CABLE COMMUNICATIONS SYSTEMS

Parent Company of

RCS & RDS

FINANCIAL REPORT

for the three months period ended September 30, 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 both September 30, 2015 and September 30, 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 September 30, 2015

This report includes and analyses the unaudited condensed consolidated financial statements of the Company as of September 30, 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 September 30, 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 September 30, 2015, we had revenues of €193.6 million, net profit of €11.7 million and Adjusted EBITDA of €60.9 million. For the nine months ended September 30, 2015, we had revenues of €556.4 million, other income of €21.7 million, net profit of €21.6 million and Adjusted EBITDA of €175 million.

RECENT DEVELOPMENTS

Business

On April 21, 2015 we completed the sale of our subsidiary in the Czech Republic. At closing we received €24.5 million net of cash disposed and we expect to incur additional transaction related costs out of which €3.25 million are accrued for.

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%. On October 30, 2015 we have repaid the first principal installment in amount of €22.4 mil (RON 99.4 mil).

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.

In the second quarter of 2015 we acquired the exclusive rights for the Seria A and Ligue 1 competitions for Romania and Hungary territories for three seasons starting with the 2015/2016 season.

In July we acquired the football rights for the Romanian territory for the Spanish La Liga competition for three seasons starting with the 2015/2016 season.

At the end of July 2015 we signed a contract with 2K Telecom to purchase 30 Mhz in 4G spectrum (in the 2600 Mhz bandwidth). At the end of October 2015 we have participated in auction and acquired from ANCOM 10 unpaired blocks of 5 MHz in the 3700-3750 MHz bandwidth. These licenses will allow the developing of a 4G mobile telephony network in Romania. In October 2015 we launched 4G services to our mobile subscribers from 12 cities in Romania. 4G coverage will be extended to another 15 cities in the second stage of the projects planned for the fourth quarter of 2015.

Legislation

Several changes to the Romanian tax legislation (both the fiscal and the fiscal procedure code) were enacted by the Romanian Parliament in July (the fiscal procedure code) and in September (the fiscal code) and are to enter into force starting January 2016. These amendments were endorsed by the President of Romania. The changes aim at reducing the level of some fiscal burdens (such as the progressive cut of the VAT level from 24% to 20% starting January 2016 and to 19% starting

January 2017; the decrease of the dividend tax from 16% to 5% starting January 2017, the abolition of some fuel excise, etc.), while increasing several other taxes (e.g., the raise of the currently applicable level of the social security taxes for individual professional revenues in Romania; the increase of the real estate taxation, etc.). The tax on special constructions (including networks) will be discontinued starting with January 2017.

BASIS OF FINANCIAL PRESENTATION

The Company prepares its consolidated financial statements in accordance with IFRS. For the periods analysed 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 and 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 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 euros and U.S. dollars. In the nine month period ended September 30, 2015, compared with the same period in 2014, the Romanian leu appreciated by 0.2% relative to the euro and declined by 20.9% relative to the U.S. dollar, and the Hungarian forint declined by 0.1% relative to the euro and depreciated by 21.2% relative to the U.S. dollar. In the 3rd quarter of 2015, compared with the same period in 2014, the Romanian leu declined by 0.4% relative to the euro and declined by 20.1% relative to the U.S. dollar, and the Hungarian forint slightly appreciated with 0.1% relative to the euro and declined 19.5% 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 September 30		As at and for the nine months ended September 30	
	2014	**2015**	**2014**	**2015**
	Value of one euro in the relevant currency			
Romanian leu (RON)				
Period beginning rate	4.39	4.47	4.48	4.48
Period end rate	4.41	4.42	4.41	4.42
Average rate	4.41	4.43	4.45	4.44
Hungarian forint (HUF) (2)				
Period beginning rate	310.19	315.04	296.91	314.89
Period end rate	310.36	313.32	310.36	313.32
Average rate	312.33	312.04	308.76	309.01
Czech koruna (CZK)(3)				
Period beginning rate	27.43	N.R.	27.43	27.73
Period end rate	27.50	N.R.	27.50	27.43
Average rate	27.66	N.R.	27.52	27.58
United States Dollar (USD)(1)				
Period beginning rate	1.37	1.11	1.38	1.21
Period end rate	1.26	1.12	1.26	1.12
Average rate	1.33	1.11	1.35	1.11

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

(2) According to the exchange rates published by the National Bank of Hungary.

(3) Czech subsidiary was disposed in April 2015. Exchange rates presented above for 9 months 2015 are as at Q2 2015.

N.R. Not relevant

In the three months ended September 30, 2015, we had a net foreign exchange gain (which is recognized in net finance expenses on our statement of comprehensive income) of €7.1 million due to the appreciation of the Romanian leu against the euro at the end of the quarter as compared to June 30, 2015. In the three months ended September 30, 2014, we had a net foreign exchange loss of €5.3 million because of the depreciation of the Romanian leu against the euro at the end of the quarter as compared to June 30, 2014.

In the nine months ended September 30, 2015, we had a net foreign exchange gain (which is recognized in net finance income on our statement of comprehensive income) of €8.1 million due to the appreciation of the Romanian leu against the euro at the end of the period as compared to December 31, 2014. In the nine months ended September 30, 2014, we had a net foreign exchange gain of €12.1 million due to the appreciation of the Romanian leu against the euro at the end of the period 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 September 30, 2014 and 2015. ARPU figures are not shown on a constant currency basis.

	RGUs (in thousands)						ARPU (EUR/RGU/month)		
	As at June 30,		% change	As at September 30,		% change	For the three month period ended September 30,		% change
	2014	2015		2014	2015		2014	2015	
Romania									
Cable TV	2,535	2,659	4.9%	2,559	2,693	5.2%	5.13	5.28	2.9%
Fixed Internet and data									
Residential(4)	1,670	1,802	7.9%	1,698	1,821	7.2%	5.21	5.11	-1.9%
Business	83	96	15.7%	86	99	15.1%	42.62	38.90	-8.7%
Fixed-line telephony									
Residential(4)	1,380	1,318	-4.5%	1,365	1,303	-4.5%	1.32	1.24	-6.1%
Business	119	125	5.0%	120	126	5.0%	4.25	3.63	-14.6%
Mobile telephony(4)	1,087	1,583	45.6%	1,217	1,705	40.1%	1.87	3.13	67.4%
Mobile internet and data(4)	852	1,483	74.1%	1,053	1,624	54.2%	1.49	1.22	-18.1%
DTH(4)	765	690	-9.8%	741	682	-8.0%	4.76	4.92	3.4%
Hungary									
Cable TV(4)	402	420	4.5%	405	427	5.4%	7.03	7.15	1.7%
Fixed internet and data(4)	333	361	8.4%	339	370	9.1%	7.47	7.58	1.5%
Fixed-line telephony(4)	292	312	6.8%	296	319	7.8%	2.33	1.69	-27.5%
Mobile internet and data(1)	20	18	-10.0%	20	17	-15.0%	6.52	6.70	2.8%
DTH(4)	341	331	-2.9%	339	329	-2.9%	7.51	7.69	2.4%
Spain									
Mobile telephony(2)	364	487	33.8%	389	492	26.5%	9.87	9.62	-2.5%
Mobile internet and data(2)	154	224	45.5%	172	237	37.8%	5.56	6.84	23.0%
Italy									
Mobile telephony(2)(4)	57	74	29.8%	58	79	36.2%	6.98	7.67	9.9%
Mobile internet and data(2)	2	5	150.0%	2	6	200.0%	5.23	6.34	21.2%
Discontinued Operations									
DTH(3)	145	N.M.	-100.0%	139	N.M.	-100.0%	7.82	N.M.	-100.0%

(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.
(4) For accuracy purposes, in 2015 a reallocation of service revenues between business lines was made. Therefore, ARPU comparative for 3 months 2014 was recomputed on comparable basis, including these reallocations.
N.M Not meaningful

HISTORICAL RESULTS OF OPERATIONS

Results of Operations for the three months ended September 30, 2014 and 2015

	Three months ended September 30,		Nine months ended September 30,	
	2014	**2015**	**2014**	**2015**
	(euro in millions)		(euro in millions)	
Revenues				
Romania	122.9	141.9	344.3	401.7
Hungary	29.1	31.3	88.6	93.7
Spain	14.1	19.2	39.4	53.8
Other	1.3	1.9	3.6	5.5
Discontinued operations	3.3	0.0	10.5	3.8
Elimination of intersegment revenues	(0.7)	(0.7)	(2.4)	(2.0)
Total revenues	**170.1**	**193.6**	**484.0**	**556.4**
Other income	**1.3**	**(0.2)**	**9.6**	**21.7**
Operating expenses				
Romania	79.4	96.4	208.8	271.9
Hungary	17.7	18.7	54.0	56.3
Spain	12.8	16.1	36.4	45.6
Other	1.9	2.2	5.6	6.9
Discontinued operations	2.2	0.0	6.9	2.6
Elimination of intersegment expenses	(0.7)	(0.7)	(2.4)	(2.0)
Depreciation, amortization and impairment of tangible and intangible assets	42.0	42.5	140.5	136.5
Total operating expenses	**155.4**	**175.2**	**449.9**	**517.9**
Operating profit	**16.0**	**18.2**	**43.7**	**60.2**
Finance income	0.7	7.5	12.8	8.5
Finance expense	(18.7)	(13.7)	(43.8)	(44.1)
Net finance costs	**(18.0)**	**(6.2)**	**(31.1)**	**(35.7)**
Profit / (Loss) before taxation	**(2.0)**	**12.0**	**12.6**	**24.6**
Income tax benefit/(expense)	(0.5)	(0.3)	(1.4)	(2.9)
Profit / (Loss) for the period	**(2.4)**	**11.7**	**11.3**	**21.6**

Revenues

Our revenues for the three months ended September 30, 2015 were €193.6 million, compared with €170.1 million for the three months ended September 30, 2014, an increase of 13.8%. On a constant currency basis (by reference to the three month period ended September 30, 2014 average exchange rates), our revenues would have grown by an additional €0.3 million to €193.9 million for the three months ended September 30, 2015, an aggregate increase of 14%.

Our revenues from continuing operations for the three months ended September 30, 2015 were €193.6 million, compared with €166.7 million for the three months ended September 30, 2014, an increase of 16.1%. On a constant currency basis (by reference to the three month period ended September 30, 2014 average exchange rates), our revenues from continuing operations would have grown by an additional €0.3 million to €193.9 million for the three months ended September 30, 2015, an aggregate increase of 16.3%.

Our revenues for the nine months ended September 30, 2015 were €556.4 million, compared with €484 million for the nine months ended September 30, 2014, an increase of 15%. On a constant currency basis (by reference to the nine month period ended September 30, 2014 average exchange rates), our revenues would have decreased by €0.3 million to €556.1 million for the nine months ended September 30, 2015, an aggregate increase of 14.9%.

Our revenues from continuing operations for the nine months ended September 30, 2015 were €552.6 million, compared with €473.5 million for the nine months ended September 30, 2014, an increase of 16.7%. On a constant currency basis (by reference to the nine month period ended September 30, 2014 average exchange rates), our revenues from continuing operations would have decreased by €0.3 million to €552.2 million for the nine months ended September 30, 2015, an aggregate increase of 16.6%.

The following tables show the distribution of revenues by country and business line for the three and nine months ended September 30, 2014 and 2015 and the revenues calculated on constant currency basis:

	Three months ended September 30,		**% change**	**Nine months ended September 30,**		**% change**
	2014[(2)]	**2015**		**2014[(2)]**	**2015**	
	(euro in millions)			**(euro in millions)**		
Romania						
Cable TV	39.2	42.4	8.2%	115.8	123.9	7.0%
Fixed internet and data	37.1	38.9	4.9%	110.0	116.1	5.5%
Fixed-line telephony	7.0	6.2	-11.4%	22.9	19.0	-17.0%
Mobile telephony	6.5	15.4	136.9%	15.4	40.0	159.7%
Mobile internet and data	4.3	5.9	37.2%	11.7	15.9	35.9%
DTH	10.7	10.1	-5.6%	32.9	30.3	-7.9%
Other revenues	17.7	22.4	26.6%	33.7	55.2	63.8%
Total	**122.4**	**141.5**	**15.6%**	**342.4**	**400.4**	**16.9%**
Hungary						
Cable TV	8.5	9.1	7.1%	25.7	27.3	6.2%
Fixed internet and data	7.5	8.3	10.7%	22.5	24.7	9.8%
Fixed-line telephony	2.1	1.6	-23.8%	6.3	5.2	-17.5%
Mobile internet and data	0.4	0.4	0.0%	1.2	1.1	-8.3%
DTH	7.7	7.6	-1.3%	23.2	22.8	-1.7%
Other revenues	2.9	4.3	48.3%	9.8	12.6	28.6%
Total	**29.1**	**31.3**	**7.6%**	**88.6**	**93.7**	**5.8%**
Spain						
Mobile telephony	11.2	14.1	25.9%	31.9	40.2	26.0%
Mobile internet and data	2.7	4.7	74.1%	6.7	12.5	86.6%
Other revenues	N.M.	0.1	0%	0.1	0.2	100.0%
Total	**13.9**	**18.9**	**36.0%**	**38.8**	**53.0**	**36.6%**
Italy						
Mobile telephony	1.2	1.8	50.0%	3.5	5.1	45.7%
Mobile internet and data	N.M.	0.1	N.M.	N.M.	0.2	N.M.
Other revenues	0.1	0.1	0%	0.2	0.1	-50.0%
Total	**1.3**	**1.9**	**46.2%**	**3.7**	**5.5**	**48.6%**
Other (Czech republic & Other)[(1)]						
DTH	3.3	N.M.	-100.0%	10.4	3.8	-63.5%
Other revenues	N.M.	N.M.	N.M.	0.1	N.M.	-100%
Total	**3.3**	**N.M.**	**-100.0%**	**10.5**	**3.8**	**-63.8%**
Total	**170.1**	**193.6**	**13.8%**	**484.0**	**556.4**	**15.0%**

(1) The revenues for the three month and nine month periods ended September 30, 2015 include only the period ending on April 21 2015.
(2) For accuracy & presentation purposes, in 2015 a reallocation of service revenues between business lines was made. Therefore, comparatives for 3 and 9 months 2014 are presented on comparable basis.

Revenues in Romania (including intersegment revenues) for the three months ended September 30, 2015 were €141.5 million compared with €122.4 million for the three months ended September 30, 2014, an increase of 15.6%. On a constant currency basis (by reference to the 3rd quarter of 2014 average exchange rates), our revenues in Romania would have been €142.2 million for the three months ended September 30, 2015 (higher by €0.3 million), leading to an aggregate increase of 15.7%. Revenue growth in Romania was driven primarily by an increase in our mobile telephony RGUs and ARPU, cable TV and other revenues. Mobile telephony RGUs increased from 1,217,000 at September 30, 2014 to 1,705,000 at September 30, 2015, an increase of 40.1%. This increase is the result of launching a new offer with competitive tariffs and the possibility of acquiring a mobile handset, as well as change in subscription packages' mix. As a result, also the ARPU from mobile telephony increased in the three months ended September 30, 2015 to 3.13 €/month compared with 1.87 €/month for the three months ended September 30, 2014, an increase of 67.4%. Our cable TV RGUs increased from 2,559,000 at September 30, 2014 to 2,693,000 at September 30, 2015, an increase of 5.2%, and our fixed internet and data RGUs increased from 1,784,000 at September 30, 2014 to 1,920,000 at September 30, 2015, an increase of 7.6%. Both increases were driven primarily by our investments in expanding and upgrading our fiber optic network, which allowed us to connect more customers. The increase in revenues from cable TV is also due to price increases of certain TV programmes. Other revenues consist of mobile phones sale, energy and publicity sale. Other revenues have mainly increased as a result of increase of energy supply to corporate clients (increase revenues from energy of €3.9 million in the three months ended September 30, 2015 compared with the three months ended September 30, 2014), as well as other items. 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 741,000 at September 30, 2014 to 682,000 at September 30, 2015, a decrease of 8%. Residential fixed telephony RGUs decreased from 1,365,000 at September 30, 2014 to 1,303,000 at September 30, 2015, a decrease of 4.5%. Fixed telephony ARPU decreased from 1.32 €/month for the three months ended September 30, 2014 to 1.24 €/month for the three months ended September 30, 2015, a decrease of 6.1%.

Revenues in Hungary for the three months ended September 30, 2015 were €31.3 million compared with €29.1 million for the three months ended September 30, 2014, an increase of 7.6%. 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 405,000 at September 30, 2014 to 427,000 as at September 30, 2015, an increase of 5.4%. Our fixed internet and data RGUs increased from 339,000 at September 30, 2014 to 370,000 at September 30, 2015, an increase of 9.1%. 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 339,000 at September 30, 2014 to 329,000 at September 30, 2015, a decrease of 2.9%. Our fixed-line telephony RGUs increased from 296,000 at September 30, 2014 to 319,000 at September 30, 2015, an increase of 7.8%. 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 September 30, 2015 were €18.9 million compared with €13.9 million for the three months ended September 30, 2014, an increase of 36%. This growth was the result of an increase in our number of mobile telephony RGUs from 389,000 at September 30, 2014 to 492,000 at September 30, 2015, an increase of 26.5%, and an increase in the number of mobile internet and data RGUs from 172,000 at September 30, 2014 to 237,000 at September 30, 2015, an increase of 37.8%.

Revenues in Italy for the three months ended September 30, 2015 were €1.9 million compared with €1.3 million for the three months ended September 30, 2014, an increase of 46.2%. The increase in revenues was due to an increase our mobile telephony RGUs from 58,000 at September 30, 2014 to 79,000 as at September 30, 2015 and also due to an increase in the ARPU of the mobile telephony RGUs from 6.98 €/month for the three months ended September 30, 2014 to 7.67 €/month for the three months ended September 30, 2015, an increase of 9.9%.

Total operating expenses

Our total operating expenses for the three months ended September 30, 2015 were €175.2 million compared with €155.4 million for the three months ended September 30, 2014, an increase of 12.7%.

Our total operating expenses for the nine months ended September 30, 2015 were €517.9 million compared with €449.9 million for the nine months ended September 30, 2014, an increase of 15.1%.

The table below sets out the expenses per segment (which excludes depreciation and amortization) as a percentage of revenues for the three months ended September 30, 2014 and 2015 (including intersegment transactions).

Segment	Three months ended September 30, 2014	2015	Nine months ended September 30, 2014	2015
	Expenses as % of revenues		Expenses as % of revenues	
Romania	64.6%	68.0%	60.6%	67.7%
Hungary	61.0%	59.9%	61.0%	60.1%
Spain	90.4%	83.7%	92.5%	84.8%
Other	146.6%	112.6%	152.2%	126.5%
Discontinued operations	66.6%	N.M.	65.9%	67.7%

Operating expenses in Romania (including intersegment expenses) for the three months ended September 30, 2015 were €96.4 million compared with €79.4 million the three months ended September 30, 2014, an increase of 21.4%. This increase is in line with the increase in business volume and comes mainly from larger telephony interconnection charges associated with our mobile offerings, increase in programming expenses, increase in salaries and increase associated with energy sales.

Operating expenses in Hungary for the three months ended September 30, 2015 were €18.7 million compared with €17.7 million the three months ended September 30, 2014, an increase of 5.6%. This increase is in line with the increase in business volume and is mainly the result of the increase in direct costs associated with the increase in programming expenses for cable TV.

Operating expenses in Spain (including intersegment expenses) for the three months ended September 30, 2015 were €16.1 million compared with €12.8 million for the three months ended September 30, 2014, an increase of 25.8%. This is the result of an increase in interconnection charges associated with traffic increase and expansion in our RGU number.

Operating expenses in Other (excluding discontinued operations) for the three months ended September 30, 2015 were €2.2 million compared with €1.9 million for the three months ended September 30, 2014, an increase of 15.8%. The increase is the result of 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 €42.5 million for the three months ended September 30, 2015 compared with €42.0 million for three months ended September 30, 2014, an increase of 1.2%.

Other income for the three months ended September 30, 2015 was a reduction of €0.2 million, as a result of increased accrual of sales transaction costs netted off against income from the sale of our Czech subsidiary.

Operating profit

For the reasons set forth above, our operating profit was €18.2 million for the three months ended September 30, 2015 compared with €16 million for three months ended September 30, 2014.

Net finance expense

We recognized net finance expense of €6.2 million in the three months ended September 30, 2015 compared with €18.0 million in the three months ended September 30, 2014. The decrease is the result of a net foreign exchange gain of €7.1 million in the three months ended September 30, 2015 compared with a foreign exchange loss of €5.3 million in the three months ended September 30, 2014. In the 3rd quarter of 2015 we have recognised interest rate swap derivatives as cash-flow hedges. The impact of the implementation of this accounting policy from Q2 would have resulted in a decrease in finance expenses of €1.7 million for period ended 30 June 2015.

Profit before taxation

For the reasons set forth above, we had a profit before taxation of €12.0 million for the three months ended September 30, 2015 compared to a loss before taxation of €2.0 million for the three months ended September 30, 2014.

Income tax expense

An income tax expense of €0.3 million was recognized in the three months ended September 30, 2015 as a result of the net profit incurred in that period, adjusted for the effect of non-deductible expenses. An income tax expense of €0.5 million was recognized in the three months ended September 30, 2014 mainly as a result of fiscal losses incurred in Romania and Italy.

Profit for the year

For the reasons set forth above, our net profit for the three months ended September 30, 2015 was €11.7 million and our net loss for the three months ended September 30, 2014 was €2.4 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 relatively predictable operating cash flows in local currency 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. 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 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 September 30, 2014 and 2015 our consolidated cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

	Three months ended September 30,		**Nine months ended September 30,**	
	2014	**2015**	**2014**	**2015**
	(euro in millions)		**(euro in millions)**	
Cash flows from operations before working capital changes	**55.1**	**62.4**	**175.7**	**173.6**
Cash flows from changes in working capital	(0.3)	(7.6)	(18.9)	10.5
Cash flows from operations	**54.7**	**54.8**	**156.8**	**184.0**
Interest paid	(3.4)	(2.3)	(25.1)	(24.8)
Income tax paid	(1.3)	(0.5)	(3.4)	(1.8)
Cash flow from operating activities	**50.1**	**52.1**	**128.3**	**157.5**
Cash flow used in investing activities	**(50.7)**	**(57.1)**	**(139.3)**	**(138.9)**
Cash flows from financing activities	**(2.9)**	**2.5**	**37.4**	**(23.3)**
Net increase (decrease) in cash and cash equivalents	(3.5)	(2.4)	26.4	(4.6)
Cash and cash equivalents at the beginning of the period	79.1	52.0	50.2	54.3
Effect of exchange rate fluctuation on cash and cash equivalent held	0.3	(0.7)	(0.8)	(0.8)
Cash and cash equivalents at the closing of the period	**75.8**	**48.9**	**75.8**	**48.9**

Cash flows from operations before working capital changes were €62.4 million in the three months ended September 30, 2015 and €55.1 million in the three months ended September 30, 2014 for the reasons discussed above under "—*Results of Operations for the three months ended September 30, 2015 and 2014.*"

The following table shows changes in our working capital:

	Three months ended September 30,		Nine months ended September 30,	
	2014	**2015**	**2014**	**2015**
Changes in:	**(euro in millions)**		**(euro in millions)**	
Trade receivables and other assets	(13.2)	(6.7)	(27.2)	(16.2)
Inventories	(1.4)	1.5	(0.9)	1.6
Trade payables and other current liabilities	15.0	(2.0)	6.7	18.3
Deferred revenue	(0.8)	(0.3)	2.4	6.8
Total	**(0.3)**	**(7.6)**	**(18.9)**	**10.5**

We had a net working capital requirement of €7.6 million in the three months ended September 30, 2015. This is the result of a decrease in trade payables of €2.0 due to acquisitions of equipment, 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 €6.7 million and a decrease in our inventories balance of €1.5 million.

We had a net working capital requirement of €0.3 million in the three months ended September 30, 2014. This requirement comes mainly from an increase in trade receivables and other assets balances of €13.2 million primarily as a result of sale of equipment in instalments and/or with a subsidy to our subscribers but it is compensated by the increase in trade payables related mainly to the same equipment.

Cash flows from operating activities were €52.1 million in the three months ended September 30, 2015 and €50.1 million in the three months ended September 30, 2014. Included in these amounts are deductions for interest paid and income tax paid, which were €2.7 million in the three months ended September 30, 2015 and €4.7 million in the three months ended September 30, 2014.

Cash flows used in investing activities were €57.1 million in the three months ended September 30, 2015 and €50.7 million in the three months ended September 30, 2014.

Purchases of property, plant and equipment were €34.6 million in the three months ended September 30, 2015 and €31.8 million in the three months ended September 30, 2014.

Purchases of intangible assets were €22.5 million in the three months ended September 30, 2015 and €20.7 million in the three months ended September 30, 2014.

Cash flows used in financing activities were €2.5 million (representing an inflow) in the three months ended September 30, 2015. This is mainly the result of overdraft drawings in the period. ***Cash flows from financing activities*** were €2.9 million (representing an outflow) in the three months ended September 30, 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.

The following table sets forth our payment obligations as at September 30, 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	Oct 1, 2015 - Sept 30, 2016	Oct 1, 2016 - Sept 30, 2018	Oct 1, 2018 - Sept 30, 2020	Oct 1, 2020 and after
	(euro in millions)				
Interest bearing loans and borrowings, including short term facilities(1)	**877.3**	78.8	177.7	159.3	461.5
Finance lease obligations(1)	**7.3**	4.7	0.7	0.7	1.2
Overdraft facilities	**4.2**	4.2	-	-	-
Capital expenditure and operating expenditure contractual commitments(2)	**247.4**	96.5	98.1	22.3	30.6
Acquisition of subsidiaries	**0.2**	0.2	-	-	-
Trade and other payables(3)	**260.9**	255.1	5.7	-	-
Derivative instruments	**5.9**	5.9	-	-	-
Total	**1,403.2**	**445.4**	**282.2**	**182.3**	**493.3**

(1) Includes estimated interest. Interest was estimated by using 3-month ROBOR, 3-months EURIBOR or a fixed rate as of September 30, 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. The coupon SWAP shares in the Collateral pursuant to the terms of the Intercreditor Agreement.

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.

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) 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.

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.

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 October 30, 2015 we have repaid the first principal installment in amount of €22.4 mil (RON 99.4 mil).

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. The interest rate SWAP shares in the Collateral pursuant to the terms of the Intercreditor Agreement.

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 September 30, 2015, we had €4.25 million drawn out of the overdraft facility and Letters of Guarantee issued in amount of €2.03 million and RON7.96 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. 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 September 30, 2015, overdraft/bank guarantee facility utilized was (i) the cash overdraft facility was not used and we had letters of guarantee issued in amount of €0.76 million, and (ii) we had letters of guarantee issued in the amount of US$3.0 million, €500,000 and RON 2.0 million.

BRD Letters of Guarantee Facility

On July 13, 2015 we entered into an 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 September 30, 2015 we had letters of guarantee issued by BRD with a value of €1.04 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 September 30, 2015, the amount drawn was €0.76 million under the Santander Facility.

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. On July 22, 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 September 30, 2015, there was no amount drawn under the Caixa Facility.

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 September 30, 2015, we had two leasing agreements in place with a total outstanding value of approximately €6.6 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 September 30, 2015, the outstanding amount under the sale-leaseback agreement was US$4.7 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 September 30, 2015, the outstanding amount under this leasing agreement was €2.43 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 significant changes in our accounting policy during the three months period ended September 30, 2015.