(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

N.M – not meaningful

HISTORICAL RESULTS OF OPERATIONS

Results of Operations for the three months ended March 31, 2014 and 2015

	Three months ended March 31,	
	2014	**2015**
	(euro in millions)	
Revenues		
Romania	108.5	126.2
Hungary	29.3	31.0
Spain	12.3	16.1
Other	1.2	1.7
Discontinued operations	3.6	3.1
Elimination of intersegment revenues	(1.2)	(0.6)
Total revenues	**153.9**	**177.3**
Other income	8.3	0.0
Operating expenses		
Romania	60.8	84.8
Hungary	17.8	18.7
Spain	11.4	14.0
Other	1.8	2.5
Discontinued operations	2.4	2.1
Elimination of intersegment expenses	(1.2)	(0.6)
Depreciation, amortization and impairment of tangible and intangible assets	48.3	47.3
Total operating expenses	**141.3**	**168.6**
Operating profit	**20.9**	**8.8**
Finance income	7.5	7.9
Finance expense	(15.3)	(15.6)
Net finance costs	**(7.9)**	**(7.7)**
Profit / (Loss) before taxation	**13.0**	**1.1**
Income tax benefit/(expense)	(1.9)	(1.2)
Profit / (Loss) for the period	**11.2**	**(0.1)**

Revenues

Our revenues for the three months ended March 31, 2015 were €177.3 million, compared with €153.9 million for the three months ended March 31, 2014, an increase of 15.2%. On a constant currency basis (by reference to the three month period ended March 31, 2015 average exchange rates), our revenues would have been lower by €1.0 million, meaning total revenues of €176.3 million for the three months ended March 31, 2015, an aggregate increase of 14.6%.

Our revenues from continued operations for the three months ended March 31, 2015 were €174.2 million, compared with €150.2 million for the three months ended March 31, 2014, an increase 16.0%.

The following tables show the distribution of revenues by country and business line for the three months ended March 31, 2014 and 2015 and the revenues calculated on constant currency basis:

	Three months ended March 31,		% change
	2014	**2015**	
	(euro in millions)		
Romania			
Cable TV	37.8	40.1	6.1%
Fixed internet and data	36.2	38.3	5.8%
Fixed-line telephony	8.7	6.4	-26.4%
Mobile telephony	4.6	11.0	139.1%
Mobile internet and data	3.6	4.9	36.1%
DTH	11.1	10.1	-9.0%
Other revenues	5.7	15.0	163.2%
Total	**107.6**	**125.8**	**16.9%**
Hungary			
Cable TV	8.5	9.0	5.9%
Fixed internet and data	7.4	8.1	9.5%
Fixed-line telephony	2.1	2.0	-4.8%
Mobile internet and data	0.4	0.4	0.0%
DTH	7.7	7.5	-2.6%
Other revenues	3.2	4.1	28.1%
Total	**29.3**	**31.0**	**5.8%**
Spain			
Mobile telephony	10.1	12.1	19.8%
Mobile internet and data	1.8	3.6	100.0%
Other	0.1	0.1	0.0%
Total	**12.0**	**15.8**	**31.7%**
Italy			
Mobile telephony	1.2	1.6	33.3%
Mobile internet and data	0.0	0.1	N.M.
Total	**1.3**	**1.7**	**30.8%**
Discontinued operations			
DTH	3.6	3.1	-13.9%
Total	**3.6**	**3.1**	**-13.9%**
Total	**153.9**	**177.3**	**15.2%**

Revenues in Euro millions in constant currency

Segment	**Three months ended March 31, 2014**	**2015**
	Actual	**Constant Currency**
Romania	108.5	125.1
Hungary	29.3	31.1
Spain	12.3	16.1
Other	1.2	1.7
Discontinued operations	3.6	3.1
Elimination of intersegment revenue	(1.2)	(0.6)
Total	**153.9**	**176.3**

Revenues in Romania (including intersegment revenues) for the three months ended March 31, 2015 were €126.2 million compared with €108.5 million for the three months ended March 31, 2014, an increase of 16.3%. On a constant currency basis (by reference to the 1st quarter of 2014 average exchange rates), our revenues in Romania would have been €125.1 million for the three months ended March 31, 2015 (lower by €1.1 million), leading to an aggregate increase of 15.3%. Revenue growth in Romania was driven primarily by an increase in our mobile telephony RGUs and ARPU, cable TV and fixed internet and data RGUs and other revenues. Mobile telephony RGUs increased from 1,066,000 at March 31, 2014 to 1,485,000 at March 31, 2015, an increase of 39.3%. This increase is the result of launching a new offer with competitive tariffs and also the possibility of acquiring a mobile handset. As a result, also the ARPU from mobile telephony increased in the three months ended March 31, 2015 to 2.54 €/month compared with 1.41 €/month for the three months ended March 31, 2014, an increase of 80.1%. Our cable TV RGUs increased from 2,506,000 at March 31, 2014 to 2,633,000 at March 31, 2015, an increase of 5.1%, and our fixed internet and data RGUs increased from 1,728,000 at March 31, 2014 to 1,868,000 at March 31, 2015, an increase of 8.1%. Both increases were driven primarily by our investments in expanding and upgrading our fiber optic network, which allowed us to connect more customers to our fiber optic network. Other revenues increased mainly as a result of revenues from sales of equipment to our customers (€12.4 million in the three months ended March 31, 2015 compared with €3.1 in the three months ended March 31, 2014). Growth in our cable TV, fixed internet and data, mobile telephony 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 781,000 at March 31, 2014 to 693,000 at March 31, 2015, a decrease of 11.3%. Residential fixed telephony RGUs decreased from 1,390,000 at March 31, 2014 to 1,331,000 at March 31, 2015, a decrease of 4.2% and fixed telephony ARPU decreased from 1.64 €/month for the three months ended March, 2013 to 1.26 €/month for the three months ended March 31, 2015, a decrease of 23.2%. The decrease in ARPU is mainly the result of decrease in revenues from interconnection which was due to decrease in regulated interconnection rates starting with April 1, 2014 from 0.67 €/month to 0.14 €/month.

Revenues in Hungary for the three months ended March 31, 2015 were €31.0 million compared with €29.3 million for the three months ended March 31, 2014, an increase of 5.8%. On a constant currency basis (by reference to 1st quarter of 2014 average exchange rates), our revenues in Hungary would have grown by an additional €0.1 million to €31.1 million for the three months ended March 31, 2015, an increase of 6.1%. The increase in revenues was principally due to an increase our cable TV RGUs, fixed internet and data RGUs and fixed line telephony RGUs. Our cable TV RGUs increased from 401,000 at March 31, 2014 to 416,000 as at March 31, 2015, an increase of 3.7%. Our fixed internet and data RGUs increased from 330,000 at March 31, 2014 to 355,000 at March 31, 2015, an increase of 7.6%. Our fixed-line telephony RGUs increased from 290,000 at March 31, 2014 to 307,000 at March 31, 2015, an increase of 5.9%. Despite the increase in the fixed-line telephony RGUs, the revenues decreased as a result of lower traffic leading to lower ARPU. 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. Our DTH RGUs decreased from 336,000 at March 31, 2014 to 326,000 at March 31, 2015, a decrease of 3.0%.

Revenues in Spain (including intersegment revenues) for the three months ended March 31, 2015 were €15.8 million compared with €12.0 million for the three months ended March 31, 2014, an increase of 31.7%. This growth was the result of an increase in our number of mobile telephony RGUs from 336,000 at March 31, 2014 to 451,000 at March 31, 2015, an increase of 34.2%, and an increase in the number of mobile internet and data RGUs from 128,000 at March 31, 2014 to 203,000 at March 31, 2015, an increase of 58.6%.

Revenues in Italy for the three months ended March 31, 2015 were €1.7 million compared with €1.2 million for the three months ended March 31, 2014, an increase of 41.7%. The increase in revenues was due to an increase our mobile telephony RGUs from 57,000 at March 31, 2014 to 69,000 as at March 31, 2015 and also due to an increase in the ARPU of the mobile telephony RGUs from 6.61 €/month for the three months ended March, 2013 to 8.04 €/month for the three months ended March 31, 2015, an increase of 21.6%.

Revenues in Czech Republic (disposed of starting with April 2015) for the three months ended March 31, 2015 were €3.1 million compared with €3.6 million for the three months ended March 31, 2014, a decrease of 13.9%.The decrease in revenues was principally due to a decrease in the number of DTH RGUs from 150,000 as at March 31, 2014 to 131,000 DTH RGUs as at March 31, 2015.

Total operating expenses

Our total operating expenses for the three months ended March 31, 2015 were €168.6 million compared with €141.3 million for the three months ended March 31, 2014, an increase of 19.3%.

The table below sets out the expenses per segment (which excludes depreciation and amortization) as a percentage of revenues for the three months ended March 31, 2014 and 2015 (including intersegment transactions).

	Three months ended March 31,	
Segment	**2014**	**2015**
	Expenses as % of revenues	
Romania	56.03%	67.11%
Hungary	60.64%	60.46%
Spain	92.47%	86.74%
Other	147.68%	150.30%
Discontinued operations	64.57%	67.23%

Operating expenses in Romania (including intersegment expenses) for the three months ended March 31, 2015 were €84.7 million compared with €60.8 million the three months ended March 31, 2014, an increase of 39.3%. This increase comes mainly from sales of handsets and other equipment at cost (€11.8 million in the three months ended March 31, 2015 compared with €0.6 in the three months ended March 31, 2014), increase in salaries, additional spectrum costs for the new 900 Mhz license and larger telephony interconnection charges associated with our new mobile offerings.

Operating expenses in Hungary for the three months ended March 31, 2015 were €18.7 million compared with €17.8 million the three months ended March 31, 2014, an increase of 5.1%. This is mainly the result of the increase in direct costs associated with the increase in RGUs in cable tv and fixed telephony business lines.

Operating expenses in Spain (including intersegment expenses) for the three months ended March 31, 2015 were €14.0 million compared with €11.4 million for the three months ended March 31, 2014, an increase of 22.8%. This increase is the result of an increase in the traffic as a result of an increase in our RGU number.

Operating expenses in Other for the three months ended March 31, 2015 were €2.5 million compared with €1.8 million for the three months ended March 31, 2014, a decrease of 38.9%. The increase is the result of the increase in RGUs and traffic in our subsidiary in Italy.

Operating expenses in Discontinued Operations (Czech Republic disposed of starting with April 2015) for the three months ended March 31, 2015 were €2.1 million compared with €2.4 million for the three months ended March 31, 2014, a decrease of 12.5%. The decrease is proportional to the decrease in revenues (13.9%).

Depreciation, amortization and impairment of tangible and intangible assets

Depreciation, amortization and impairment of tangible and intangible assets was €47.3 million for the three months ended March 31, 2015 compared with €48.3 million for three months ended March 31, 2014, a decrease of 2.1%. This decrease was primarily due to slightly lower Depreciation of property, plant and equipment and Amortization of programme assets.

Other income for the three months ended March 31, 2014 of €8.3 million, represents additional installments received for the disposal of Slovakia.

Operating profit

For the reasons set forth above, our operating profit was €8.8 million for the three months ended March 31, 2015 compared with €20.9 million for three months ended March 31, 2014.

Net finance expense

We recognized net finance expense of €7.7 million in the three months ended March 31, 2015 compared with €7.5 million in the three months ended March 31, 2014. The slight increase is mainly the result higher interest expenses, as a result of higher gross debt (the interest expense was EUR 13.0 million in the three months ended March 31, 2015 compared with EUR 12.3 million in the same period from the previous year). The increase in expense is offset by higher foreign exchange rate revenues recorded in the three months period ended March 31, 2015 compared with the same period in the previous year (EUR 7.9 million compared with EUR 7.3 million).

Profit / Loss before taxation

For the reasons set forth above, we had a profit before taxation of €1.1 million for the three months ended March 31, 2015 compared and a profit before taxation of €13.4 million for the three months ended March 31, 2014.

Income tax expense

An income tax expense of €1.2 million was recognized in the three months ended March 31, 2015 as a result of the net profit incurred profit in that period, adjusted for the effect of non-deductible expenses. An income tax expense of €1.9 million was recognized in the three months ended March 31, 2014 for the same reasons.

Profit/ Loss for the year

For the reasons set forth above, our net loss for the three months ended March 31, 2015 was €0.1 million and our net profit for the three months ended March 31, 2014 was €11.6 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 (signed on April 30, 2015), the ING Facilities Agreement, the Citi Facilities Agreement, other letter of guarantee facilities and other credit agreements. We believe that our strong and, in local currency, relatively predictable operating cash flows will continue to allow us to maintain a flexible capital expenditure policy.

All of our businesses generally produce positive operating cash flows that are relatively constant from month to month. Due to the recent upgrade of our fiber optic network, our network-related capital expenditure is expected to be lower in the near to medium term than in the previous years. 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 (including making payments under and complying with obligations under our newly acquired license for a frequency block of 5 MHz of bandwidth in the 900 MHz frequency spectrum) and our fiber optic networks and procuring CPE which we lend free of charge 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 March 31, 2014 and 2015 our consolidated cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

	Three months ended March 31,	
	2014	**2015**
	(euro in millions)	
Cash flows from operations before working capital changes	**60.2**	**54.1**
Cash flows from changes in working capital	(12.1)	15.2
Cash flows from operations	**48.0**	**69.3**
Interest paid	(3.3)	(3.6)
Income tax paid	(0.5)	(0.9)
Cash flow from operating activities	**44.2**	**64.8**
Cash flow used in investing activities	**(43.2)**	**(57.7)**
Cash flows from financing activities	**(2.8)**	**(2.9)**
Net increase (decrease) in cash and cash equivalents	(1.8)	4.2
Cash and cash equivalents at the beginning of the period	50.2	54.3
Effect of exchange rate fluctuation on cash and cash equivalent held	1.5	(0.9)
Cash and cash equivalents at the closing of the period	**49.9**	**57.6**

Cash flows from operations before working capital changes were €54.1 million in the three months ended March 31, 2015 and €60.2 million in the three months ended March 31, 2014 for the reasons discussed above under "*—Results of Operations for the three months ended March 31, 2015 and 2014.*"

The following table shows changes in our working capital:

	Three months ended March 31,	
	2014	**2015**
Changes in:	**(euro in millions)**	
Trade receivables and other assets	(0.8)	(7.0)
Inventories	(3.6)	1.7
Trade payables and other current liabilities	(10.1)	15.0
Deferred revenue	2.4	5.4
Total	**(12.1)**	**15.2**

We had a net working capital of €15.2 million in the three months ended March 31, 2015. This is the result of an increase in trade payables of €15.0 due to sales of equipments, especially mobile handsets, increase in several other expenses such as mobile interconnection, salaries and programming. The net working capital is also the result of an increase in deferred revenue, mainly as a result of increase in our RGUs in Romania and Hungary. These changes were partially offset by an increase in our trade receivables and other assets balances of €7.0 million primarily as a result of sale of customer equipment in installments and/or with a subsidy to our subscribers.

We had a net working capital requirement of €12.1 million in the three months ended March 31, 2014. This requirement comes mainly from a decrease in trade and other payable balances of €10.1 million primarily due to shorter payment cycles and an increase in inventories.

Cash flows from operating activities were €64.8 million in the three months ended March 31, 2015 and €44.2 million in the three months ended March 31, 2014. Included in these amounts are deductions for interest paid and income tax paid, which were €4.5 million in the three months ended March 31, 2015 and €3.9 million in the three months ended March 31, 2014.

Cash flows used in investing activities were €57.7 million in the three months ended March 31, 2015 and €43.2 million in the three months ended March 31, 2014 (which includes €8.3 million as proceeds from the sale of Slovakia and €1.3 million proceeds from sale of property, plant and equipment).

Purchases of property, plant and equipment were €30.5 million in the three months ended March 31, 2015 and €23.8 million in the three months ended March 31, 2014. The increase is the result of higher investments in our triple play and 3G networks in Romania.

Purchases of intangible assets were €25.8 million in the three months ended March 31, 2015 and €22.2 million in the three months ended March 31, 2014. The increase is the result of larger payments made for sport rights.

Acquisition of subsidiaries were €1.4 million in the three months ended March 31, 2015 and €6.8 million in the three months ended March 31, 2014. The main acquisitions from 2014 relate to network assets (CFO Integrator) and buildings.

Cash flows from financing activities were a negative amount of €2.9 million (representing an outflow) in the three months ended March 31, 2015 and a negative amount of €2.8 million (representing an outflow) in the three months ended March 31, 2014.

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 for part of our headquarters in Bucharest and a parcel of land outside of Bucharest.

The following table sets forth our payment obligations as at March 31, 2015 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	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2018	April 1, 2018 - March 31, 2020	April 1, 2020and after
			(euro in millions)		
Interest bearing loans and borrowings, including short term facilities	926.0	94.3	221.8	140.0	469.9
Finance lease obligations(1)	8.3	1.5	4.7	0.7	1.4
Overdraft facilities	3.9	3.9	—	—	—
Capital expenditure and operating expenditure contractual commitments(2)	261.9	78.8	98.9	45.7	38.5
Acquisition of subsidiaries	2.7	2.7	—	—	—
Trade and other payables(3)	236.6	225.5	11.1	—	—
Interest rate swaps used for hedging	1.8	1.8	—	—	—
Total	**1,441.2**	**408.5**	**336.5**	**186.4**	**509.8**

(1) Includes estimated interest. Interest was estimated by using 3-month EURIBOR or a fixed rate as of March 31, 2015 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 2013 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 of 23 September 2016.

2013 Senior Facilities Agreement

On October 21, 2013 we entered into a committed facility agreement, as borrower, with Citibank, N.A., London Branch and ING Bank N.V. Amsterdam, Bucharest Branch, as mandated lead arrangers, for the repayment of our existing facilities and for general corporate purposes (the "**2013 Senior Facilities Agreement**"). The 2013 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 2013 Senior Facilities Agreement consists of a term loan facility with a capacity of €250 million and a revolving credit facility with a capacity of €50 million. The interest rate under the 2013 Senior Facilities Agreement is floating at a margin of 4.35% per annum plus EURIBOR. Interest is payable every three or six months with respect to the term loan (as at this moment we have a three month interest period), and one, three or six months with respect to the revolving credit facility.

The 2013 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 3.25; and (ii) a minimum EBITDA to net total interest ratio of 4.25.

The 2013 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.

On November 4, 2013 we drew €205 million of the term loan facility on the Issue Date to repay certain of our existing credit facilities and on June 19, 2014 we drew the remaining €45 million under the term loan. The revolving credit facility remains available until October 21, 2016.

On May 22, 2015 we repaid the facility using the proceeds of the 2015 Senior Facilities Agreement and our own funds.

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 consists 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 can be increased by EUR 25 million (in RON and the exchange rate from the date of the notice) in the next three months from signing. 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.

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.

On May 22, 2015 we drew the entire amount available from both the term loan facility and the revolving credit facility. The term loan facility is repayable in 10 semiannual equal tranches starting with October 30, 2015 and the revolving credit facility is repayable in three years time, on April 30, 2018.

On May 22, 2015 we concluded an interest rate SWAP for the entire term loan facility through which we will pay an annual total fixed interest of 5.75% for the entire period of the loan.

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, of which up to €1.0 million can also be used for letters of guarantee (starting with March 16, 2015, through the signing of an addendum to the ING Facilities Agreement, the sublimit is removed) and (ii) an uncommitted facility for letters of guarantee with an initial amount of €9.675 million and Romanian lei 8.1 million.

As of March 31, 2015, we had €3.8 million drawn and €1.1 million Letters of Guarantee issued under the overdraft facility. There were no letters of guarantee issued under the (ii) uncommitted facility for letters of guarantee, as of March 31, 2015.

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. Thus amended, the Citi Facilities Agreement consists of (i) an uncommitted overdraft/bank guarantee facility in the amount of US$5.0 million and (ii) an uncommitted bank guarantee facility with an initial amount of US$8.1 million and €500,000. On November 25, 2014 the (i) uncommitted overdraft/bank guarantee facility was increased to US$7.0 million.

As of March 31, 2015, overdraft/bank guarantee facility utilized was (i) US$2.3 million, out of which US$0.1 million was cash overdraft and US$2.2 million was letters of guarantee, and (ii) we had letters of guarantee issued in the amount of US$4.0 million and €500,000.

BRD Letters of Guarantee Facility

As of March 31, 2015 we had letters of guarantee issued by BRD with a value of €1.0 million.

Santander Facility

On November 4, 2014, we entered into a new short-term facility agreement with Banco Santander for €1.5 million, which consolidates and replaces all the previous facilities. The maturity date for this new facility is November 4, 2015 and the amount provided decreased to €1 million starting with March 4, 2015. As of March 31, 2015, the balance drawn under the Santander Facility was €100,000.

Caixa Facility

On February 6, 2014, we entered into a reverse factoring facility agreement with Caixabank, S.A. (the "Caixa Facility") through which Caixa pays in advance DIGI Spain's suppliers. On January 30, 2015, we renewed the reverse factoring facility agreement. The term of the Caixa Facility is indefinite and the maximum amount which can be used is €500,000. As of March 31, 2015, the balance drawn under the Caixa Facility was €170,000

Unicredit cash collateral agreement

On October 5, 2010, we entered into a cash collateral agreement with UniCredit Tiriac Bank S.A., for €59,484 for issuance of a letter of counter guarantee, which is valid until January 31, 2017 (the "**Unicredit Cash Collateral Agreement**"). The agreement entered into force on October 8, 2012, and is secured with a moveable mortgage over a cash collateral account opened with UniCredit Tiriac Bank S.A.

Financial Leasing Agreements

As at March 31, 2015, we had two leasing agreements in place with a total outstanding value of approximately €7.3 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, with a financed amount (including interest) of US$12.5 million. ING Lease Romania IFN SA has sold all its assets to Raiffeisen Leasing IFN SA at the end of January 2014. As at March 31, 2015, the outstanding amount under the sale-leaseback agreement was US$5.2 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 March 31, 2015, the outstanding amount under this leasing agreement was €2.5 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. 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 audited financial statements included elsewhere in this offering memorandum. There were no changes in our accounting policy during the three months period ended March 31, 2015.