CABLE COMMUNICATIONS SYSTEMS N.V. (“CCS”)

Parent Company of

RCS & RDS

(the “COMPANY”)

(CCS and the Company, together with their direct and indirect consolidated subsidiaries are referred to as the “**Group**”)

FINANCIAL REPORT (the “REPORT”)

for the three months period ended September 30, 2016

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1. IMPORTANT INFORMATION

CAUTIONARY NOTE REGARDING 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. We caution all readers that the forward-looking statements contained in this offering memorandum 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

Throughout 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. We measure RGUs at the end of each relevant period. 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 services, 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; and

- for our mobile telecommunication services we consider the following to be a separate RGU: (a) for pre-paid services, each mobile voice and mobile data SIM with active traffic in the last month of the relevant period; and (b) for post-paid services, each separate SIM on a valid contract.

As our definition of RGUs is different for our different business lines, you should use caution when comparing RGUs between our different business lines. In addition, 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 revenue per RGU in a business line, geographic segment or the Group as a whole, for a period by dividing the total revenue of such business line, geographic segment, or the Group, for such period, (a) if such period is a calendar month, by the total number of RGUs invoiced for services in that calendar month; or (b) if such period is longer than a calendar month, by (i) the average number of relevant RGUs invoiced for services in that period and (ii) the number of calendar months in that period. In our ARPU calculations we do not differentiate between various types of subscription packages or the number and nature of services an individual customer subscribes for. 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.

In this Report RGUs and ARPU numbers presented under the heading "Other" are the RGUs and ARPU numbers of our Italian subsidiary.

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, Adjusted EBITDA and Adjusted EBITDA Margin (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 our consolidated operating profit or loss charges for depreciation, amortization and impairment of assets. Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items, as well as mark-to-market results (unrealised) from fair value assessment of energy trading contracts. Adjusted EBITDA Margin is the ratio of Adjusted EBITDA to the sum of our total revenue and other operating income (other than mark-to-market gain/(loss) from fair value assessment of energy trading contracts). EBITDA, Adjusted EBITDA or Adjusted EBITDA Margin under our definition may not be comparable to similar measures presented by other companies and labelled "EBITDA", "Adjusted EBITDA" or "Adjusted EBITDA Margin," respectively. We believe that EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin 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, Adjusted EBITDA or Adjusted EBITDA Margin as substitutes for operating profit or cash flows from operating activities.

In Note 3 to the Interim Financial Statements, as part of our "Other" segment we reported EBITDA of (i) our Italian operations, together with certain minor operating expenses of CCS and (ii) our Discontinued

Operations, in each case, for the applicable periods. In this Report, EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin of continuing operations represent the results of our Romanian, Hungarian, Spanish and Italian subsidiaries and certain minor operating expenses of CCS.

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

The following discussion and analysis of the financial condition and results of operations of the Group should be read in conjunction unaudited interim condensed consolidated financial statements of the Group as of September 30, 2016.

The following discussion includes forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including but not limited to those described in sections captioned "Forward-Looking Statements" of this Report.

OVERVIEW

We are a leading provider of telecommunication services in Romania and Hungary. Our offerings in both countries include cable and DTH television services, fixed internet and data and fixed-line telephony. Our fixed telecommunication and entertainment services are offered through our technologically advanced fiber optic network. Our cable and DTH television subscribers enjoy access to custom-made channels and pay-to-view services, which carry premium movies and sports content, as well as various third-party products. We also operate the fastest growing, in terms of RGUs, and one of the most technologically advanced mobile networks in Romania, which shares the backbone of our fixed fiber optic infrastructure. In addition, we provide mobile telecommunication services as an MVNO to the large Romanian communities in Spain and Italy.

For the three months ended September 30, 2016, we had revenues of €212.2 million, net profit of €11.3 million and Adjusted EBITDA of €67.6 million. For the nine months ended September 30, 2016, we had revenues of €617.4 million, net profit of €17.8 million and Adjusted EBITDA of €197.3 million.

RECENT DEVELOPMENTS

In October 2016, we started offering 4G mobile telecommunication services in Romania in the 2,100 MHz bandwith in addition to our existing 2600 MHz offering. We expect that, by the end of 2016, these services will be available in more than 20 cities in Romania, including Bucharest, and intend to expand the coverage further in the future. We will utilize an additional block of 5MHz in order to facilitate this new offering. This development is intended to allow us to significantly broaden the range of 4G mobile handsets compatible with our network.

On October 7, 2016 the Company entered into the 2016 Senior Facilities Agreement, which consists of (i) a RON930.0 million (€208.9 million equivalent as at September 30, 2016) SFA Facility A1, (ii) a RON600.0 million (€134.8 million equivalent as at September 30, 2016) SFA Facility A2; and (iii) a RON157.0 million (€35.3 million equivalent as at September 30, 2016) Facility B. The Company drew (a) the full amount available under the SFA Facility A1 and repaid the 2015 Senior Facilities Agreement in full; and (b) the full amount available under the SFA Facility A2. Facility B was not drawn.

In October 2016, CCS issued €350 million aggregate principal amount of 5.0% Senior Secured Notes due 2023. In November 2016, the 2013 Notes of €450 million were redeemed in full.

BASIS OF FINANCIAL PRESENTATION

The Group prepared its Interim Financial Statements as of September 30, 2016 in accordance with IFRS as adopted by the EU. For the periods discussed in this Report, the Group's presentation currency was the euro. The Group's financial year ends on December 31 of each calendar year.

Functional Currencies and Presentation Currency

Each Group entity prepares individual financial statements in its functional currency, which is the currency of the primary economic environment in which such entity operates. As our operations in Romania and Hungary generated approximately 73.1% and 16.1%, respectively, of our consolidated revenue for the three months ended September 30, 2016 and 72.6% and 16.2%, respectively, of our consolidated revenue for the nine months ended September 30, 2015 our principal functional currencies are the Romanian leu and the Hungarian forint.

The Group presents its consolidated Interim Financial Statements in euros. The Group uses the euro as the presentation currency of its consolidated Interim Financial Statements because management analysis and reporting is prepared in euros, as the euro is used as a reference currency in the telecommunication industry in the European Union.

Presentation of Revenue and Operating Expenses

Our Board of Directors evaluates business and market opportunities and considers our results primarily on a country by country basis. We currently generate revenue and incur operating expenses in Romania, Hungary, Spain and Italy. Revenue and operating expenses from our operations are broken down into the following geographic segments: Romania, Hungary, Spain and Other (the Other segment includes Italy). See "*Results of Operations for the three and nine months ended September 30, 2015 and 2016*" in this Report.

In line with our management's consideration of the Group's revenue generation we further break down revenue generated by each of our four geographic segments in accordance with our five principal business lines: (1) cable TV; (2) fixed internet and data; (3) mobile telecommunication services; (4) fixed-line telephony; and (5) DTH.

Exchange rates

In the three months period ended September 30, 2016 the Romanian leu and the Hungarian forint have remained stable relative to the euro compared to the three months period ended September 30, 2015: the Romanian leu has marginally depreciated with approximately 0.8% and the Hungarian forint has marginally appreciated with approximately 0.3%.

The following table sets out, where applicable, the period end and average exchange rates for the periods under review of the euro against each of our principal functional currencies and the U.S. dollar, in each case as reported by the relevant central bank on its website (unless otherwise stated):

Value of one euro in the relevant currency	**As at and for the three months ended September 30,**		**As at and for the nine months ended September 30,**	
	2015	**2016**	**2015**	**2016**
Romanian leu (RON) (1)				
Period end rate	4.42	4.45	4.42	4.45
Average rate...	4.43	4.47	4.44	4.49
Hungarian forint (HUF)(2)				
Period end rate	313.32	309.15	313.32	309.15
Average rate...	312.02	311.21	309.01	312.19
U.S. dollar (USD)(1)				
Period end rate	1.12	1.12	1.12	1.12
Average rate...	1.11	1.12	1.11	1.12

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

In the three months ended September 30, 2016 we had a net foreign exchange gain of €8.7 million, compared to a net foreign exchange gain of €7.1 million in the three months ended September 30, 2015.

In the nine months ended September 30, 2016 we had a net foreign exchange gain of €9.9 million, compared to a net foreign exchange gain of €8.1 million in the nine months ended September 30, 2015.

Growth in Business, RGUs and ARPU

Our revenue is mostly a function of the number of our RGUs and ARPU. Neither of these terms is a measure of financial performance under IFRS, nor have these measures been reviewed by an outside auditor, consultant or expert. Each of these measures is derived from management estimates. As defined by our management, these terms may not be comparable to similar terms used by other companies.

The following table shows our RGUs (thousand) and monthly ARPU (€/month) by geographic segment and business line as at and for the three month period ended September 30, 2015 and 2016:

RGUs (thousand)/ARPU (€/month)	**As at and for the three months ended September 30,**		**% change**
	2015	**2016**	
Romania			
Cable TV			
RGUs	2,693	2,821	4.8%
ARPU.......................................	5.3	5.3	0.0%
Fixed internet and data			
RGUs			
Residential................................	1,821	1,953	7.2%
Business	99	112	13.1%
ARPU			
Residential................................	5.1	5.0	(2.0)%
Business	38.9	35.5	(8.7)%
Mobile telecommunication services(1)(2)			
RGUs	2,490	3,059	22.9%
ARPU........................	3.0	3.6	20.0%
Fixed-line telephony(1)			
RGUs			
Residential................................	1,303	1,231	(5.5)%
Business	126	128	1.6%
ARPU			
Residential................................	1.3	1.3	0.0%
Business	3.6	3.8	5.6%
DTH			
RGUs	682	650	(4.7)%
ARPU.......................................	4.9	4.9	0.0%
Hungary			
Cable TV			
RGUs	427	467	9.4%
ARPU.......................................	7.2	7.4	2.8%
Fixed internet and data			
RGUs	370	417	12.7%
ARPU.......................................	7.6	7.7	1.3%
Mobile telecommunication services(3)			
RGUs	17	15	(11.8)%
ARPU........................	6.7	7.0	4.5%
Fixed-line telephony			
RGUs	319	347	8.8%
ARPU.......................................	1.7	1.6	(5.9)%
DTH			
RGUs	329	320	(2.7)%
ARPU.......................................	7.7	8.1	5.2%

Spain			
Mobile telecommunication services(2)(4)			
RGUs	560	598	6.8%
ARPU..	11.3	11.5	1.8%
Other(5)			
Mobile telecommunication services(2)(4)(6)			
RGUs	55	74	34.5%
ARPU..	11.2	10.4	(7.1)%

(1) As at December 31, 2015, we reallocated certain service revenue between business lines in order to properly reflect their nature.

(2) As at June 30, 2016, we aggregated RGUs from our previously reported mobile telephony and mobile internet and data business lines and currently report them as part of our mobile telecommunication services business line. Comparative data for period ended September 30, 2015 is restated accordingly.

(3) Includes mobile internet and data services offered as a reseller through the Telenor network under our "Digi" brand.

(4) As an MVNO.

(5) Includes Italy.

(6) As at December 31, 2015, we revised our definition of mobile telephony RGUs in Italy to capture only SIM cards with active traffic in the last month of the relevant period. The revision was made to ensure consistency with our accounting for pre-paid mobile telecommunication services business line RGUs and ARPU in Spain. Comparative data for period ended September 30, 2015 is restated accordingly.

HISTORICAL RESULTS OF OPERATIONS

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

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2015(1)	**2016**	**2015(1)**	**2016**
		(€ millions)		
Revenues				
Romania	137.6	156.3	397.0	450.3
Hungary	31.3	34.1	93.7	100.3
Spain	19.2	21.1	53.8	63.4
Other	1.9	2.5	5.5	6.9
Discontinued operations	-	-	3.8	-
Elimination of intersegment revenues	(0.7)	(1.9)	(2.0)	(3.5)
Total revenues	**189.3**	**212.2**	**551.7**	**617.4**
Other income/(Other expenses)	**(0.3)**	**(4.2)**	**(1.1)**	**(1.5)**
Gain from sale of discontinued operations	**(0.2)**	**-**	**21.7**	**-**
Operating expenses				
Romania	90.7	103.5	266.9	299.5
Hungary	19.1	21.4	56.7	60.9
Spain	16.0	17.5	45.6	52.0
Other	2.2	4.1	7.00	11.2
Discontinued operations	-	-	2.98	-
Elimination of intersegment expenses	(0.7)	(1.9)	(2.0)	(3.5)
Depreciation, amortization and impairment of tangible and intangible assets	42.6	42.8	136.7	138.5
Total operating expenses	**169.9**	**187.5**	**513.8**	**558.6**
Operating profit	**18.9**	**20.6**	**58.5**	**57.3**
Finance income	7.3	8.7	24.5	14.7
Finance expense	(15.4)	(14.4)	(50.0)	(42.8)
Net finance costs	**(8.1)**	**(5.6)**	**(25.5)**	**(28.1)**
Profit before taxation	**10.8**	**14.9**	**33.0**	**29.2**
Income tax expense	0.3	(3.7)	(2.6)	(11.4)
Profit/(loss) for the period	**11.1**	**11.3**	**30.3**	**17.8**

(1) In late 2015, we made certain adjustments that relate to the entire year ended December 31, 2015. Comparative information for the three and nine months ended September 30, 2015 has been restated.

Revenue

Our revenue (excluding intersegment revenue, other income and gain from sale of discontinued operations) for the three months period ended September 30, 2016 was €212.2 million, compared with €189.3 million for the three months period ended September 30, 2015, an increase of 12.1% and €617.4 million, compared with €551.7 million for the nine months period ended September 30, 2015, an increase of 11.9%.

The following table shows the distribution of revenue by geographic segment and business line for the three and nine month period ended September 30, 2015 and 2016:

	As at and for the three months ended September 30,			As at and for the nine months ended September 30,		
	2015[(1)]	**2016**	**% change**	**2015[(1)]**	**2016**	**% change**
Continuous Operations			*(€ millions)*			
Romania						
Cable TV	42.5	44.2	4.0%	124.2	131.1	5.6%
Fixed internet and data	39.2	41.2	5.1%	116.2	121.8	4.8%
Mobile telecommunication services(2)	22.0	32.4	47.3%	58.3	88.1	51.1%
Fixed-line telephony	6.4	6.3	-1.6%	19.3	19.0	-1.6%
DTH	10.1	9.7	-4.0%	30.3	29.2	-3.6%
Other revenue(3)	17.0	21.4	25.9%	47.5	59.1	24.4%
Total	**137.2**	**155.1**	**13.0%**	**395.8**	**448.2**	**13.2%**
Hungary						
Cable TV	9.1	10.2	12.1%	27.3	29.8	9.2%
Fixed internet and data	8.3	9.6	15.7%	24.7	27.9	13.0%
Mobile telecommunication services(4)	0.4	0.3	-25.0%	1.1	0.9	-18.2%
Fixed-line telephony	1.6	1.7	6.3%	5.2	5.1	-1.9%
DTH	7.6	7.8	2.6%	22.8	23.1	1.3%
Other revenue(3)	4.3	4.5	4.7%	12.6	13.5	7.1%
Total	**31.3**	**34.1**	**8.9%**	**93.7**	**100.3**	**7.0%**
Spain						
Mobile telecommunication services(2)	18.9	20.7	9.5%	52.7	62.1	17.8%
Other revenue(3)	0.1	0.1	0.0%	0.2	0.2	0.0%
Total	**18.9**	**20.7**	**9.5%**	**53.0**	**62.3**	**17.5%**
Other(5)						
Mobile telecommunication services(2)	1.9	2.2	15.8%	5.4	6.5	20.4%
Other revenue(3)	0.1	-	-100.0%	0.1	0.1	0.0%
Total	**1.9**	**2.2**	**15.8%**	**5.5**	**6.6**	**20.0%**
Total Continuous Operations	**189.3**	**212.2**	**12.1%**	**547.9**	**617.4**	**12.7%**
Discontinued Operations						
DTH	-	-	N.M.	3.8	-	-100.0%
Other revenues	-	-	N.M.	-	-	N.M.
Total Discontinued Operations	**-**	**-**	**N.M.**	**3.8**	**-**	**-100.0%**
Total	**189.3**	**212.2**	**12.1%**	**551.7**	**617.4**	**11.9%**

(1) In late 2015, we made certain adjustments that relate to the entire year ended December 31, 2015. Those adjustments primarily relate to reallocation of revenue from promotions, net accounting for energy trading activities, recognition of embedded derivative assets and accelerated amortization of external financing costs. Comparative information for the three and nine months ended September 30, 2015 has been restated accordingly. For the year ended December 31, 2015, we reallocated certain service revenue between business lines in order to properly reflect their nature. Comparative information for the three and nine months ended September 30, 2015 has been restated accordingly.

(2) As at June 30, 2016, we aggregated certain revenue to report it as part of our mobile telecommunication services business line. That revenue is reported under the caption “Telephony Revenues” in Note 9 of the Interim Financial Statements. The remaining revenue that is reported under that caption in the Interim Financial Statements is presented in this Report as fixed-line telephony revenue. Comparative information for the three and nine months period ended September 30, 2015 has been restated accordingly.

(3) Includes sales of CPE (primarily mobile handsets and satellite signal receivers and decoders), own content to other operators, advertising revenue from own TV and radio channels and sundry penalties invoiced to subscribers.

(4) Includes mobile internet and data revenue.

(5) Includes revenue from operations in Italy.

Revenue in Romania for the three months period ended September 30, 2016 was €155.1 million compared with €137.2 million for the three months period ended September 30, 2015, an increase of 13.0%. Revenue growth in Romania was primarily driven by an increase in our mobile telecommunication services RGUs and ARPU, cable TV and fixed internet and data RGUs and an increase in other revenues. Mobile telecommunication services RGUs increased from approximately 2,490 thousand as at September 30, 2015 to approximately 3,059 thousand as at September 30, 2016, an increase of approximately 22.9%. Mobile telecommunication services ARPU increased to an average €3.6/month for the three months period ended September 30, 2016, compared to an average €3.0/month for the three months period ended September 30, 2015, an increase of approximately 20% primarily as a result of certain changes in the mix of subscription packages, customers upgrading to higher-value services and overall traffic increases. Our cable TV RGUs increased from approximately 2,693 thousand as at September 30, 2015 to approximately 2,821 thousand as at September 30, 2016, an increase of approximately 4.8%, and our residential fixed internet and data RGUs increased from approximately 1,821 thousand as at September 30, 2015 to approximately 1,953 thousand as at September 30, 2016, an increase of approximately 7.2%. These increases were primarily due to investments in expanding and upgrading our fixed fiber optics network enabling more customers to be connected. Other revenues increased mainly as a result of sales of handsets and other equipment to our customers. Growth in our mobile telecommunication services, cable TV, fixed internet and data and other revenue was partially offset by a decrease in revenue generated by our DTH and fixed-line telephony businesses as a result of decreases in RGUs in both business lines. DTH RGUs decreased from 682 thousand as at September 30, 2015 to 650 thousand as at September 30, 2016, a decrease of approximately 4.7%. This decrease was primarily driven a number of DTH subscribers terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services. Residential fixed-line telephony RGUs decreased from approximately 1,303 thousand as at September 30, 2015 to approximately 1,231 thousand as at September 30, 2016, a decrease of approximately 5.5%.

Revenue in Hungary for the three months period ended September 30, 2016 was €34.1 million, compared with €31.3 million for the three months period ended September 30, 2015, an increase of 8.9%. The increase in revenue in Hungary was principally due to an increase in our cable TV and fixed internet and data RGUs and an increase in other revenues. Our cable TV RGUs increased from approximately 427 thousand as at September 30, 2015 to approximately 467 thousand as at September 30, 2016, an increase of approximately 9.4%, our fixed internet and data RGUs increased from approximately 370 thousand as at September 30, 2015 to approximately 417 thousand as at September 30, 2016, an increase of approximately 12.7 %, and our fixed-line telephony RGUs increased from approximately 319 thousand as at September 30, 2015 to approximately 347 thousand as at September 30, 2016, an increase of approximately 8.8%. These increases were partially driven by our investments in expanding and upgrading our fixed fiber optic network in Hungary. Other revenue increased primarily as a result of additional revenue from network management agreements with smaller local cable and internet providers. Our mobile telecommunication services RGUs decreased from approximately 17 thousand as at September 30, 2015 to approximately 15 thousand as at September 30, 2016, or by approximately 11.8%, primarily due to the decrease in our DTH subscribers who also terminated their mobile contracts. Our DTH RGUs decreased from approximately 329 thousand as at September 30, 2015 to approximately 320 thousand as at September 30, 2016, a decrease of approximately 2.7%. A number of DTH subscribers terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services.

Revenue in Spain for the three months period ended September 30, 2016 was €20.7 million, compared with €18.9 million for the three months period ended September 30, 2015, an increase of 9.5%. The increase in our Spain revenue was primarily due to the increase in mobile telecommunication services RGUs from approximately 560 thousand as at September 30, 2015 to approximately 598 thousand as at September 30, 2016, an increase of approximately 6.8%, primarily due to new customer acquisitions as a result of more attractive mobile and data offerings.

Revenue in Other represented revenue from our operations in Italy and for the three months period ended

September 30, 2016 was €2.2 million, compared with €1.9 million for the three months period ended September 30, 2015, an increase of 15.8%. The increase in our revenue in Italy was primarily due to the increase in mobile telecommunication services RGUs from approximately 55 thousand as at September 30, 2015 to approximately 74 thousand as at September 30, 2016, an increase of approximately 34.5%, primarily due to new customer acquisitions as a result of more attractive mobile and data offerings.

Total operating expenses

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the three and nine months period ended September 30, 2016 were €187.5 million and €558.6 million, compared with €169.9 million and €510.7 million for the three and nine months period ended September 30, 2015, an increase of 8.7% and 10.4%, respectively.

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2015(1)	2016	2015(1)	2016
Continuing operations		*(€ millions)*		
Romania	90.4	103.0	266.1	298.3
Hungary	19.1	21.4	56.7	60.9
Spain	15.8	16.6	44.8	50.5
Other(2)	2.0	3.7	6.5	10.4
Depreciation, amortization and impairment of tangible and intangible assets	42.6	42.8	136.6	138.5
Total operating expenses of continuing operations	**169.9**	**187.5**	**510.7**	**558.6**
Discontinued operations				
Operating expenses ………………………..	-	-	3.0	-
Depreciation, amortization and impairment of tangible and intangible assets ……………..	-	-	0.1	-
Total operating expenses of discontinued operations	-	-	**3.1**	-
Total operating expenses	**169.9**	**187.5**	**513.8**	**558.6**

(1) In late 2015, we made certain adjustments that relate to the entire year ended December 31, 2015. Those adjustments primarily relate to reallocation of revenue from promotions, net accounting for energy trading activities, recognition of embedded derivative assets and accelerated amortization of external financing costs. Comparative information for the three and nine months ended September 30, 2015 was restated accordingly.

(2) Includes operating expenses of operations in Italy and certain minor operating expenses of CCS.

Operating expenses in Romania for three months period ended September 30, 2016 were €103.0 million, compared with €90.4 million for the three months period ended September 30, 2015, an increase of 13.9%. This increase was primarily due to increase in interconnection charges associated with our mobile offerings, increase in salaries, increase in acquisitions of handsets and other equipment and increase in rental costs related to increased number of mobile sites and shops.

Operating expenses in Hungary for the three months period ended September 30, 2016 were €21.4 million, compared with €19.1 million for the three months period ended September 30, 2015, an increase of 12.0%. The trend was primarily due to the increase in direct costs associated with increases in RGUs. In the second quarter of 2016 we have initiated certain limited engineering works for certain base stations in Hungary, which led to increase in salaries expenses and rent expenses in the three months period ended September 30, 2016.

Operating expenses in Spain for the three months period ended September 30, 2016 were €16.6 million, compared with €15.8 million for the three months period ended September 30, 2015, an increase of 5.1%. This increase resulted from increased data traffic and larger interconnection costs.

Operating expenses in Other represented expenses of our operations in Italy and certain minor expenses of CCS and for the three months period ended September 30, 2016 were €3.7 million, compared with €2.0 million for the three months period ended September 30, 2015, an increase of 85.0%. The increase was primarily due to increased interconnection charges resulting from increased data traffic and higher RGUs in Italy.

Operating expenses of discontinued operations represented expenses of our operations in the Czech Republic and for the nine months ended September 30, 2015 were €3.0 million. Our Czech subsidiary was disposed of in April 2015.

Depreciation, amortization and impairment of tangible and intangible assets

The table below sets out information on depreciation, amortization and impairment of our tangible and intangible assets for the three months period ended September 30, 2015 and 2016.

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2015	2016	2015	2016
Continuing operations		(*€ millions*)		
Depreciation of property, plant and equipment	28.4	27.4	86.4	81.2
Amortization of non-current intangible assets...	6.2	8.5	17.6	25.8
Amortization of programme assets	8.0	6.9	32.7	31.3
Impairment of property, plant and equipment	-	-	(0.1)	0.2
Total continuing operations	**42.6**	**42.8**	**136.6**	**138.5**
Discontinued operations(1)	-	-	0.1	-
Total	**42.6**	**42.8**	**136.7**	**138.5**

(1) Includes depreciation in the Czech Republic disposed of in April 2015.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment for continuing operations was €27.4 million for the three months period ended September 30, 2016, compared with €28.4 million for the three months period ended September 30, 2015, a decrease of 3.5%. This decrease was primarily due the termination of depreciation periods for an increased amount of CPE and other equipment.

Amortization of non-current intangible assets

Amortization of non-current intangible assets for continuing operations was €8.5 million for the three months period ended September 30, 2016, compared with €6.2 million for the three months period ended September 30, 2015, an increase of 37.1%. This increase is mainly due to acquisition of 2600 MHz and 3700 MHz mobile telecommunication licenses in Romania in August 2015 and in October 2015 and the acquisition of the 3800 MHz mobile telecommunication licenses in Hungary in the second quarter of 2016, as well as other purchases of software licenses required for the operation of our mobile telecommunication equipment.

Amortization of program assets

Amortization of program assets was €6.9 million for continuing operations for the three months period ended September 30, 2016, compared with €8.0 million for the three months period ended September 30, 2015, a decrease of 13.8%. The decrease comes mainly from variation in the amortisation of movies licenses.

Other income/(expense)

We recorded €4.2 million of other expenses in the three months period ended September 30, 2016, compared with €0.3 million of other expense in the three months ended September 30, 2015. This reflected mark-to-market loss from fair value assessment of energy trading contracts.

Operating profit

For the reasons set forth above, our operating profit was €20.6 million for the three months period ended September 30, 2016, compared with €18.9 million for the three months period ended September 30, 2015.

Net finance income/(expense)

We recognized net finance expense of €5.6 million in the three months period ended September 30, 2016, compared with €8.1 million for the three months period ended September 30, 2015, a decrease of 30.9%. This decrease was primarily the result of lower interest expense in the current period, as the principal of the 2015 Senior Facility Agreement has decreased after principal repayments made in fourth quarter 2015 and second quarter 2016. Interest expense was in amount of €11.3 million in the three months ended September 30, 2016, compared with €12.3 million in the three months ended September 30, 2015. In addition, the fair value of the derivative instruments has generated higher losses in the three month period ended September 30, 2106 up to €2.7 million compared to €1.4 million in the three month period ended September 30, 2105. Finally, foreign exchange gain increased to €8.7 million in the three months ended September 30, 2016, compared with €7.1 million in the three months ended September 30, 2015.

Profit/(loss) before taxation

For the reasons set forth above, our profit before taxation was €14.9 million in the three months period ended September 30, 2016, compared with €10.8 million for the three months period ended September 30, 2015.

Income tax credit/(expense)

An income tax credit of €3.7 million was recognized in the three months period ended September 30, 2016, compared to a tax expense of €0.3 million recognized in the three months period ended September 30, 2015.

Net profit/(loss) for the three months period ended September 30, 2016

For the reasons set forth above, our net profit was €11.3 million in the three months period ended September 30, 2016, compared with €11.1 million for the three months ended September 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Historically, our principal sources of liquidity have been our operating cash flows as well as debt financing. Going forward, we expect to fund our cash obligations and capital expenditures primarily out of our operating cash flows, credit facilities and letter of guarantee facilities. We believe that our operating cash flows will continue to allow us to maintain a flexible capital expenditure policy.

All of our businesses have historically produced 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 expanding our mobile telecommunication network and our fixed fiber optic networks, acquiring new and renewing existing content rights, procuring CPE which we provide to our customers and exploring other investment opportunities on an opportunistic basis in line with our current business model. We believe that we will be able to continue to meet our cash flow needs by the acceleration or deceleration of our growth and expansion plans.

Historical cash flows

The following table sets forth our consolidated cash flows from operating activities for the three and nine month period ended September 30, 2015 and 2016, cash flows used in investing activities and cash flows from (used in) financing activities.

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2015(1)	**2016**	**2015(1)**	**2016**
	(€ millions)		*(€ millions)*	
Cash flows from operations before working capital changes	**61.5**	**67.8**	**176.7**	**200.1**
Cash flows from changes in working capital	(8.3)	5.1	5.8	(6.1)
Cash flows from operations	**53.2**	**72.9**	**182.5**	**194.1**
Interest paid	(2.3)	(2.5)	(24.8)	(24.5)
Income tax paid	(0.5)	(1.5)	(1.8)	(3.3)
Cash flow from operating activities	**50.5**	**68.9**	**155.9**	**166.3**
Cash flow used in investing activities	**(55.5)**	**(59.1)**	**(137.3)**	**(167.4)**
Cash flows from (used in) financing activities	**2.5**	**(4.8)**	**(23.3)**	**(26.9)**
Net increase (decrease) in cash and cash equivalents	(2.4)	5.1	(4.6)	(28.0)
Cash and cash equivalents at the beginning of the period	52.0	16.0	54.3	49.7
Effect of exchange rate fluctuation on cash and cash equivalent held	(0.7)	(0.2)	(0.8)	(0.8)
Cash and cash equivalents at the closing of the period	**48.9**	**20.8**	**48.9**	**20.8**

(1) In late 2015, we made certain adjustments that relate to the entire year ended December 31, 2015. Those adjustments primarily relate to reallocation of revenue from promotions, net accounting for energy trading activities, recognition of embedded derivative assets and accelerated amortization of external financing costs. Comparative information for the three and nine months ended September 30, 2015 has been restated accordingly.

Cash flows from operations before working capital changes were €67.8 million in the three months period ended September 30, 2016 and €61.5 million in the three months period ended September 30, 2015 for the reasons discussed in "*—Historical Results of Operations—Results of operations for the three months period ended September 30, 2016 and 2015*".

The following table shows changes in our working capital:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015(1)	**2016**	**2015(1)**	**2016**
	(unaudited) *(€ millions)*		*(unaudited)* *(€ millions)*	
Decrease/(increase) in trade receivables and other assets	(7.9)	(5.9)	(21.3)	(30.7)
Decrease/(increase) in inventories	1.9	2.7	2.0	(1.5)
Increase/(decrease) in trade payables and other current liabilities	(1.9)	8.2	20.8	27.1
Increase/(decrease) in deferred revenue	(0.3)	0.1	4.3	(1.0)
Total	**(8.3)**	**5.1**	**5.8**	**(6.1)**

(1) In late 2015, we made certain adjustments that relate to the entire year ended December 31, 2015. Those adjustments primarily relate to reallocation of revenue from promotions, net accounting for energy trading activities, recognition of embedded derivative assets and accelerated amortization of external financing costs. Comparative information for the three and nine months period ended September 30, 2015 has been restated accordingly.

We had a working capital surplus of €5.1 million in the three month period ended September 30, 2016 (compared with a working capital requirement of €8.3 million in the three month period ended September 30, 2015). This was primarily due to an increase in trade receivables and other assets of €5.9 million, principally as a result of increase in business volume and outstanding nettings as at September 30, 2016 settled after the quarter end (compared with increase of €7.9 million in the three months period ended September 30, 2015). This movement was offset by variation of inventories and trade payables and other current liabilities. The decrease in inventories of €2.7 million was mainly due to utilization of inventories for mobile network development in Romania (compared with decrease of €1.9 million in the three months period ended September 30, 2015). The increase in trade payables and other current liabilities of €8.2 million was mainly due to acquisitions of mobile handsets in Romania and increases in several other expenses such as salaries related expenses (compared with decrease of €1.9 million in the three months period ended September 30, 2015). There was a slight increase in deferred revenues of €0.1 million in the three months period ended September 30, 2016 (compared with slight decrease of €0.3 million in the three months period ended September 30, 2015).

Cash flows from operating activities were €68.9 million in the three months period ended September 30, 2016 and €50.5 million in the three months period ended September 30, 2015. Included in these amounts are deductions for interest paid and income tax paid. Income tax paid which were €1.5 million in the three months ended September 30, 2016 and €0.5 million in the three months ended September 30, 2015. Interest paid was €2.5 million in the three months ended September 30, 2016, compared with €2.3 million in the three months ended September 30, 2015. The increase in cash flows from operating activities in the three months ended September 30, 2015 was primarily due to changes in working capital discussed above.

Cash flows used for investing activities were €59.1 million in the three months period ended September 30, 2016 and €55.5 million in the three months period ended September 30, 2015.

Purchases of property, plant and equipment were €42.8 million in the three months ended September 30, 2016 and €34.6 million in the three months ended September 30, 2015.

Purchases of intangible assets were €16.2 million in the three months ended September 30, 2016 and €22.6 million in the three months ended September 30, 2015.

Cash flows from (used in) financing activities were €4.8 million outflow for the three months period ended September 30, 2016, €2.5 million inflow for the three months ended September 30, 2015 (mainly the result of overdraft drawings in the period).