CABLE COMMUNICATIONS SYSTEMS N.V.

Parent Company of

RCS & RDS

FINANCIAL REPORT

for the three months period ended March 31, 2014

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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.

PRESENTATION OF FINANCIAL AND OTHER DATA

Cable Communications Systems N.V. ("**CCS**", the "**Company**") is a holding company which holds the majority of the outstanding shares of RCS & RDS S.A. ("**RCS&RDS**", the "**Guarantor**"). CCS has no operations, except for holding and financing activities related to the CCS group of companies (CCS Group) and its primary asset is the ownership of RCS&RDS. CCS Group ("**CCS**" or "**the Group**") comprises Cable Communications Systems N.V. and its subsidiaries.

OPERATING AND MARKET DATA

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

More specifically:

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

- for our mobile internet and data business, we consider each mobile internet and data subscription that we invoice and each mobile internet and data package sold in a bundle with our fixed internet and data subscriptions to be a separate RGU.

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

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

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

NON-GAAP FINANCIAL MEASURES

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

We calculate EBITDA by adding back to consolidated operating profit/(loss) our charges for depreciation, amortization and impairment of assets. Adjusted EBITDA is defined as EBITDA adjusted for the effect of extraordinary and one-off items. EBITDA and Adjusted EBITDA under our definition may not be comparable to similar measures presented by other companies and labelled "EBITDA". We believe that EBITDA and Adjusted EBITDA are useful analytical tools for presenting a normalized measure of cash flows that disregards temporary fluctuations in working capital, including due to fluctuations in inventory levels and due to timing of payments received or payments made. Since operating profit and actual cash flows for a given period can differ significantly from this normalized measure, we urge you to consider these figures for any period together with our data for cash flows from operations and other cash flow data and our operating profit. You should not consider EBITDA or Adjusted EBITDA a substitute for operating profit or cash flows from operating activities.

We define EBITDA margin as the ratio of revenues and other income to EBITDA (for March 31, 2014, Adjusted EBITDA).

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

ROUNDING

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

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS for the three month period ended March 31, 2014

This report includes and analyses the unaudited condensed consolidated financial statements of the Company as of March 31, 2014.

The following discussion and analysis of the financial condition and results of operations of the Company and its subsidiaries should be read in conjunction with the unaudited condensed consolidated interim financial report of the Company and its subsidiaries as at and for the three months ended March 31, 2014 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. We also provide DTH satellite services in the Czech Republic. 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, Hungary, and the Czech Republic through our cable TV and DTH satellite television platforms.

For the three months ended March 31, 2014, we had revenues of €153.9 million, other income of €8.3 million, net profit of €11.6 million and Adjusted EBITDA of €60.9 million.

RECENT DEVELOPMENTS

Business

On March 27, 2014 we concluded a frequency SWAP agreement with Vodafone through which in exchange of allowing them to use our 5MHz frequency in the 900 MHz spectrum we receive access in one of their 5 MHz frequency in the 900 MHz spectrum and also receive national roaming access for voice and data services for all our customers on Vodafone network. The contract became active starting with April 7, 2014 and is signed for 2 years.

On March 28, 2014 we signed a full MVNO agreement with Telecom Italia and we expect to finalize the implementation towards the end of the year. The contract is valid for 5 years starting with the moment when the services are fully available.

On March 31, 2014 we concluded a coupon swap for half of the Proceeds Loan's value (€225 million) and on April 28, 2014 and May 7, 2014 we concluded two other coupon swaps for the remaining portion of the Proceeds Loan's value (€225 million), all with a termination date of 23 September 2016.

Starting with April 1, 2014 the interconnection tariffs in Romania were reduced from 3.07 eurocents/minute to 0.96 eurocents/minute for mobile traffic and from 0.67 eurocents/minute to 0.14 eurocents/minute for fixed networks traffic.

At the end of April, we concluded a three year agreement authorizing us to broadcast exclusively Wimbledon tennis tournament in Romania and Hungary.

In June 2014 we issued an utilisation request for the remaining EUR 45 million from the term loan facility of the New Senior Facilities Agreement.

BASIS OF FINANCIAL PRESENTATION

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

Functional Currencies and Presentation Currency

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

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

Segments

Our board of directors evaluates business and market opportunities and considers our results primarily on a country by country basis. As such, we report our results of operations in accordance with four geographic segments: Romania, Hungary, Spain and Other, which includes our operations in the Czech Republic and Italy. During the period under review, our Other segment also included our operations in Croatia, Serbia and Slovakia. We have disposed of our operations in Croatia (March 2013) and in Slovakia (August 2013), and sold a 76% interest in our operations in Serbia (May 2013).

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

TRENDS AND OTHER FACTORS IMPACTING OUR RESULTS OF OPERATIONS

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

Exchange Rates

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

In recent years, the values of local currencies in the principal countries where we operate have fluctuated considerably relative to the euro, our presentation currency, and the U.S. dollar. We have significant exposure to both currencies as we purchase certain content for our cable TV and DTH businesses in U.S. dollars and euros. In the 1st quarter of 2014, compared with the same period in 2013, the Romanian leu declined by 2.5% relative to the euro and appreciated by 0.9% relative to the U.S. dollar, and the Hungarian forint declined by 3.9% relative to the euro and 0.1% relative to the U.S. dollar. The changes in currencies discussed are computed using the average rates in the period.

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

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

	As at and for the year ended December 31		**As at and for the three months ended March 31**	
	2012	**2013**	**2013**	**2014**
	Value of one euro in the relevant currency			
Romanian leu (RON)				
Period end rate	4.43	4.48	4.42	4.46
Average rate	4.46	4.42	4.39	4.50
Hungarian forint (HUF)				
Period end rate	291.29	296.91	304.30	307.06
Average rate	289.34	297.01	296.51	308.03
Czech koruna (CZK)				
Period end Rate	25.14	27.43	25.74	27.44
Average rate	25.14	25.99	25.57	27.44
Serbian dinar (RSD)				
Period end rate	113.72	111.61(2)	111.96	115.38
Average rate	113.13	111.50(2)	111.69	115.75
Croatian kuna (HRK)				
Period end rate	7.55	7.58(2)	7.59	7.65
Average rate	7.52	7.58(2)	7.58	7.65
United States Dollar (USD)(1)				
Period end rate	1.32	1.38	1.28	1.38
Average rate	1.28	1.33	1.32	1.37

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

(2) For RSD and HRK the rates presented for the period ending 31 December 2013 and average for the year 2013 are the rates valid at the dates the Serbian and Croatian subsidiaries were disposed of.

In the three months ended March 31, 2014, we had a net foreign exchange gain (which is recognized in net finance income on our statement of comprehensive income) of €7.3 million due to the appreciation of the Romanian leu against the euro at the end of the quarter as compared to December 31, 2013. In the three months ended March 31, 2013, we had a net foreign exchange loss of €4.6 million due to the decline of the Romanian leu against the US dollar at the end of the quarter as compared to December 31, 2012.

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 2013 and 2014 and monthly ARPU for the three months ended March 31, 2013 and 2014. ARPU figures are not shown on a constant currency basis.

	RGUs (in thousands)						ARPU (EUR/RGU/month)		
	As at December 31,		% change	As at March 31,		% change	For the three months period ended March 31,		% change
	2012	2013		2013	2014		2013	2014	
Romania									
Cable TV	2,336	2,451	4.92%	2,362	2,506	6.10%	5.16	5.09	-1.36%
Fixed Internet and data									
Residential	1,495	1,605	7.36%	1,527	1,648	7.92%	5.23	5.23	0.00%
Business	69	78	13.04%	72	80	11.11%	47.75	44.95	-5.86%
Mobile internet and data	583	670	14.92%	615	734	19.35%	1.75	1.69	-3.43%
Fixed-line telephony									
Residential	1,449	1,403	-3.17%	1,434	1,390	-3.07%	1.63	1.64	0.61%
Business	101	116	14.85%	113	119	5.31%	5.78	5.27	-8.82%
Mobile telephony	1,178	1,089	-7.56%	1,151	1,066	-7.38%	1.52	1.61	5.92%
DTH	943	821	-12.94%	890	781	-12.25%	4.79	4.68	-2.30%
Hungary									
Cable TV	385	404	4.94%	391	401	2.56%	7.26	7.03	-3.17%
Fixed internet and data	301	329	9.30%	308	330	7.14%	7.81	7.48	-4.23%
Mobile internet and data(1)	23	21	-8.70%	23	20	-13.04%	6.73	6.53	-2.97%
Fixed-line telephony	264	288	9.09%	270	290	7.41%	3.28	2.43	-25.91%
DTH	368	341	-7.34%	358	336	-6.15%	7.90	7.73	-2.15%
Spain									
Mobile telephony(2)	241	309	28.22%	254	336	32.28%	14.88	10.55	-29.10%
Mobile internet and data(2)	36	103	N.M.	52	128	N.M.	4.71	5.31	12.74%
Other									
DTH(3)	181	157	-13.26%	176	150	-14.77%	8.38	7.85	-6.32%
Mobile telephony(4)	47	60	27.66%	53	57	7.55%	9.93	6.84	-31.12%
Mobile internet and data(4)	-	-	0.00%	-	1	N.M.	-	5.27	N.M.
Discontinued Operations									
Cable TV(5)	42	-	N.M.	41	-	N.M.	7.19	-	N.M.
Fixed internet and data(5)	5	-	N.M.	6	-	N.M.	8.16	-	N.M.
DTH(6)	288	-	N.M.	281	-	N.M.	7.67	-	N.M.

(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) As an MVNO. Services only provided in Italy.

(5) Services only provided in Slovakia. We completed the sale of our operations in Slovakia on August 31, 2013.

(6) This includes services provided by our Slovak, Serbian and Croatian operations. A 76% interest in our Serbian subsidiary was sold in May 2013, and our operations in Croatia and in Slovakia were sold in March 2013 and in August 2013, respectively.

N.M – not meaningful

Acquisitions and Divestitures

On August 31, 2013, we completed the sale of our Slovak subsidiary for €53 million, subject to adjustments and the occurrence of certain other events. After certain adjustments, the price was reduced to €51.3 million out of which €48.3 million was paid to us to date. The balance of €3 million, is expected to be paid until August 31, 2015, subject to the occurrence of certain other events.

On May 29, 2013, we sold a 76% interest in our Serbian subsidiary to one of our minority shareholders for €0.6 million.

In March 2013, we sold our Croatian subsidiary for €0.9 million pursuant to an agreement dated February 19, 2013.

In aggregate, the total revenues generated from these subsidiaries was €7.5 million and the EBITDA generated from these subsidiaries was €2.5 million in the three months ended March 31, 2013.

These disposals were intended to streamline our operations and further focus our business on our core markets of Romania and Hungary. Should favourable opportunities arise in the future, we may dispose of our operations in the Czech Republic.

HISTORICAL RESULTS OF OPERATIONS

Results of Operations for the three months ended March 31, 2013 and 2014

	Three months ended March 31,	
	2013	**2014**
	(euro in millions)	
Revenues		
Romania	103.1	108.5
Hungary	29.4	29.3
Spain	11.9	12.3
Other	6.0	4.9
Discontinued operations	7.5	-
Elimination of intersegment revenues	(1.4)	(1.2)
Total revenues	**156.6**	**153.9**
Other income	-	8.3
Operating expenses		
Romania	54.8	60.8
Hungary	17.8	17.8
Spain	9.7	11.4
Other	5.0	4.1
Discontinued operations	5.0	-
Elimination of intersegment expenses	(1.4)	(1.2)
Depreciation, amortization and impairment of tangible and intangible assets	54.3	48.3
Total operating expenses	**145.2**	**141.3**
Operating profit	**11.3**	**20.9**
Finance income	0.1	7.5
Finance expense	(15.3)	(15.0)
Net finance costs	**(15.2)**	**(7.5)**
Profit / (Loss) before taxation	**(3.9)**	**13.4**
Income tax benefit/(expense)	0.1	(1.9)
Profit / (Loss) for the period	**(3.8)**	**11.6**

Revenues

Our revenues for the three months ended March 31, 2014 were €153.9 million, compared with €156.6 million for the three months ended March 31, 2013, a decrease of 1.7%. On a constant currency basis (by reference to the three month period ended March 31, 2014 average exchange rates), our revenues would have grown by an additional €3.7 million to €157.5 million for the three months ended March 31, 2014, an aggregate increase of 0.6%.

Our revenues from continued operations for the three months ended March 31, 2014 were €153.9 million, compared with €149.1 million for the three months ended March 31, 2013, an increase 3.2%.

The following tables show the distribution of revenues by country and business line for the three months ended March 31, 2013 and 2014 and the revenues calculated on constant currency basis:

	Three months ended March 31, 2013	Three months ended March 31, 2014	% change
	(euro in millions)		
Romania			
Cable TV	36.3	37.9	4.2%
Fixed internet and data	33.8	36.2	7.0%
Fixed-line telephony	8.9	8.7	-1.7%
Mobile internet and data	3.1	3.6	12.9%
Mobile telephony	5.3	5.2	-2.4%
DTH	13.2	11.3	-14.6%
Other revenues	1.3	4.8	276.5%
Total	**102.0**	**107.6**	**5.5%**
Hungary			
Cable TV	8.5	8.5	0.5%
DTH	8.6	7.9	-8.8%
Fixed internet and data	7.1	7.4	3.6%
Fixed-line telephony	2.6	2.1	-19.5%
Mobile internet and data	0.5	0.4	-12.1%
Other revenues	2.2	3.1	41.3%
Total	**29.4**	**29.3**	**-0.5%**
Spain			
Mobile telephony	11.0	10.2	-7.6%
Mobile internet and data	0.6	1.8	N.M
Total	**11.7**	**12.1**	**3.5%**
Other			
Mobile telephony	1.5	1.2	-19.2%
DTH	4.5	3.6	-19.5%
Total	**6.0**	**4.9**	**-19.2%**
Discontinued operations			
Cable TV	0.9	0.0	N.M
Fixed internet and data	0.1	0.0	N.M
DTH	6.4	0.0	N.M
Other revenues	0.1	0.0	N.M
Total	**7.5**	**0.0**	**N.M**
Total	**156.6**	**153.9**	**-1.7%**

Revenues in Euro millions in constant currency

Segment	**Three months ended March 31, 2013**	**2014**
	Actual	**Constant Currency**
Romania	103.1	110.8
Hungary	29.4	30.4
Spain	11.9	12.3
Other	6.0	5.1
Discontinued operations	7.5	-
Elimination of intersegment revenue	(1.4)	(1.2)
Total	**156.6**	**157.5**

Revenues in Romania (including intersegment revenues) for the three months ended March 31, 2014 were €108.5 million compared with €103.1 million for the three months ended March 31, 2013, an increase of 5.3%. On a constant currency basis (by reference to the 1st quarter of 2013 average exchange rates), our revenues in Romania would have been €110.8 million for the three months ended March 31, 2014 (higher by €2.3 million), leading to an aggregate increase of

7.5%. Revenue growth in Romania was driven primarily by an increase in our cable TV and fixed internet and data RGUs. Our cable TV RGUs increased from 2,362,000 at March 31, 2013 to 2,506,000 at March 31, 2014, an increase of 6.1%, and our fixed internet and data RGUs increased from 1,599,000 at March 31, 2013 to 1,728,000 at March 31, 2014, an increase of 8.1%. Both increases were driven primarily by our investments in expanding and upgrading our fiber optic network, which allowed us to connect more customers to our fiber optic network. Other revenues increased as result of revenues from sales of equipment to our customers (€2.0 million) as well as higher sale of assets and sales of energy. Growth in our cable TV and fixed internet and data RGUs were partially offset by a decrease in our number of DTH RGUs and a decrease in mobile telephony RGUs. DTH RGUs decreased from 890,000 at March 31, 2013 to 781,000 at March 31, 2014, a decrease of 12.25%. That decrease was driven by low levels of investment in CPE, which reduced the number of subscribers that we could connect to our DTH services by limiting our stock of the necessary equipment, such as satellite receivers and decoders, and DTH subscribers leaving our services for financial reasons, moving to our competitors or migrating from our DTH services to our cable TV services. Mobile telephony RGUs decreased from 1,151,000 at March 31, 2013 to 1,066,000 at March 31, 2014, a decrease of 7.38%. That decrease was driven by low levels of investment in CPE (for example, 3G handsets) provided to mobile telephony subscribers and significant competitive pressure from other mobile telephony service providers. This resulted in the number of subscribers leaving our mobile telephony services exceeding the number of new subscribers joining those services. The revenues from mobile telephony decreased by 2.4%, from €5.3 million for the three months ended March 31, 2013 to €5.2 million for the three months ended March 31, 2014. This was lower than the decrease in RGUs for the three months ended March 31, 2014 due to increase in ARPU as result of increase in the sale of handsets.

Revenues in Hungary for the three months ended March 31, 2014 were €29.3 million compared with €29.4 million for the three months ended March 31, 2013, a decrease of 0.5%. This is mainly the result of the decline of the Hungarian forint compared to the euro by 3.9% in the three months ended March 31, 2014 compared with the same period from the previous year. On a constant currency basis (by reference to 1st quarter of 2013 average exchange rates), our revenues in Hungary would have grown by an additional €1.1 million to €30.4 million for the three months ended March 31, 2014, an increase of 3.4%. The increase in revenues (in constant currency) was principally due to an increase our cable TV RGUs, fixed internet and data RGUs and fixed line telephony RGUs. Our cable TV RGUs increased from 391,000 at March 31, 2013 to 401,000 as at March 31, 2014, an increase of 2.6%. Our fixed internet and data RGUs increased from 308,000 at March 31, 2013 to 330,000 at March 31, 2014, an increase of 7.1%. Our fixed-line telephony RGUs increased from 270,000 at March 31, 2013 to 290,000 at March 31, 2014, an increase of 7.4%. Despite the increase in the fixed-line telephony RGUs, the revenues decreased as result of lower fixed-line interconnection rates by approximately 60%, starting with 2014. The increases in RGUs were driven primarily by the quality of our network. The above increases were partially offset by a decrease in our DTH RGUs. Our DTH RGUs decreased from 358,000 at March 31, 2013 to 336,000 at March 31, 2014, a decrease of 6.1%. That decrease was driven by low levels of investment in DTH CPE which reduced the number of subscribers that we could connect to our DTH services by limiting our stock of the necessary equipment, such as satellite receivers and decoders and DTH subscribers leaving our services for financial reasons or migrating to our competitors.

Revenues in Spain (including intersegment revenues) for the three months ended March 31, 2014 were €12.3 million compared with €11.9 million for the three months ended March 31, 2013, an increase of 3.3%. This growth was the result of an increase in our number of mobile telephony RGUs from 254,000 at March 31, 2013 to 336,000 at March 31, 2014, an increase of 32.3%, and an increase in the number of mobile internet and data RGUs from 52,000 at March 31, 2013 to 128,000 at March 31, 2014. The increase in revenues was lower compared to the increase in RGUs due to a decrease in our tariffs as result of decrease in mobile termination rates from 2.76 €cents/minute to1.09 €cents/minute starting with 1 July 2013 and also due to increased competition.

Revenues in Other for the three months ended March 31, 2014 were €4.8 million compared with €6.0 million for the three months ended March 31, 2013, a decrease of 19.4%. On a constant currency basis (by reference to 1st quarter of 2013 average exchange rates), our revenues in Other would have been higher by €0.3 million meaning €5.1 million in the three months ended March 31, 2014, an aggregate decrease of 15.0% compared to the three months ended March 31, 2013. The decrease in revenues was principally due to a decrease in the number of DTH RGUs in the Czech Republic from 176,000 as at March 31, 2013 to 150,000 DTH RGUs as at March 31, 2014. The decrease in Czech Republic was driven by the competitive pressure as well as low levels of investment in DTH CPE which reduced the number of subscribers that we could connect to our DTH services by limiting our stock of the necessary equipment, such as satellite receivers and decoders, and DTH subscribers leaving our services for financial reasons.

Gain from sale of discontinued operations for the three months ended March 31, 2014 of €8.3 million, represents additional installments received for the disposal of Slovakia.

Total operating expenses

Our total operating expenses for the three months ended March 31, 2014 were €141.3 million compared with €145.2 million for the three months ended March 31, 2013, a decrease of 3.0%.

The table below sets out the expenses per segment (which excludes depreciation and amortization) as a percentage of revenues for the three months ended March 31, 2013 and 2014 (including intersegment transactions).

	Three months ended March 31,	
Segment	**2013**	**2014**
	Expenses as % of revenues	
Romania	53.18%	56.03%
Hungary	60.50%	60.64%
Spain	81.15%	92.47%
Other	84.42%	85.35%
Discontinued operations	66.04%	-

Operating expenses in Romania (including intersegment expenses) for the three months ended March 31, 2014 were €60.8 million compared with €54.8 million the three months ended March 31, 2013, an increase of 10.9%. This increase is partially the result of an increase in revenues of more than 5% as the direct expenses represent a significant part of the operating expenses, but is also the result of the new tax on special constructions (of approximately 1% of our revenues in Romania), increase in our programming costs, increase in rent paid to utilities operators for use of their pillars network, increase in salaries and increase in the sale of equipments to our subscribers,.

Operating expenses in Hungary for the three months ended March 31, 2014 were €17.8 million the same as for the three months ended March 31, 2013.

Operating expenses in Spain (including intersegment expenses) for the three months ended March 31, 2014 were €11.4 million compared with €9.7 million for the three months ended March 31, 2013, an increase of 17.7%. This increase is the result of an increase in the traffic as result of an increase in our RGU number and tariff decreases.

Operating expenses in Other for the three months ended March 31, 2014 were €4.1 million compared with €5.1 million for the three months ended March 31, 2013, a decrease of 17.7%. This decrease was principally due to a decrease in programming expense as a result of the decrease in the number of RGUs subscribing to our DTH service in Czech Republic from 181,000 as at March 31, 2013 to 157,000 as at March 31, 2014, a decrease of 13.3%. That decrease was primarily due subscribers leaving our services for financial reasons or migrating to our competitors.

Depreciation, amortization and impairment of tangible and intangible assets

Depreciation, amortization and impairment of tangible and intangible assets was €48.3 million for the three months ended March 31, 2014 compared with €54.3 million for three months ended March 31, 2013, a decrease of 11.0%. This decrease was primarily due to Amortization of programme assets as result of lower purchases of sport rights.

Operating profit

For the reasons set forth above, our operating profit was €20.9 million for the three months ended March 31, 2014 compared with €11.3 million for three months ended March 31, 2013.

Net finance income (expense)

We recognized net finance expense of €7.5 million in the three months ended March 31, 2014 compared with €15.2 million in the three months ended March 31, 2013. The decrease comes mainly from the gain from foreign exchange of €7.3 million recognised in the three months ended March 31, 2014 compared with a loss of €4.6 million recognised in the three months ended March 31, 2013. On the other hand, there was also an increase in the interest expense from €9.0 million in the three months ended March 31, 2013 to €12.3 million in the three months ended March 31, 2014 as result of the new bond issued on November 4, 2013, which has a higher interest rate compared with the previous financing facilities.

Profit / Loss before taxation

For the reasons set forth above, we had a profit before taxation of €13.4 million for the three months ended March 31, 2014 compared and a loss before taxation of €3.9 million for the three months ended March 31, 2013.

Income tax expense (gain)

An income tax expense of €1.9 million was recognized in the three months ended March 31, 2014 as we incurred a profit in that period. An income tax gain of €0.1 million was recognized in the three months ended March 31, 2013as result of the loss incurred in the period, adjusted for the effect of non-deductible expenses.

Profit/ Loss for the year

For the reasons set forth above, our net profit for the three months ended March 31, 2014 was €11.6 million and our net loss for the three months ended March 31, 2013 was €3.8 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 New Senior Facilities Agreement, the ING Facilities Agreement, the Citi Facilities Agreement, other letter of guarantee facilities and other credit agreements. We believe that our strong and, in local currency, relatively predictable operating cash flows will continue to allow us to maintain a flexible capital expenditure policy.

All of our businesses generally produce positive operating cash flows that are relatively constant from month to month. Due to the recent upgrade of our fiber optic network, our network-related capital expenditure is expected to be lower in the near to medium term than in the previous years. Variations in our aggregate cash flow during the periods under review principally represented increased or decreased cash flow used in investing activities and cash flow from financing activities.

We have made and intend to continue to make significant investments in the growth of our businesses by acquiring new and renewing existing content rights, expanding our mobile telecommunications network (including making payments in order to comply with obligations under our license for a frequency block of 5 MHz of bandwidth in the 900 MHz frequency spectrum) and our fiber optic networks and procuring CPE which we lend free of charge to our customers for the duration of their subscriptions. We believe that we will be able to continue to regulate our cash flow needs by the acceleration or deceleration of our growth and expansion plans.

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

Historical Cash Flows

The following table sets forth, for the three months ended March 31, 2013 and 2014 our consolidated cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

	Three months ended March 31,	
	2013	**2014**
	(euro in millions)	
Cash flows from operations before working capital changes	**69.0**	**60.2**
Cash flows from changes in working capital	(11.0)	(12.1)
Cash flows from operations	**58.1**	**48.0**
Interest paid	(7.5)	(3.3)
Income tax paid	(0.3)	(0.5)
Cash flow from operating activities	**50.2**	**44.2**
Cash flow used in investing activities	**(62.2)**	**(43.2)**
Cash flows from financing activities	**4.1**	**(2.8)**
Net increase (decrease) in cash and cash equivalents	(7.9)	(1.8)
Cash and cash equivalents at the beginning of the period	12.6	50.2
Effect of exchange rate fluctuation on cash and cash equivalent held	-	1.5
Cash and cash equivalents at the closing of the period	**4.6**	**49.9**

Cash flows from operations before working capital changes were €60.2 million in the three months ended March 31, 2014 and €69.0 million in the three months ended March 31, 2013 for the reasons discussed above under "*—Results of Operations for the three months ended March 31, 2014 and 2013.*"

The following table shows changes in our working capital:

	Three months ended March 31,	
	2013	**2014**
Changes in:	**(euro in millions)**	
Trade receivables and other assets	(2.2)	(0.8)
Inventories	1.8	(3.6)
Trade payables and other current liabilities	(13.9)	(10.1)
Deferred revenue	3.3	2.4
Total	**(11.0)**	**(12.1)**

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

We had a net working capital requirement of €11.0 million in the three months ended March 31, 2013. This net working capital requirement reflected a decrease in trade payables and other current liabilities of €13.9 million, primarily due to shorter payment cycles.

Cash flows from operating activities were €44.2 million in the three months ended March 31, 2014 and €50.2 million in the three months ended March 31, 2013. Included in these amounts are deductions for interest paid and income tax paid, which were €3.9 million in the three months ended March 31, 2014 and €7.8 million in the three months ended March 31, 2013. In the three months ended March 31, 2014 we paid interest of only €3.3 million compared with the three months ended March 31, 2013 when we paid €7.5 million as the first interest payment for the bond was due at the end of April 2014.

Cash flows used in investing activities were €43.2 million in the three months ended March 31, 2014 (which includes €8.3 million as proceeds from the sale of Slovakia and €1.3 million proceeds from sale of property, plant and equipment) and €62.2 million in the three months ended March 31, 2013.

Purchases of property, plant and equipment were €23.8 million in the three months ended March 31, 2014 and €39.6 million in the three months ended March 31, 2013 as a result of lower network investments during 2013 as compared with 2012.

Purchases of intangible assets were €22.2 million in the three months ended March 31, 2014 and €22.4 million in the three months ended March 31, 2013.

Acquisition of subsidiaries were €6.8 million in the three months ended March 31, 2014 and €1.1 million in the three months ended March 31, 2013. The main acquisitions from 2014 relate to network assets (CFO Integrator) and buildings.

Cash flows from financing activities were a negative amount of €2.8 million (representing an outflow) in the three months ended March 31, 2014 and a positive amount of €4.1 million (representing an inflow) in the three months ended March 31, 2013.

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 under both our new license for a frequency block of 5 MHz of bandwidth in the 900 MHz frequency spectrum and our 2100 MHz license, the remaining payments for certain broadcasting rights, operational leasing arrangements, financial leasing arrangements for part of our headquarters in Bucharest and a plot of land outside of Bucharest and financial leasing arrangements used to purchase cars for our fleet.

The following table sets forth our payment obligations as at March 31, 2014 based on the agreements in place as at that date. We expect that our contractual commitments may evolve over time in response to current business and market conditions, with the result that future amounts due may differ considerably from the expected amounts payable set out in this table:

	TOTAL	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2017	April 1, 2017 - March 31, 2019	April 1, 2019 and after
			(euro in millions)		
Interest bearing loans and borrowings, including short term facilities	921.1	57.4	170.9	189.1	503.7
Finance lease obligations(1)	8.6	1.4	4.7	0.7	1.8
Overdraft facilities	6.2	6.2	—	—	—
Capital expenditure and operating expenditure contractual commitments(2)	193.5	67.5	53.1	34.4	38.4
Acquisition of subsidiaries	3.8	3.8	—	—	—
Trade and other payables(3)	174.1	166.7	7.4	—	—
Interest rate swaps used for hedging	1.8	1.8	—	—	—
Total	**1,309.1**	**304.8**	**236.2**	**224.2**	**543.9**

(1) Includes estimated interest. Interest was estimated by using 3-month LIBOR or EURIBOR or a fixed rate as of March 31, 2014 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 New 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.

New 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 "**New Senior Facilities Agreement**"). The New 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 New 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 New 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, and one, three or six months with respect to the revolving credit facility.

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

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

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

The following table sets out the repayment schedule in respect of the €205 million term loan:

Repayment date	Amount EUR (in millions)
October 21, 2015	29.3
April 21, 2016	29.3
October 21, 2016	29.3
April 21, 2017	29.3
October 21, 2017	29.3
April 21, 2018	29.3
October 21, 2018	29.3
Total	**205.0**

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 New Senior Facilities Agreement. The ING Facilities Agreement entered into force thereafter. The ING Facilities Agreement is sharing in the Collateral, pursuant to the terms of the Intercreditor Agreement.

The ING Facilities Agreement consists of (i) an uncommitted overdraft facility of up to €5.0 million, of which up to €1.0 million can also be used for letters of guarantee and (ii) an uncommitted facility for letters of guarantee of up to €9.675 million and Romanian lei 8.1 million.

As of March 31, 2014, we had €4.9 million drawn, and €8.4 million and Romanian lei 8.1 million Letters of Guarantee.

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. The Citi Facilities Agreement share the Collateral, pursuant to the terms of the Intercreditor Agreement. As of March 31, 2014, the balance drawn under the Citi Facilities Agreement was €1.3 million.

On November 4, 2013 we repaid the Citi Facilities Agreement using the proceeds from the Bond and the New 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 in the amount of US$8.1 million and €500,000. As of March 31, 2014, we had Letters of Guarantee issued in the amount of US$8.4 million and €500,000.

BRD Letters of Guarantee Facility

As of March 31, 2014 we had letters of guarantee issued by BRD with a value of €720,000.

Santander Facility

On February 20, 2013, we entered into a short-term facility agreement with Banco Santander S.A., for €500,000 (the "**Santander Facility**"). The maturity date is February 20, 2014. On February 6, 2014, we entered into a new short-term facility agreement with Banco Santander S.A on the same terms as the Santander Facility, the maturity date being February 6, 2015. As of March 31, 2014, there was nothing drawn 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. The term of the Caixa Facility is indefinite and the maximum amount which can be used is €500,000. As of March 31, 2014, the balance drawn under the Caixa Facility was €60,000.

Unicredit cash collateral agreement

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

Financial Leasing Agreements

As at March 31, 2014, we had five leasing agreements in place with a total outstanding value of approximately €7.3 million.

One of these leasing agreements is a sale-leaseback arrangement entered into on May 11, 2009 for part of our headquarters in Bucharest with ING Lease Romania IFN SA, with a financed amount (including interest) of US$12.5 million. ING Lease Romania IFN SA has sold all its assets to Raiffeisen Leasing IFN SA at the end of January 2014.

As at March 31, 2014, the outstanding amount under the sale-leaseback agreement was US$6.0 million. We have also entered into a leasing agreement for a parcel of land in Poiana Brasov city, Brasov County, with a financed amount (including interest) of €4.35 million (excluding VAT). As at March 31, 2014, the outstanding amount under this leasing agreement was €2.8 million.

The remaining three finance leases are with Porsche Leasing Romania IFN SA for 58 cars with a total remaining financed amount of approximately €126,000 at March 31, 2014.

Pension Obligations

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

Contingent Obligations

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

OFF-BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGMENT AND DISCRETION

We prepare our financial statements in accordance with IFRS. Certain financial reporting standards under IFRS require us to make judgments or to use our discretion in determining the values to be recorded, as described in the notes to our audited financial statements included elsewhere in this offering memorandum. There were no changes in our accounting policy during the three months period ended March 31, 2014.