DIGI communications n.v.

1ST QUARTER 2018 – FINANCIAL REPORT

for the three month period ended March 31, 2018

DIGI COMMUNICATIONS N.V. (“Digi”)

(the “COMPANY”)

(Digi, together with its direct and indirect consolidated subsidiaries are referred to as the “**Group**”)

FINANCIAL REPORT (the “REPORT”)
for the three month period ended March 31, 2018

This Unaudited Condensed Consolidated Interim Financial Report for the period ended 31 March 2018 refers to the Unaudited Condensed Consolidated Interim Financial Statements prepared in accordance with IAS 34 “Interim Financial Reporting”.

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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 report are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur.

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

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

Operating and Market Data

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, except for Romania where pre-paid RGUs are not included due to low usage and small number of users; 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 Digi. In this Report, EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin represent the results of our Romanian, Hungarian, Spanish and Italian subsidiaries and certain minor operating expenses of Digi.

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.

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 with the unaudited interim condensed consolidated financial statements of the Group as of March 31, 2018.
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 our own 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 March 31, 2018, we had revenues of €232.8 million, net profit of €14.8 million and Adjusted EBITDA of €77.5 million.

Recent Developments

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. ("Digi HU") our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement with Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers for the acquisition of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt. In May 2018 the Regulatory Authority from Hungary approved, with certain conditions, the proposed transaction. The transaction is expected to be closed during Q2 2018.

On 14 May 2017 the General Shareholders' Meeting adopted the terms and conditions of the stock option plan for Class B Shares, applicable to the executive Board members of the Company. A total number of 280,000 class B shares were granted as part of the stock option plan, with vesting date in one year's time. On 15 May 2018, this stock option plan is vested.

On 2 May 2018, the General Shareholder's Meeting has approved the grant of stock options for class B shares applicable to the executive and non-executive Board members in 2018.

Starting from May 2018 the National Authority for Management and Regulation in Communications from Romania ("ANCOM") has reduced the mobile interconnection rate from 0.96 Eurocents/minute to 0.84 Eurocents/minute.

Basis of Financial Presentation

The Group prepared its Interim Financial Statements as of March 31, 2018 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 70% and 16%, respectively, of our consolidated revenue for the three months ended March 31, 2018 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 the most used 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).
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 month period ended March 31, 2018 the Romanian leu has depreciated with approximately 3.0% and the Hungarian forint has depreciated with approximately 0.7%.

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 March 31,**	
	2017	**2018**
Romanian leu (RON) (1)		
Period end rate	4.55	4.66
Average rate	4.52	4.66
Hungarian forint (HUF)(2)		
Period end rate	308.70	312.55
Average rate	309.10	311.11
U.S. dollar (USD)(1)		
Period end rate	1.07	1.23
Average rate	1.06	1.23

(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 March 31, 2018 we had a net foreign exchange gain of €2.2 million, compared to a net foreign exchange gain of €0.4 million in the three months ended March 31, 2017.

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 March 31, 2017 and 2018:

RGUs (thousand)/ARPU (€/month)	As at and for the three months ended March 31,		% change
	2017	2018	
Romania			
Cable TV			
RGUs	2,893	3,075	6.3%
ARPU	5.2	5.1	-1.9%
Fixed internet and data			
RGUs			
Residential	2,030	2,185	7.6%
Business	119	143	20.2%
ARPU			
Residential	5.0	4.9	-2.0%
Business	34.0	28.8	-15.3%
Mobile telecommunication services			
RGUs	3,305	3,373	2.1%
ARPU	3.8	4.3	13.2%
Fixed-line telephony			
RGUs			
Residential	1,187	1,105	-6.9%
Business	130	134	3.1%
ARPU			
Residential	1.3	1.3	0.0%
Business	3.5	3.3	-5.7%
DTH			
RGUs	626	577	-7.8%
ARPU	4.9	4.8	-2.0%
Hungary			
Cable TV			
RGUs	480	505	5.2%
ARPU	8.0	8.1	1.3%
Fixed internet and data			
RGUs	439	476	8.4%
ARPU	7.6	7.1	-6.6%
Mobile telecommunication services(1)			
RGUs	13	11	-15.4%
ARPU	7.0	6.8	-2.9%
Fixed-line telephony			
RGUs	361	387	7.2%
ARPU	1.6	1.5	-6.3%
DTH			
RGUs	303	288	-5.0%
ARPU	9.1	9.4	3.3%

RGUs (thousand)/ARPU (€/month)	As at and for the three months ended March 31,		% change
Spain			
Mobile telecommunication services[2]			
RGUs	635	1,000	57.5%
ARPU	11.1	9.4	-15.3%
Other[3]			
Mobile telecommunication services[2]			
RGUs	147	195	32.7%
ARPU	10.0	10.0	0.0%

(1) *Includes mobile internet and data services offered as a reseller through the Telenor network under our "Digi" brand.*
(2) *As an MVNO.*
(3) *Includes Italy.*

Historical Results of Operations

Results of Operations for the three months ended March 31, 2017 and 2018

	As at and for the three months ended March 31,	
	2017	**2018**
	(€ millions)	
Revenues		
Romania	165.3	164.0
Hungary	37.5	37.3
Spain	21.7	27.1
Other	3.6	5.6
Elimination of intersegment revenues	(1.5)	(1.2)
Total revenues	**226.7**	**232.8**
Other income	**4.0**	**1.2**
Operating expenses		
Romania	116.8	99.7
Hungary	26.0	29.4
Spain	15.3	20.7
Other	4.9	6.7
Elimination of intersegment expenses	(1.5)	(1.2)
Depreciation, amortization and impairment of tangible and intangible assets	41.1	47.1
Total operating expenses	**202.6**	**202.5**
Operating profit	**28.1**	**31.6**
Finance income	0.4	2.2
Finance expense	(11.2)	(13.2)
Net finance costs	**(10.7)**	**(11.0)**
Profit before taxation	**17.4**	**20.6**
Income tax expense	(1.5)	(5.8)
Profit for the period	**15.8**	**14.8**

Revenue

Our revenue (excluding intersegment revenue and other income) for the three month period ended March 31, 2018 was €232.8 million, compared with €226.7 million for the three month period ended March 31, 2017, an increase of 2.7%.
The following table shows the distribution of revenue by geographic segment and business line for the three period ended March 31, 2017 and 2018:

	As at and for the three months ended March 31,		
	2017	**2018**	**% change**
	(€ millions)		
Romania			
Cable TV	44.9	46.5	3.6%
Fixed internet and data	42.2	44.1	4.5%
Mobile telecommunication services(1)	37.0	43.7	18.1%
Fixed-line telephony	6.0	5.6	-6.7%
DTH	9.3	8.5	-8.6%
Other revenue(2)	25.5	14.8	-42.0%
Total	**164.9**	**163.1**	**-1.1%**
Hungary			
Cable TV	11.5	12.2	6.1%
Fixed internet and data	9.8	10.0	2.0%
Mobile telecommunication services(3)	0.3	0.2	-33.3%
Fixed-line telephony	1.7	1.7	0.0%
DTH	8.4	8.2	-2.4%
Other revenue(2)	5.8	5.0	-13.8%
Total	**37.5**	**37.3**	**-0.5%**
Spain			
Mobile telecommunication services(1)	20.7	26.9	30.0%
Other revenue(2)	0.1	0.0	-100.0%
Total	**20.8**	**26.9**	**29.3%**
Other(4)			
Mobile telecommunication services(1)	3.5	5.5	57.1%
Other revenue(2)	0.0	0.0	-
Total	**3.5**	**5.5**	**57.1%**
Total	**226.7**	**232.8**	**2.7%**

(1) Revenues reported under our mobile telecommunication services business line are 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.*
(2) Includes sales of CPE (primarily mobile handsets and satellite signal receivers and decoders), advertising revenue from own TV and radio channels.
(3) Includes mobile internet and data revenue.
(4) Includes revenue from operations in Italy.

Revenue in Romania for the three month period ended March 31, 2018 was €163.1 million compared with €164.9 million for the three month period ended March 31, 2017, a decrease of 1.1%. Revenue grew in Romania primarily driven by an increase in our mobile telecommunication services ARPU and RGUs, cable TV and fixed internet and data RGUs. This growth was offset by the decrease in fixed-line telephony and DTH revenues. Other revenues decreased in the period due to the changes in handset offerings, which occurred at the end of Q1 2017.
Mobile telecommunication services RGUs increased from approximately 3,305 thousand as at March 31, 2017 to approximately 3,373 thousand as at March 31, 2018, an increase of approximately 2.1%. Mobile telecommunication services ARPU increased to an average €4.3/month for the three month period ended March 31, 2018, compared to an average €3.8/month for the three month period ended March 31, 2017, an increase of approximately 13.2% primarily as a result of the expansion of the RGU base and a more favourable mobile termination ratio and certain changes in the mix of subscription packages. Our cable TV RGUs increased from approximately 2,893 thousand as at March 31, 2017 to approximately 3,075 thousand as at March 31, 2018, an increase of approximately 6.3%, and our residential fixed internet and data RGUs increased from approximately 2,030 thousand as at March 31, 2017 to approximately 2,185 thousand as at March 31, 2018, an increase of approximately 7.6%. These increases were primarily due to our attractive fixed internet and data packages. Growth in our mobile telecommunication services, cable TV, fixed internet and data 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 626 thousand as at March 31, 2017 to 577 thousand as at March 31, 2018, a decrease of approximately 7.8%. 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 1,187 thousand as at March 31, 2017 to approximately 1,105 thousand as at March 31, 2018, a decrease of approximately 6.9%.

Revenue in Hungary for the three month period ended March 31, 2018 was €37.3 million, compared with €37.5 million for the three month period ended March 31, 2017, a decrease of 0.5%. Revenues from our cable TV and fixed internet and data RGUs in Hungary continued to grow. This growth was mainly offset by decrease in Other revenues of 13.8%. Our cable TV RGUs increased from approximately 480 thousand as at March 31, 2017 to approximately 505 thousand as at March 31, 2018, an increase of approximately 5.2%, our fixed internet and data RGUs increased from approximately 439 thousand as at March 31, 2017 to approximately 476 thousand as at March 31, 2018, an increase of approximately 8.4%, and our fixed-line telephony RGUs increased from approximately 361 thousand as at March 31, 2017 to approximately 387 thousand as at March, 2018, an increase of approximately 7.2%. These increases were driven by our investments in expanding and upgrading our fixed fiber optic network in Hungary. Our DTH RGUs decreased from approximately 303 thousand as at March 31, 2017 to approximately 288 thousand as at March 31, 2018, a decrease of approximately 5.0%. 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 month period ended March 31, 2018 was €26.9 million, compared with €20.8 million for the three month period ended March 31, 2017, an increase of 29.3%. The increase in our Spain revenue was due to the increase in mobile telecommunication services RGUs from approximately 635 thousand as at March 31, 2017 to approximately 1,000 thousand as at March 31, 2018, an increase of approximately 57.5%, 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 month period ended March 31, 2018 was €5.5 million, compared with €3.5 million for the three month period ended March 31, 2017, an increase of 57.1%. The increase in our revenue in Italy was primarily due to the increase in mobile telecommunication services RGUs from approximately 147 thousand as at March 31, 2017 to approximately 195 thousand as at March 31, 2018, an increase of approximately 32.7%, 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 period ended March 31, 2018 were €202.5 million, compared with €202.6 million for the three month period ended March 31, 2017, a decrease of 0.1%, respectively.

	As at and for the three months ended March 31,	
	2017	2018
Romania	116.4	99.4
Hungary	26.0	29.4
Spain	15.0	20.1
Other[(1)]	4.2	6.4
Depreciation, amortization and impairment of tangible and intangible assets	41.1	47.1
Total operating expenses	**202.6**	**202.5**

(1) *Includes operating expenses of operations in Italy and operating expenses of Digi.*

Operating expenses in Romania for three month period ended March 31, 2018 were €99.4 million, compared with €116.4 million for the three month period ended March 31, 2017, a decrease of 14.6%. This decrease was primarily due to the fact that the energy activity had an almost neutral impact in the current period, compared to Q1 2017 when we generated a negative gross margin in amount of €7.4 million. Cost of goods sold decreased significantly in the reported period as a result of changes in the offerings for handsets in instalments starting from the end of Q1 2017. These increases were partially offset in the current period by salary expenses increase, mainly due to share option plan expense accrued in the period in amount of €3 million (March 31, 2017: nil). Rent expenses increased due to larger numbers of sites and allowance expenses increased because of the adoption of IFRS 9.

Operating expenses in Hungary for the three month period ended March 31, 2018 were €29.4 million, compared with €26.0 million for the three month period ended March 31, 2017, an increase of 13.1%. The increase was primarily due to the increase in salaries and the increase in rent expenses as a result of higher number of mobile sites.
In general increases of operating expenses are in line with the development of the business and the building stage of the mobile network.

Operating expenses in Spain for the three month period ended March 31, 2018 were €20.1 million, compared with €15.0 million for the three month period ended March 31, 2017, an increase of 34.0%.

In general increases of operating expenses are in line with the development of the business.

Operating expenses in Other represented expenses of our operations in Italy and expenses of Digi and for the three month period ended March 31, 2018 were €6.4 million, compared with €4.2 million for the three month period ended March 31, 2017, an increase of 52.4%. The increase is mainly the result of higher RGUs and traffic in our subsidiary in Italy.

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 month period ended March 31, 2017 and 2018.

	As at and for the three months ended March 31,	
	2017	2018
	(€ millions)	
Depreciation of property, plant and equipment	23.5	25.6
Amortization of non-current intangible assets	5.9	10.0
Amortization of programme assets	10.7	10.9
Impairment of property, plant and equipment	0.9	0.6
Total	**41.1**	**47.1**

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was €25.6 million for the three month period ended March 31, 2018, compared with €23.5 million for the three month period ended March 31, 2017, an increase of 8.9%. This variation was primarily due to CPE additions.

Amortization of non-current intangible assets

Amortization of non-current intangible assets was €10.0 million for the three month period ended March 31, 2018, compared with €5.9 million for the three month period ended March 31, 2017, an increase of 69.5%. This was due to increase in subscriber acquisition cost amortization charge in the period.

Amortization of program assets

Amortization of program assets was €10.9 million for the three month period ended March 31, 2018, compared with €10.7 million for the three month period ended March 31, 2017, an increase of 1.9%.

Other income

We recorded €1.2 million of net other income in the three month period ended March 31, 2018 compared with €4.0 million of other income in the three months ended March 31, 2017. This reflected mark-to-market gain from fair value assessment of energy trading contracts in amount of €4.3 million and accrued expenses for the period in amount of €3.0 million related to the share option plan approved in December 2017.

Operating profit

For the reasons set forth above, our operating profit was €31.6 million for the three month period ended March 31, 2018, compared with €28.1 million for the three month period ended March 31, 2017.

Net finance expense

We recognized net finance expense of €11.0 million in the three month period ended March 31, 2018, compared with €10.7 million for the three month period ended March 31, 2017, an increase of 2.4%. Interest expenses increased in the current period because of the drawing in full of Facility B (revolver) from SFA 2016 in the second part of 2017 and because of 3 months ROBOR's fluctuations. This movement was partially compensated by the increase in net gain from foreign exchange compared to previous period.

Profit before taxation

For the reasons set forth above, our profit before taxation was €20.6 million in the three month period ended March 31, 2018, compared with €17.4 million for the three month period ended March 31, 2017.

Income tax expense

An income tax expense of €5.8 million was recognized in the three month period ended March 31, 2018, compared to a tax expense of €1.5 million recognized in the three month period ended March 31, 2017.

Net profit for the period

For the reasons set forth above, our net profit was €14.8 million in the three month period ended March 31, 2017, compared to profit of the prior period of €15.8 million for the three month ended March 31, 2017.

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 month period ended March 31, 2017 and 2018, cash flows used in investing activities and cash flows from/(used in) financing activities.

	As at and for the three months ended March 31,	
	2017	**2018**
	(€ millions)	
Cash flows from operations before working capital changes	**73.2**	**80.2**
Cash flows from changes in working capital	0.2	(3.5)
Cash flows from operations	**73.3**	**76.6**
Interest paid	(4.3)	(4.9)
Income tax paid	(1.3)	(0.6)
Cash flow from operating activities	**67.8**	**71.1**
Cash flow used in investing activities	**(67.6)**	**(76.8)**
Cash flows from /(used in) financing activities	**(5.7)**	**4.4**
Net decrease in cash and cash equivalents	**(5.5)**	**(1.3)**
Cash and cash equivalents at the beginning of the period	**14.6**	**16.1**
Effect of exchange rate fluctuation on cash and cash equivalent held	(0.2)	0.0
Cash and cash equivalents at the closing of the period	**8.9**	**14.8**

Cash flows from operations before working capital changes were €80.2 million in the three month period ended March 31, 2018 and €73.2 million in the three month period ended March 31, 2017 for the reasons discussed in "*—Historical Results of Operations—Results of operations for the three month period ended March 31, 2018 and 2017*".

The following table shows changes in our working capital:

	For the three months ended March 31,	
	2017	**2018**
	(€ millions)	
(Increase) in trade receivables and other assets	(13.1)	(7.5)
Decrease in inventories	0.6	0.3
Increase/(decrease) in trade payables and other current liabilities	4.0	(8.8)
Increase in contract liabilities	8.7	12.5
Total	**0.2**	**(3.5)**

We had a working capital requirement of €3.5 million in the three month period ended March 31, 2018 (compared with a working capital surplus of €0.2 million in the three month period ended March 31, 2017). This was primarily due to payments made to suppliers which led to decrease of trade payables and other current liabilities. The increase in contract liabilities (deferred revenue) is due to invoicing customers in advance.

Cash flows from operating activities were €71.1 million in the three month period ended March 31, 2018 and €67.8 million in the three month period ended March 31, 2017. Included in these amounts are deductions for interest paid and income tax paid. Income tax paid which were €0.6 million in the three months ended March 31, 2018 and €1.3 million in the three months ended March 31, 2017. Interest paid was €4.9 million in the three months ended March 31, 2018, compared with €4.3 million in the three months ended March 31, 2017. The increase in cash flows from operating activities in the three months ended March 31, 2018 was primarily due to changes in working capital discussed above.

Cash flows used for investing activities were €76.8 million in the three month period ended March 31, 2018 and €67.6 million in the three month period ended March 31, 2017.
Purchases of property, plant and equipment were €53.2 million in the three months ended March 31, 2018 and €39.8 million in the three months ended March 31, 2017.
Purchases of intangible assets were €23.5 million in the three months ended March 31, 2018 and €27.0 million in the three months ended March 31, 2017.
Payments for acquisition of subsidiaries were €0.1 million in the three months ended March 31, 2018 and €0.8 million in the three months ended March 31, 2017.

Cash flows used in (from) financing activities were €4.4 million outflow for the three months period ended March 31, 2018, €5.7 million inflow for the three months ended March 31, 2017.

DIGI COMMUNICATIONS NV

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

PREPARED IN ACCORDANCE WITH
IAS 34 INTERIM FINANCIAL REPORTING
for the three-month period ended 31 March 2018

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GENERAL INFORMATION

Directors:

Serghei Bulgac

Bogdan Ciobotaru

Valentin Popoviciu

Piotr Rymaszewski

Sambor Ryszka

Marius Catalin Varzaru

Zoltan Teszari

Registered Office:
Digi Communications N.V.
Str. Dr. Nicolae Staicovici, nr. 75, bl. Forum 2000 Building, Faza 1, et. 4, sect. 5,
Bucuresti, Romania

(all amounts are in thousand Eur, unless specified otherwise)

	Notes	31 March 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	924,397	900,691
Intangible assets	5	216,051	215,248
Available for sale financial assets (AFS)		42,983	42,146
Investments in associates		784	784
Long term receivables		1,994	2,018
Deferred tax asset		2,448	2,828
Total non-current assets		**1,188,657**	**1,163,715**
Current assets			
Inventories		9,783	10,063
Programme assets	5	15,143	22,250
Trade and other receivables		51,178	47,764
Contract assets		31,377	34,708
Income tax receivable		1,131	1,727
Other assets		13,515	11,046
Derivative financial assets	15	33,643	34,883
Cash and short term deposits		14,837	16,074
Total current assets		**170,607**	**178,515**
Total assets		**1,359,264**	**1,342,230**
EQUITY AND LIABILITIES	6		
Equity attributable to equity holders of the parent			
Share capital		6,918	6,918
Share premium		3,406	3,406
Treasury shares		(13,922)	(13,922)
Reserves		(306)	1,248
Retained earnings		157,545	138,869
Total equity attributable to equity holders of the parent		**153,641**	**136,519**
Non-controlling interest		7,160	6,029
Total equity		**160,801**	**142,548**
Non-current liabilities			
Interest-bearing loans and borrowings	7	647,963	648,040
Deferred tax liability		49,629	45,517
Decommissioning provision		5,472	5,409
Other long term liabilities		43,537	36,738
Total non-current liabilities		**746,601**	**735,704**
Current liabilities			
Trade payables and other payables		328,210	360,571
Interest-bearing loans and borrowings	7	95,091	82,009
Income tax payable		-	-
Derivative financial instruments	15	4,842	10,131
Contract liabilities		23,719	11,267
Total current liabilities		**451,862**	**463,978**
Total liabilities		**1,198,463**	**1,199,682**
Total equity and liabilities		**1,359,264**	**1,342,230**

The notes on pages 6 to 29 are an integral part of this condensed consolidated interim financial report.

The condensed consolidated interim financial report was issued on 15 May 2018.

(all amounts are in thousand Eur, unless specified otherwise)

	Notes	Three month period ended 31 March 2018	Three month period ended 31 March 2017
Revenues	9	232,792	226,683
Other income		4,257	4,043
Operating expenses	10	(202,446)	(202,608)
Other expenses		(3,020)	-
Operating Profit		**31,583**	**28,118**
Finance income	11	2,236	425
Finance expenses	11	(13,245)	(11,172)
Net finance costs		**(11,009)**	**(10,747)**
Profit before taxation		**20,574**	**17,371**
Income tax		(5,762)	(1,529)
Net profit for the period		**14,812**	**15,842**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		(817)	1,279
Available for sale financial asset, net change in fair value		837	-
Cash Flow hedge reserves		(193)	(396)
Other comprehensive income for the period, net of income tax		**(173)**	**883**
Total comprehensive income for the period		**14,639**	**16,725**

Profit attributable to:		
Equity holders of the parent	13,817	15,210
Non-controlling interest	995	632
Profit for the period	**14,812**	**15,842**
Total comprehensive income attributable to:		
Equity holders of the parent	13,702	16,059
Non-controlling interest	937	666
Total comprehensive income for the period	**14,639**	**16,725**

The notes on pages 6 to 29 are an integral part of this condensed consolidated interim financial report.

The condensed consolidated interim financial report was issued on 15 May 2018.

(all amounts are in thousand Eur, unless specified otherwise)

	Notes	Three month period ended 31 March 2018	Three month period ended 31 March 2017
Cash flows from operating activities			
Profit before taxation		**20,574**	**17,371**
Adjustments for:			
Depreciation, amortization and impairment	10	47,145	41,055
Interest expense, net	11	9,887	8,351
Impairment of trade and other receivables	10	2,766	1,612
Equity settled share-based payments		3,614	-
Unrealised (gains) on derivative financial instruments	15	(3,872)	(3,215)
Unrealised foreign exchange loss / (gain)		78	7,865
(Loss)/ Gain on sale of assets		(32)	123
Cash flows from operations before working capital changes		**80,160**	**73,162**
Changes in:			
Trade receivables, other assets and contract assets		(7,471)	(13,107)
Inventories		280	604
Trade payables and other current liabilities		(8,806)	4,004
Contract liabilities		12,451	8,670
Cash flows from operations		**76,614**	**73,333**
Interest paid		(4,935)	(4,299)
Income tax paid		(628)	(1,259)
Cash flows from operating activities		**71,051**	**67,775**
Cash flow used in investing activities			
Purchases of property, plant and equipment		(53,221)	(39,848)
Purchases of intangibles		(23,472)	(27,033)
Acquisition of subsidiaries, net of cash and NCI		(140)	(750)
Proceeds from sale of property, plant and equipment		61	33
Cash flows used in investing activities		**(76,772)**	**(67,598)**
Cash flows from financing activities			
Dividends paid to shareholders		-	(6,071)
Proceeds from borrowings		8,520	6,997
Repayment of borrowings		(1,386)	(1,767)
Financing costs paid		(1,717)	-
Settlement of derivatives		(406)	(1,426)
Payment of finance lease obligations		(570)	(3,428)
Cash flows used in/from financing activities		**4,441**	**(5,695)**
Net (decrease) in cash and cash equivalents		**(1,280)**	**(5,518)**
Cash and cash equivalents at the beginning of the period		16,074	14,625
Effect of exchange rate fluctuations of cash and cash equivalents held		43	(232)
Cash and cash equivalents at the end of the period		**14,837**	**8,875**

The notes on pages 6 to 29 are an integral part of this condensed consolidated interim financial report.

Cash and cash equivalents as at 31 March 2018 includes cash equivalents in amount of EUR 3,047.

(all amounts are in thousand Eur, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserves	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2018	**6,918**	**3,406**	**(13,922)**	**(29,957)**	**35,120**	**(3,667)**	**(248)**	**138,869**	**136,519**	**6,029**	**142,548**
Comprehensive income for the period											
Net profit for the period	-	-	-	-	-	-	-	13,817	**13,817**	995	**14,812**
Foreign currency translation differences	-	-	-	(771)	-	-	-	-	**(771)**	(46)	**(817)**
Movements fair value reserves	-	-	-	-	-	837	-	-	**837**	-	**837**
Cash Flow hedge reserves[1]	-	-	-	-	-	-	(181)	-	**(181)**	(12)	**(193)**
Transfer of revaluation reserve (depreciation)	-	-	-	-	(1,439)	-	-	1,439	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**(771)**	**(1,439)**	**837**	**(181)**	**15,256**	**13,702**	**937**	**14,639**
Transactions with owners, recognized directly in equity											
Contributions by and distributions to owners											
Equity-settled share-based payment transactions	-	-	-	-	-	-	-	3,420	**3,420**	194	**3,614**
Sale of Treasury Shares	-	-	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	***3,420***	***3,420***	***194***	***3,614***
Changes in ownership interests in subsidiaries Payments while having full control											
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	-	-	-	-
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	***3,420***	**3,420**	**194**	**3,614**
Balance at 31 March 2018	**6,918**	**3,406**	**(13,922)**	**(30,728)**	**33,681**	**(2,830)**	**(429)**	**157,545**	**153,641**	**7,160**	**160,801**

The notes on pages 6 to 29 are an integral part of this condensed consolidated interim financial report.

(1)The amount presented on Cash Flow Hedge reserves is included in Reserves in Statement of financial position.

(all amounts are in thousand Eur, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2017	**51**	**8,247**	**(16,703)**	**(30,181)**	**42,996**	**(3,719)**	**40,474**	**41,165**	**1,438**	**42,603**
Comprehensive income for the period										
Net profit for the period	-	-	-	-	-	-	15,210	**15,210**	632	**15,842**
Foreign currency translation differences	-	-	-	1,230	-	-		**1,230**	49	**1,279**
Cash Flow hedge reserves[(2)]	-	-	-	-	-	(381)	-	**(381)**	(15)	**(396)**
Transfer of revaluation reserve (depreciation)	-	-	-	-	(1,900)	-	1,900	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**1,230**	**(1,900)**	**(381)**	**17,110**	**16,059**	**666**	**16,725**
Transactions with owners, recognized directly in equity	-	-	-	-	-		-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-
Equity-settled share-based payment transactions	-	-	-	-	-	-	-	-	-	-
Sale of Treasury Shares[(1)]	-	-	4,210	-	-	-	-	**4,210**	-	**4,210**
Dividends distributed	-	-	-	-	-	-			-	-
Total contributions by and distributions to owners	-	-	**4,210**	-	-		-	***4,210***	-	***4,210***
Changes in ownership interests in subsidiaries Payments while having full control	-	-	-	-	-	-	-	-	-	-
Movement in ownership interest while retaining control	-	-	-	-	-	-	(3,257)	**(3,257)**	(1,015)	**(4,272)**
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	(3,257)	***(3,257)***	***(1,015)***	***(4,272)***
Total transactions with owners	**-**	**-**	**4,210**	**-**	**-**	**-**	**(3,257)**	**953**	**(1,015)**	**(62)**
Balance at 31 March 2017	**51**	**8,247**	**(12,493)**	**(28,951)**	**41,096**	**(4,100)**	**54,327**	**58,177**	**1,089**	**59,266**

(1)For details about Share swaps, please see Consolidated Financial Statements from the 2017 Annual Report
(2)The amount presented on Cash Flow Hedge reserves is included in Reserves in Statement of financial position.

1. CORPORATE INFORMATION

Digi Communications Group ("the Group" or "DIGI Group") comprises Digi Communications N.V., RCS&RDS S.A. and their subsidiaries.

The parent company of the Group is Digi Communications N.V. ("DIGI" or "the Company" or "the Parent"), a company incorporated in Netherlands with place of business and registered office in Romania. The main operations are carried by RCS&RDS S.A (Romania) ("RCS&RDS"), Digi T.S kft (Hungary), Digi Spain Telecom SLU, and Digi Italy SL. DIGI registered office is located in Str. Dr. Nicolae Staicovici, nr. 75, bl. Forum 2000 Building, Faza 1, et. 4, sect. 5, Bucuresti, Romania. On 11 April 2017 the Company changed its name to Digi Communications N.V., its former name being Cable Communications Systems N.V.

RCS&RDS is a company incorporated in Romania and its registered office is located at Dr. Staicovici 75, Bucharest, Romania.

RCS&RDS was setup in 1994, under the name of Analog CATV, and initially started as a cable TV operator in several cities in Romania. In 1996 following a merger with a part of another cable operator (Kappa) the name of the company became Romania Cable Systems S.A. ("RCS").

In 1998 Romania Cable Systems S.A established a new subsidiary Romania Data Systems S.A. ("RDS") for the purposes of offering internet, data and fixed telephony services to the Romanian market.

In August 2005, Romania Cable Systems S.A. absorbed through merger its subsidiary Romania Data Systems S.A. and changed its name into RCS&RDS.

RCS&RDS evolved historically both by organic growth and by acquisition of telecommunication operators and customer relationships.

The Group provides telecommunication services of Cable TV (television), Fixed and Mobile Internet and Data, Fixed-line and Mobile Telephony ("CBT") and Direct to Home television ("DTH") services in Romania, Hungary, Spain and Italy. The largest operating company of the Group is RCS&RDS.

The principal shareholder of the DIGI is RCS Management ("RCSM") a company incorporated in Romania. The ultimate shareholder of DIGI is Mr. Zoltan Teszari, the controlling shareholder of RCSM. DIGI and RCSM have no operations, except for holding and financing activities, and their primary/ only asset is the ownership of RCS&RDS and respectively DIGI.

The consolidated financial statements were authorized for issue on 15 May 2018.

2.1 BASIS OF PREPARATION

(a) Statement of compliance

This condensed consolidated interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2017. This condensed consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

(b) Judgements and estimates

Preparing the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

(all amounts are in thousand Eur, unless specified otherwise)

In preparing this condensed consolidated interim financial report, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

The assets and liabilities of the subsidiaries are translated into the presentation currency at the rate of exchange ruling at the reporting date (none of the functional currencies of the subsidiaries or the Parent is hyperinflationary for the reporting periods). The income and expenses of the Parent and of the subsidiaries are translated at transaction date exchange rates. The exchange differences arising on the retranslation from functional currency to presentation currency are taken directly to equity under translation reserve. On disposal of a foreign entity, accumulated exchange differences relating to it and previously recognized in equity as translation reserve are recognized in profit or loss as component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The following rates were applicable at various time periods according to the National Banks of Romania and Hungary:

Currency	2018			2017		
	Jan – 1	Average for the 3 months	Mar – 31	Jan – 1	Average for the 3 months	Mar – 31
RON per 1EUR	4.6597	4.6553	4.6576	4.5411	4.5206	4.5511
HUF per 1EUR	310.14	311.11	312.55	311.02	309.10	308.70
USD per 1EUR	1.1993	1.2295	1.2321	1.0510	1.065	1.0691

The Group established vendor financing and reverse factoring agreements with suppliers. In some cases, payment terms are extended in agreements between the supplier and the Group. If these agreements imply extended payment terms, trade payables are classified as long term. Corresponding cash flows are presented as Cash flow from operating activities.

2.2. GOING CONCERN

Management believes that the Group will continue as a going concern for the foreseeable future. In the current year and recent years, the Group has managed to achieve consistently strong local currency revenue streams and cash flows from operating activities and has continued to grow the business. These results have been achieved during a period of significant investments in technological upgrades, new services and footprint expansion. The ability to offer multiple services is a central element of DIGI Group strategy and helps the Group to attract new customers, to expand the uptake of service offerings within the existing customer base and to increase customer loyalty by offering high value-for-money package offerings of services and attractive content.

For further information refer to Note 13b) Liquidity risk.

2.3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017. Starting from 1 January 2018, the Group has implemented the following IFRSs which are effective for annual periods beginning on or after 1 January 2018:

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition and unbundling of revenues
Owing to the nature of the Group's revenues, which mainly consist of subscription revenues (both for residential customers as well as the majority of business customers), the impact of IFRS 15 for year ended 31 December 2017 compared to the current IAS 18 was not significant, and consisted of the following:
- Reclassifications between categories of revenues (cable, internet, telephony) due to re-allocation of promotions
- Reclassification between categories of revenues (cable, DTH, other) in respect of equipment in custody for which no rental fees are perceived
- Earlier recognition of revenues for sale of mobile phones, which is in part a reclassification of revenues (from telephony, cable, internet to other) and partly will create a contract asset (which are thereafter included in the calculation of the impairment allowance under IFRS 9, as described below).

The net estimated impact of the IFRS 15 implementation for year ended 31 December 2017 for the Romanian operations was as follows:

Type of revenues	**Decrease/(Increase) In million EUR**
Revenues from Mobile subscription	(0.5)
Revenues from CATV/DTH subscription	14.7
Revenues from Fixed internet subscription	0.5
Revenues from rent	(14.3)
Revenues from mobile handsets	(1.4)
Contract asset	1.0

For the operations of the Group in other countries the impact is not significant.

Costs to obtain a contract
Amounts capitalized by the Group as subscriber acquisition costs (intangible assets) meet the criteria to be classified as costs to obtain a contract under IFRS 15. The amortization period has also been analyzed and found to be compliant with IFRS 15 requirements.

Costs to fulfil a contract
Amounts capitalized by the Group as direct costs necessary to perform the services (included in tangible assets) meet the criteria to be classified as costs to fulfil a contract under IFRS 15. The amortization period has also been analyzed and found to be compliant with IFRS 15 requirements.

Starting from 1 January 2018, the Group transitioned to IFRS 15 by applying the modified retrospective approach (therefore the comparative period is not restated).

- **IFRS 9 Financial Instruments: Classification and Measurement**

The only impact on the financial statements of the Group due to the implementation of the new requirements of IFRS 9 resulted from applying the probability of default as it results from historical patterns also to the trade and other receivables which are not yet due (as the Group was already applying a method compliant with IFRS 9 for amounts due), with expected loss given default being assessed at 100%. For the year ended 31 December 2017, the estimated impact of the additional amount of allowances as a consequence of the new requirements were not significant (approximately EUR 1,242).

Starting from 1 January 2018, the Group transitioned to IFRS 9 by applying the modified retrospective approach (therefore the comparative period is not restated).

(all amounts are in thousand Eur, unless specified otherwise)

3. SEGMENT REPORTING

31 March 2018	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	163,099	37,300	26,891	5,502	-	-	**232,792**
Inter-segment revenues	870	-	182	141	(1,193)	-	**-**
Segment operating expenses	(99,739)	(29,370)	(20,705)	(6,680)	1,193	-	**(155,301)**
Adjusted EBITDA	**64,230**	**7,930**	**6,368**	**(1,037)**	**-**	**-**	**77,491**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(47,145)	**(47,145)**
Other income (Note 18)	4,257	-	-	-	-	-	**4,257**
Other expenses (Note 18)	(3,020)	-	-	-	-	-	**(3,020)**
Operating profit							**31,583**
Additions to tangible non-current assets	38,599	11,280	985	14	-	-	**50,878**
Additions to intangible non-current assets	8,545	212	1,897	494	-	-	**11,148**
Carrying amount of:							
Property, plant and equipment	768,638	151,036	4,472	251	-	-	**924,397**
Non-current intangible assets	178,145	29,014	6,450	2,442	-	-	**216,051**
Investments in associates	784	-	-	42,983	-	-	**43,767**

The types of products and services from which each segment derives its revenues are disclosed in Note 9.

(all amounts are in thousand Eur, unless specified otherwise)

3. SEGMENT REPORTING (continued)

31 March 2017	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	164,888	37,466	20,821	3,508	-	-	**226,683**
Inter-segment revenues	458	-	867	136	(1,461)	-	**-**
Segment operating expenses	(116,816)	(26,004)	(15,317)	(4,878)	1,461	-	**(161,554)**
Adjusted EBITDA	**48,530**	**11,462**	**6,371**	**(1,234)**	**-**	**-**	**65,129**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(41,054)	**(41,054)**
Other income (Note 18)	4,043	-	-	-	-	-	**4,043**
Operating profit						-	**28,118**
Additions to tangible non-current assets	36,779	10,855	95	197	-	-	**47,926**
Additions to intangible non-current assets	11,930	681	672	837	-	-	**14,120**
Carrying amount of:							
Property, plant and equipment	717,293	120,972	1,462	302	-	-	**840,029**
Non-current intangible assets	178,830	30,959	3,421	1,806	-	-	**215,016**
Investments in associates	991	-	-	-	-	-	**991**

The types of products and services from which each segment derives its revenues are disclosed in Note 9.

(all amounts are in thousand Eur, unless specified otherwise)

4. PROPERTY, PLANT AND EQUIPMENT (PPE)

Acquisitions and disposals

During the three month period ended 31 March 2018, the Group acquired property, plant and equipment with a cost of EUR 50,878 (31 March 2017: EUR 47,926). The acquisitions related mainly to networks EUR 19,997 (three months ended 31 March 2017: EUR 22,960), customer premises equipment of EUR 5,959 (three months ended 31 March 2017: EUR 7,649), equipment and devices of EUR 15,761 (three months ended 31 March 2017: EUR 13,132) and buildings and structures of EUR 4,375 (three months ended 31 Mach 2017: EUR 2,183).
Costs to fulfil the performance obligations under the contracts with customers in amount of EUR 5,008 were capitalized during the three months period ended at 31 March 2018 (three months ended 31 March 2017: EUR 5,519).

5. NON-CURRENT INTANGIBLE ASSETS AND PROGRAMME ASSETS

Acquisitions

Non-current intangible assets
During the three-month period ended 31 March 2018, the Group acquired non-current intangible assets with a cost of EUR 11,148 (31 March 2017: EUR 14,120) as follows:

- Software and licences in amount of EUR 3,503 (31 March 2017: EUR 8,619);
- Customer relationships by acquiring control in other companies in amount of EUR 1,090 (31 March 2017: EUR 180);
- Costs to obtain contracts with customers (Subscriber Acquisition Costs “SAC”) in amount of EUR 6,555 (31 March 2017: EUR 5,321); SAC represents third party costs for acquiring and connecting customers of the Group;
- Goodwill didn’t increase through new additions in the first three months of 2018 (31 March 2017: EUR 0).

Programme assets
During the three month period ended 31 March 2018, additions of programme assets in the amount of 3,786 EUR (31 March 2017: EUR 4,642) represent broadcasting rights for sports competitions for 2018/2019 season and related advance payments for future seasons, and also rights for movies and documentaries.

Goodwill

(i) Reconciliation of carrying amount	
Cost	
Balance at 1 January 2017	**77,178**
Additions	-
Effect of movement in exchange rates	31
Balance at 31 March 2017	**77,209**
Balance at 1 January 2018	**76,089**
Additions	-
Effect of movement in exchange rates	(144)
Balance at 31 March 2018	**75,945**

(ii) Impairment testing of goodwill
Goodwill is not amortized but is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying values may be impaired. There were no impairment indicators for the cash generating units to which goodwill was allocated as of 31 March 2018.

(all amounts are in thousand Eur, unless specified otherwise)

6. EQUITY

The issued and paid-up capital as at 31 March 2018 is in amount of EUR 6,918, divided into 100,000,000 shares (out of which (i) 65,756,028 class A shares with a nominal value of ten eurocents (€ 0.10) each and (ii) 34,243,972 class B shares, with a nominal value of one eurocent (€ 0.01) each).
Class B Shares are listed on the Romanian Stock Exchange ("BVB") starting from 16 May 2017.

As at 31 March 2018, the Company had 6.6 million treasury shares.

The GSM from 2 May 2018 approved the distribution of a gross dividend of 0.35 RON per share for 2017.

7. INTEREST-BEARING LOANS AND BORROWINGS

Included in Long term interest-bearing loans and borrowings are bonds EUR 349,410 (December 2017: EUR 349,384), bank loans EUR 296,460 (December 2017: EUR 296,261) and leasing EUR 2,093 (December 2017: EUR 2,395).

Included in Short term interest-bearing loans and borrowing are bank loans EUR 40,580 (December 2017: EUR 33,151), short portion of long term interest-bearing loans EUR 40,576 (December 2017: EUR 40,656), leasing obligations amounting to EUR 3,198 (December 2017: EUR 1,814), other short-term debts of EUR 15 (December 2017: EUR 16) and interest payable amounting to EUR 10,722 (December 2017: EUR 6,372).

The movements in total Interest-bearing loans and borrowings is presented in the table below:

	Carrying amount
Balance as of 1 January 2018	**730,049**
New drawings	
Proceeds from bank borrowings	10,212
Interest expense for the period	9,179
Repayment	
Payment of lease obligations	(570)
Repayment of borrowings	(1,386)
Current year interest paid	(4,227)
Effect of movements in exchange rates	(203)
Balance as of 31 March 2018	**743,054**

8. RELATED PARTY DISCLOSURES

		31 March 2018	**31 December 2017**
Receivables from Related Parties			
Ager Imobiliare S.R.L.	(ii)	724	718
RCS Management S.A.	(i)	1	1
Other		9	60
Total		**734**	**779**

		31 March 2018	**31 December 2017**
Payables to Related Parties			
RCS-Management	(i)	3,867	3,825
Other		591	591
Total		**4,458**	**4,416**

(i) Shareholder of DIGI
(ii) Entities affiliated to a shareholder of the parent

(all amounts are in thousand Eur, unless specified otherwise)

8. RELATED PARTY DISCLOSURES (CONTINUED)

On 12 May 2017, RCS&RDS entered into a short term loan with RCS Management, for a principal amount of EUR 5,000. The loan bears a 5.5% per annum interest rate, the repayment date being set for 10 May 2018. As at 31 March 2018 the outstanding amount is EUR 3,685.

Compensation of key management personnel of the Group

	Three months ended 31 March 2018	Three months ended 31 March 2017
Short term employee benefits – salaries	824	417

In May 2017 and May 2018 share option plans were approved by the General Shareholders' Meeting for members of the Company's Board of Directors.

For details, please see Note 14.

(all amounts are in thousand Eur, unless specified otherwise)

9. REVENUES

Allocation of revenues through business lines and geographical areas is as follows:

	Three months ended 31 March 2018	Three months ended 31 March 2017
Cable TV		
Romania	46,511	44,880
Hungary	12,197	11,470
	58,708	**56,350**
Internet and data		
Romania	44,131	42,197
Hungary	10,029	9,840
	54,160	**52,037**
Telephony Revenues		
Romania	49,246	42,999
Hungary	1,900	2,023
Spain	26,872	20,727
Italy	5,478	3,479
	83,496	**69,228**
DTH Revenue		
Romania	8,451	9,325
Hungary	8,181	8,364
	16,632	**17,689**
Other revenues		
Romania	14,773	25,489
Hungary	4,980	5,767
Spain	18	94
Italy	25	29
	19,796	**31,379**
Total revenues	**232,792**	**226,683**

The timing of transfer of goods to the customers at a point in time are in amount of EUR 5,556 for the three months period ended 31 March 2018 (for the three months period ended 31 March 2017: EUR 17,622). The rest of the services provided to customers are transferred over time and revenue is recognized accordingly.

(all amounts are in thousand Eur, unless specified otherwise)

10. OPERATING EXPENSES

	Three months ended 31 March 2018	Three months ended 31 March 2017
Depreciation of property, plant and equipment	25,601	23,491
Amortization of program assets	10,906	10,712
Amortization of non-current intangible assets	10,008	5,919
Impairment of non-current intangible assets	5	-
Impairment of property, plant and equipment	625	933
Salaries and related taxes	41,143	34,056
Contribution to pension related fund	1,055	4,439
Programming expenses	20,891	20,910
Telephony expenses	40,991	35,332
Cost of goods sold	1,324	15,866
Rentals	15,057	13,822
Invoicing and collection expenses	4,348	3,698
Taxes and penalties	2,400	2,843
Utilities	4,386	4,606
Copyrights	2,387	2,236
Internet connection and related services	845	483
Impairment of receivables, net of reversals	2,766	1,612
Taxes to authorities	2,395	2,072
Other materials and subcontractors	2,609	2,168
Other services	5,524	4,573
Other expenses	7,180	12,837
Total operating expenses	**202,446**	**202,608**

The increase in “Amortisation of non-current intangible assets” is mainly due to the increase in amortization for SAC, which is in line with the expansion of the RGU base.

2017 share option plans expenses accrued in the period are included in the caption “Salaries and related taxes”. For details, please see Note 14. Expenses with contribution to pension related fund decreased in the period due to the legislative change enacted at the beginning of 2018, according to which pension contributions were transferred from the employer to the employee.

“Other expenses” decreased in the three months ended 31 March 2018, mainly due to the almost neutral impact of operational loss of the energy business in the period, compared to prior period when we generated a negative gross margin in amount of EUR 7.4 million.

(all amounts are in thousand Eur, unless specified otherwise)

11. NET FINANCE COSTS

	Three months ended 31 March 2018	Three months ended 31 March 2017
Financial revenues		
Interest from banks	16	4
Financial revenues	-	52
Foreign exchange differences (net)	2,220	369
	2,236	**425**
Financial expenses		
Interest expense	(9,887)	(8,351)
Net gain/(loss) on derivative financial instruments	(380)	(1,387)
Other financial expenses	(2,978)	(1,434)
	(13,245)	**(11,172)**
Net Financial Cost	**(11,009)**	**(10,747)**

12. ACQUISITIONS OF SUBSIDIARY

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. ("Digi HU") our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement with Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers for the acquisition of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt.
In May 2018 the Regulatory Authority from Hungary approved, with certain conditions, the proposed transaction. The transaction is expected to be closed during Q2 2018.

13. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from the use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk and interest rate risk).

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables from customers.
The carrying amount of trade and other receivables, net of impairment adjustment, and cash and cash equivalents represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

Cash and cash equivalents are placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

At 31 March 2018, the Group had net current liabilities of EUR 281,255 (31 December 2017: EUR 285,462). As a result of the volume and nature of the telecommunication business current liabilities exceed current assets. A large part of the current liabilities is generated by investment activities.
The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due and to keep the Group's leverage optimized. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and working capital, whilst considering future cash flows from operations. Management believes that there is no significant risk that the Group will encounter liquidity problems in the foreseeable future.

(c) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR and USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in other currencies than the functional currencies of the Company and each of its subsidiaries.

Management has set up a policy to manage the foreign exchange risk against the functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group used forward/option contracts, transacted with local banks.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

14. SHARE-BASED PAYMENT

On 14 May 2017 the General Shareholders' Meeting adopted the terms and conditions of the stock option plan for Class B Shares, applicable to the executive Board members of the Company. A total number of 280,000 class B shares were granted as part of the stock option plan, with vesting date in one year's time. On 15 May 2018, this stock option plan is vested.

In 2017, 1.5 million shares were granted as options to eligible employees under the share based payment plan. A total number of 2,746 employees are included in the share based payment plan, which was a one-time event after the IPO.

For the three month period ended 31 March 2018, the related share option expense of EUR 3,614 (three month period ended 31 March 2017: nil) in the Consolidated statement of profit or loss and other comprehensive income included under the line item Operating expenses, within salaries and related taxes. (Note 10).

On 2 May 2018, the General Shareholder's Meeting has approved the grant of stock options for class B shares applicable to the executive and non-executive Board members in 2018.

15. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March 2018 the Group had derivative financial assets in amount of EUR 33,643 (31 December 2017: EUR 34,883), which included:

- Embedded derivatives of EUR 33,264 related to the bond (the Bonds include several call options as well as one put option (31 December 2017: EUR 33,264).

- Electricity trading assets (term contracts) of EUR 379 being mark to market gain from fair valuation of electricity trading contracts (31 December 2017: EUR 1,619).

As at 31 March 2018 the Group had derivative financial liabilities in amount of EUR 4,842 (31 December 2017: EUR 10,131), which included:

(all amounts are in thousand Eur, unless specified otherwise)

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

• Interest rate swaps in amount of EUR 804 (31 December 2017: EUR 601): On May 22, 2015 RCS & RDS concluded an interest rate SWAP for the entire term loan facility (which is currently part of the Senior Facility Agreement from 2016) through which the company hedges against the volatility of cash flows on its floating rate borrowings due to modification of market interest rates (i.e.: ROBOR). For this purpose the company uses interest rate swaps, paying fixed and receiving variable cash flows on the same dates on which is settles the interest on its hedged borrowings. Hedged cash flows occur periodically, on the settlement of the interest on hedged loans, and impact profit or loss throughout the life of the loan, through accrual. Given that critical terms of the hedging instrument match the critical terms of the hedged cash flows, there is no significant ineffectiveness.

• Electricity trading liabilities (term contracts) of EUR 4,038 being mark to market loss from fair valuation of electricity trading contracts (31 December 2017: EUR 9,530).

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	**Level 2**	**Level 3**	**Total**
31 March 2018				
Available for sale financial assets			42,983	42,983
Interest rate swaps			(804)	(804)
Embedded derivatives			33,264	33,264
Electricity trading assets (term contracts)			379	379
Electricity trading liabilities (term contracts)			(4,038)	(4,038)
Total			**71,784**	**71,784**
31 December 2017				
Available for sale financial assets			42,146	42,146
Interest rate swaps			(601)	(601)
Embedded derivatives			33,264	33,264
Electricity trading assets (term contracts)			1,619	1,619
Electricity trading liabilities (term contracts)			(9,530)	(9,530)
Total			**66,898**	**66,898**

16. GENERAL COMMITMENTS AND CONTINGENCIES

(a) Contractual commitments

Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR + 6.2% p.a., 3M EURIBOR + 6.2% p.a. or 3M ROBOR + 6.2% p.a.

The Group leases under operating leases several main types of assets:
- pillars for network support in Romania and Hungary in several rural areas for the Romanian and Hungarian fibre optics main ring and pillars/land for mobile network in Romania and Hungary;
- pillars for network support in Romania in several urban areas for “fibre to the block networks”;
- fibre optic line capacities in Hungary;
- commercial spaces for cash collection points in Romania and Hungary;
- office facilities in Romania, Hungary, Spain, Italy.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

As at 31 March 2018, contractual commitments for capital expenditure amounted to approximately EUR 52,997 (31 December 2017: EUR 54,052) and contractual operating commitments amounted to approximately EUR 224,341 (31 December 2017: EUR 214,880), including operating leases.

In addition to the above, there are approximately another 400 operating lease contracts signed for a period of over 5 years, with an automatic renewal clause or for an indefinite term. The annual rent for these contracts is EUR 2,485 (31 December 2017: EUR 1,879).

(b) Letters of guarantee

As of 31 March 2018, there were bank letters of guarantee and letters of credit issued in amount of 21,448 EUR mostly in favour of content and satellite suppliers and for participation to tenders (31 December 2017: EUR 20,237).

We have cash collateral agreements for issuance of letters of counter guarantees. As at March 31, 2018 we had letters of guarantee issued in amount of EUR 0.5 million (31 December 2017: EUR 0.5 million). These agreements are secured with moveable mortgage over cash collateral accounts.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Legal proceedings

During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements. Specifically, for the litigations described below the Group did not recognize provisions as management assessed that the outcome of these litigations is not more likely than not to result in significant cash outflows for the Group.

Intact Media Group Litigation

Starting with March 2011, the Intact Media Group initiated a series of lawsuits against us. Although we consider the Intact Media Group litigation to be, at least in a large part, abusive and vexatious, if these court claims are successful, they will generate significant adverse effects on our finances, management and business model.

a) The must carry related litigations

Starting with March 2011, Antena Group (Intact Media Group) initiated three separate lawsuits in tort against us alleging that we illegally refused to carry its channels breaching, among other things, the Romanian must carry rules. They claim damages of approximately €100 million and have requested that the court impose other non-monetary remedies, such as requiring that we provide the Intact Media Group channels to our subscribers free of charge and in compliance with the highest technical standards. The approximately €100 million damage claims were assigned by Antena Group to a different company named First Quality Debt Recovery. We have however challenged in court the validity of such assignment agreements and obtained, on 18 January 2018, a final and binding decision annulling such assignments.

In the first proceeding, Antena Group claims that we are bound by the must carry rules to provide Antena 1, the Intact Media Group's lead channel, free of charge to our subscribers in a package that only contains must carry channels. Antena Group has requested injunctive relief which would require us to offer free of charge such a package to our subscribers (neither we nor any other Romanian distributor currently offers to its customers such a package) and has sought damages amounting to €65 million for our alleged breach of the must carry rules. To the best of our knowledge, no other broadcaster in Romania raised against any distributor claims similar to the ones brought against us by Antena Group. Not even Antena Group raised similar claims against other distributors (although all of them are carrying the must carry channels, including Antena 1, in packages similar to the ones offered by us).

In the case regarding the injunctive relief request, both the court of first instance and the court of appeal ruled in our favour and dismissed Antena Group's claims as ungrounded. However, in February 2014, the Romanian Supreme Court admitted the higher appeals filed by Antena Group and First Quality Debt Recovery and overturned the decisions issued by both the first instance and the appeal courts, ordering a retrial of the case by the first court. The decision of the Supreme Court does not confirm Antena Group's allegations on the merits of the case, as the retrial was ordered solely based on procedural reasons. In the retrial, the Bucharest Tribunal annulled the monetary claims (€65 million) based on Antena Group's failure to pay the stamp duties and suspended the proceedings until a final decision in the lawsuit we initiated to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery. The decision annulling the assignment of receivables from Antena Group to First Quality Debt Recovery, which became final and irrevocable on 18 January 2018, has a significant positive impact on RCS&RDS' defence against Antena Group's claim regarding the €65 million monetary damages, because it will determine, most likely, the rejection of both First Quality Debt Recovery's and Antena Group's €65 million monetary damages claim against RCS&RDS.

Moreover, the claims brought by First Quality Debt Recovery can also be rejected as a result of the dissolution and deregistration of this company from the Trade Registry on 10 November 2017.

Following the latest court developments, in the first proceeding, the Court annulled the €65 million monetary damages claims raised by both Antena Group and First Quality. Consequently, the only pending claim in front of the first court during the retrial is the first one whereby Antena Group claims we would be bound by the must carry rules to provide

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

Antena 1 free of charge to our subscribers in a package that only contains must carry channels. This case is ongoing in front of the Bucharest Tribunal. The next hearing date was set for 19 June 2018.

The €65 million monetary damages were also reiterated, in 2012, by First Quality Debt Recovery in a different lawsuit. The First Quality claim regarding the €65 million monetary damages was historically stayed until settlement of both the claim for injunctive relief and a lawsuit we initiated by which we challenge the effects of an arrangement regarding the assignment of receivables from Antena Group to First Quality Debt Recovery.

Separately, Antena Group has also filed two lawsuits claiming (i) monetary damages of approximately €35 million allegedly caused by our temporary refusal to carry the tv channels GSP TV and Antena 2 which allegedly breached, among other things, the must carry rules; and (ii) injunctive relief that would require us to provide the disputed channels to our customers in compliance with the highest technical standards. Approximately €24 million out of these claims are related to our refusal to carry GSP TV, while the remaining €11 million is related to our refusal to carry Antena 2. Because Antena Group assigned to First Quality Debt Recovery the claims regarding the €35 million monetary damages as well, First Quality Debt Recovery became involved in these proceedings. Consequently, the court split both the GSP TV and the Antena 2 lawsuits into two: in each case, the monetary claim formed one lawsuit and the claim for injunctive relief another one. At our request, both claims for monetary damages for the GSP TV and the Antena 2 channels were suspended until the final settlement of the lawsuit we initiated to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery. These two claims remain suspended at the date of this report.

The case regarding the injunctive relief sought in relation to the GSP TV channel was settled by the Bucharest Tribunal in favour of Antena Group, the court ordered us to include the channel in our cable network in compliance with several technical requirements. The decision of the Bucharest Tribunal remained final. However, we have been carrying the channel as of January 2012, and therefore the decision did not impact our network.

The case regarding the injunctive relief sought in respect to Antena 2 was settled in March 2014 by the Bucharest Tribunal in our favour; Antena Group's claims were rejected in their entirety. Antena Group appealed the decision, but only with regards to the judicial expenses. Initially, the appeal was rejected in October 2014, but following a retrial ordered by the High Court of Cassation and Justice, the court of appeals modified in part the first court's decision, by granting approx. € 2 (two) as judicial expenses to Antena Group. This decision was upheld by the Bucharest Court of Appeal. Given the financial immateriality of the case file, we have decided not to challenge this decision. However, Antena Group filed a higher appeal. On 15 November 2017, the High Court of Cassation and Justice rejected Antena Group's appeal as ungrounded, thus the decision of the Bucharest Court of Appeal remained final.

At the end of 2014, Antena Group initiated two new lawsuits requesting damages in relation to the carriage of GSP TV and Antena 2. The claims are almost identical to the ones regarding the same channels and assigned to First Quality Debt Recovery in 2012, except for the much lower amounts requested, specifically RON 500,000 in relation to GSP TV and RON 250,000 in relation to Antena 2. Both lawsuits have been suspended until the final settlement of the trial initiated by RCS&RDS to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery. Given that the later was finally decided in our favour by the courts on 18 January 2018 (for details, see above), both pending lawsuits were reinitiated. The next hearing in the new lawsuit in which Antena Group requests damages in relation to the GSP TV channel was set for 21 May 2018, while the next hearing in the new lawsuit in which Antena Group requests damages in relation to the Antena 2 channel was set for 14 June 2018.

We have also challenged but failed to overturn in court a number of NAC (National Audiovisual Council of Romania) decisions on must carry rules and, particularly, a decision finding that we breached the obligation to provide certain must carry channels to our customers (including GSP TV).

Antena Group has not yet provided any objective criteria for the determination of their claims in damages.

b) Litigation on grounds of an alleged abuse of dominant position

In July 2014, two companies of the Intact Media Group (Antena Group and Antena 3) filed another claim against RCS&RDS requesting the court to ascertain that RCS&RDS abused its dominant position by its alleged refusal to negotiate and conclude an agreement for the remunerated carriage of Antena Group channels, should Antena Group eventually choose to waive the must carry regime currently applicable to all Intact Media Group's TV channels. The

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

claimants also requested the court to order RCS&RDS to negotiate with Antena Group in view of concluding a pay-tv based agreement under terms similar to the ones agreed by us with Pro TV S.R.L.

We requested the court to reject the claim as RCS&RDS's behaviour is neither abusively discriminatory nor in any way an abusive refusal to deal. We are mainly arguing that: (i) the claimants didn't initiate good-faith negotiations, as their channels are still under must-carry regime and they didn't even issue an offer to begin with; (ii) the alleged refusal to negotiate would be justified by the abusive past conduct of the claimant; (iii) the negotiations requested by Intact Media Group are not comparable to the ones with Pro TV S.A., given the different market conditions at the moment of the negotiations and the different status of the TV channels of the two groups; and (iv) the conditions required by antitrust legislation are not met (e.g., the claimants are not risking exiting the market.

In March 2015, RCS&RDS requested the court to stay the proceedings until the final settlement of four other trials of whose outcome may prove the existence of a justification for the alleged refusal to negotiate with Antena Group and Antena 3. The court decided on April 14, 2015 in favour of RCS&RDS' request and suspended the trial until the final settlement of the lawsuit including the €65 million monetary damages. Although the decision on suspension of the trial was challenged by Antena Group, the Bucharest Tribunal rejected on 15 June 2016 Antena Group's higher appeal as ungrounded. In October 2017, Antena Group and Antena 3 filed an extraordinary appeal against the Bucharest Tribunal's decision, but this was also rejected on 19 December 2017. The decision for these proceedings to be stayed is final.

c) The copyright related litigation

In June 2014, Antena Group filed a new monetary claim against RCS&RDS, requesting approximately €40 million on the grounds of an alleged breach of its copyright over the Antena 1, Antena Stars (former Antena 2), Euforia Lifestyle TV and ZU TV (former GSP TV) channels. The claimant argues that these TV programs have been carried by RCS&RDS, from June 2011 until June 2014, without Antena Group's consent and in the absence of an agreement on the fees for the use of its copyright.

RCS&RDS requested the dismissal of the claim for being submitted by a person lacking standing on the matter, as the rights invoked by Antena Group (if any) are subject to mandatory collective management, and also for being unfounded, as the carriage was performed having either legal or contractual coverage.

On 30 October 2014, the Bucharest Tribunal rejected the claim on procedural grounds and stated that Antena Group does not have legal standing in this lawsuit. On 16 March 2016, the Bucharest Court of Appeal admitted Antena Group's appeal, annulled the first court's decision and referred the case back to the Bucharest Tribunal for a trial on the merits of the case. We have decided not to challenge this decision because, although it granted Antena Group standing in the file, it contains favourable conclusions on the merits of the case. More specifically, the Court of Appeal stated that the relation between Antena Group and RCS&RDS regarding the retransmission of the must carry channels is not subject to an agreement between the parties.

After the annulment decision of the Bucharest Court of Appeal, the case returned to the Bucharest Tribunal. In front of the Bucharest Tribunal, RCS&RDS requested the court to bring into this claim RCS&RDS' competitors on the retransmission market in Romania. This request was dismissed by the court. At this stage in the judicial file, the judge is currently hearing the parties with respect to the evidence. The next hearing of this case by the Bucharest Tribunal is scheduled for 17 May 2018.

d) Litigation regarding the outcome of the GSP investigation

On 3 March 2015, the Romanian Competition Council dismissed Antena Group's complaint regarding an alleged abuse of dominant position of RCS&RDS in relation to the GSP TV channel.

On 10 April 2015, Antena Group challenged the Competition Council's decision and requested the courts of law to: (i) annul that decision, as the conduct of RCS&RDS with respect to the GSP channel fulfils the legal criteria to be considered an abuse of dominant position and (ii) order the Competition Council to re-open the investigation and issue a decision taking into consideration all arguments raised by Antena Group. The main grounds of this court claim regard the Competition Council's alleged wrongful analysis of the RCS&RDS' refusal to negotiate the retransmission

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

of GSP TV channel, as well as the authority's alleged lack of a proper analysis regarding RCS&RDS' (alleged) discriminatory behaviour.

Antena Group initiated the proceedings only against the Competition Council, but the court decided that RCS&RDS needs to be introduced in the trial as defendant. On 3 October 2016, the court decided to reject Antena Group's claim in its entirety as ungrounded. Antena Group filed a higher appeal against the decision. RCS&RDS also appealed limited aspects in connection to its reasoning, only in view of preserving its rights. The Romanian Supreme Court did not yet set the first hearing in this higher appeal. Should the court decide in favour of Antena Group's claim, it might force the Competition Council to reopen the investigation against RCS&RDS.

e) Reciprocal contractual claims with the Intact Media Group

Compensation of damage to reputation

In November 2012, we initiated proceedings against Antena Group and other Intact Media Group entities for compensation in respect of the damage to our business reputation inflicted by a media campaign conducted via media assets of Intact Media Group that we consider defamatory. We requested: (i) a declaration that the adversary media campaign was being conducted in abuse of Intact Media Group's rights; (ii) an order obliging Intact Media Group to publish such declaration via its TV and newspaper network; and (iii) monetary compensation in the aggregate amount of approximately €1.2 million for damage to our business reputation.

On 7 March 2016, the Bucharest Court of Appeal ruled in our favour on most counts and required Antena Group to pay us €780,000 in moral damages. Antena Group filed a higher appeal to the Romanian Supreme Court against the decision of the appeal court. On 24 November 2016, the Romanian Supreme Court admitted the higher appeal and sent the case for retrial to the Bucharest Court of Appeal. The Bucharest Court of Appeal was to judge the case on 10 November 2017. However, as the two judges from the panel were in disagreement, the case was put back for trial to be judged by a panel of three judges. On 16 February 2018, the new panel partially admitted RCS&RDS's appeal and decided the following: (i) ordered the relevant companies from the Intact Media Group to jointly pay to RCS&RDS an amount of 1,000,000 RON as moral damages, (ii) ordered the Intact Media Group to broadcast on the channels Antena 1 and Antena 3 the operative part of the ruling for one month after the court's ruling becomes final, (iii) ordered the Intact Media Group to publish the court's ruling in its entirety in three newspapers of national coverage, respectively: Jurnalul Național, Evenimentul Zilei, Adevărul, once a week for one month after the court's ruling becomes final, as well as on all websites pertaining to Intact Media Group for one month after the court's ruling becomes final and (iv) ordered the Intact Media Group, jointly, to pay to RCS&RDS the amount of 39,140 RON as trial expenses. The decision issued by the Bucharest Court of Appeal can be challenged within 15 days after communication. The written reasoning of the court has not yet been communicated to the parties.

Violation of certain contracts

In 2011 and 2012, we initiated two proceedings against Antena Group claiming approximately €2.6 million in damages resulting from their breaches of certain contractual arrangements. In 2012, Antena Group responded with counterclaims in both proceedings in the total aggregate amount of approximately €3.3 million.

In the first proceedings, we sought a refund of certain retransmission fees we had paid to Antena Group until 2010 in relation to two of its channels (Antena 3 and Antena 4). In turn, Antena Group sought further retransmission fees from us for 2010 and 2011. On November 2, 2015, the first instance court dismissed our claim and granted Antena Group's counterclaim in part, ordering us to pay approximately €1.9 million to Antena Group in retransmission fees and legal expenses. Both parties have appealed that decision. On 16 March 2017, the Bucharest Court of Appeal partially admitted both appeals and consequently awarded approx. €315,000 to us and approx. €900,000 to Antena Group. Both parties have filed a higher appeal against this decision. On 18 October 2017, the Romanian High Court of Cassation and Justice admitted both parties' appeals, overturned the decision issued by the Bucharest Court of Appeal and referred the case back to the Bucharest Court of Appeal for retrial. By decision issued on 2 May 2018, the Bucharest Court of Appeal rejected RCS&RDS's claim in its entirety and partially admitted Antena Group's claim ordering us to pay approximately €1.8 million to Antena Group in retransmission fees and legal expenses. Although enforceable, this decision is not final and may be challenged again in front of the Romanian High Court of Cassation and Justice.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

In the second proceedings, the court of the first instance fully dismissed both our claim and Antena Group's counterclaim, but both parties appealed the first court's decisions. On 3 May 2017, the Court of Appeal issued its ruling and rejected Antena Group's appeal and admitted RCS&RDS claim in its entirety consisting in the aggregate of €500,000. Antena Group appealed the decision in its entirety, while RCS&RDS appealed limited aspects in connection to its reasoning, only in view of preserving its rights for the event Antena Group's challenge is successful. On 1 February 2018, the Romanian High Court of Cassation and Justice granted Antena Group's appeal, overturned the decision issued by the Bucharest Court of Appeal and sent the case back to the Bucharest Court of Appeal for retrial. The first hearing in front of the Bucharest Court of Appeal was scheduled for 11 June 2018.

Pecuniary claim filed by the National Cinematography Centre

On 19 April 2016, the National Cinematography Centre in Romania (which is the Romanian public entity under the Romanian Ministry of Culture) filled against RCS&RDS a payment injunction amounting to at least €1.6 million, including principal amount and penalties for late payment.

Under the law, the National Cinematography Centre is entitled, amongst others, to collecting 1% of the monthly aggregate income gained from the cable and satellite carriage of TV channels, as well as from the digital retransmission of TV content. We have dully declared our income to the National Cinematography Centre and have paid the outstanding principal amounts up to date, while we refuse to pay for the accessories that are claimed by the National Cinematography Centre, as being abusive and illegal. The total amount of these accessories is of approximate €1 million.

On 3 April 2017, the Court of Appeal rejected the claim against us. The decision of the court of first instance is final.

The above-mentioned case file involves an urgent (extraordinary) proceeding through which the National Cinematography Centre aimed at forcing RCS&RDS to pay the above-mentioned amounts. Given the rejection of the above claim by the court of first instance for lack of ground, on 4 November 2016, the National Cinematography Centre additionally filed before the Bucharest Tribunal the principal (ordinary) claim for payment, but with respect to a lower amount, in approximate value of €1.2 million, including principal and accessories. In connection with this second case file, the court judged the matter on 7 May 2018, and the decision is expected to be issued not earlier than 21 May 2018.

For great part of the amounts claimed by the National Cinematography Centre we consider the claim as ungrounded and abusive, and we will continue to resist to these claims, as the amounts that we deem legitimate to be paid by RCS&RDS are significantly smaller.

Litigation with Electrica Distribuţie Transilvania Nord in relation to a concession agreement between the Company and the Oradea municipality

In 2015, Electrica Distribuţie Transilvania Nord S.A. (the incumbent electricity distributor from the North-West of Romania) challenged in a court the concession agreement we have concluded with the local municipality from Oradea regarding the use of an area of land for the development of an underground cable trough, arguing that the tender whereby we obtained the concession agreement was irregularly carried out. Furthermore, Electrica Distribuţie Transilvania Nord S.A. claims that the cable trough is intended to include electricity distribution wires that would breach its alleged exclusive right to distribute electricity in the respective area.

Based on our request, the trial was suspended pending final settlement of a separate lawsuit in which two Group companies are challenging the validity of the alleged exclusivity rights of incumbent electricity distributors. Should the final court decision be unfavourable to us, it may result in a partial loss of our investment in the underground cable trough.

Motion filed by certain US individuals against the Company, RCS&RDS, RCS Management S.A., DIGI Távközlési és Szolgáltató Kft, and its subsidiary, i-TV Digitális Távközlési Zrt.

On 2 May 2017, certain individuals (William Hawkins, Eric Keller, Kristof Gabor, Justin Panchley, and Thomas Zato) (collectively, the "Plaintiffs") filed in the United States District Court for the Eastern District of Virginia – Alexandria Division (the "**US Court**") a motion to enforce a default judgment (the "**Motion**") that was issued in favour of the Plaintiffs by the US Court in the Civil Action No. 1:05-cv-1256 (LMB/TRJ) in February 2007 (the "**Default**

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

Judgment") against Laszlo Borsy, Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. (the predecessor to i-TV Digitális Távközlési Zrt.) (the "Defendants") jointly and severally. Additionally, the

Motion sought to extend the enforcement of the Default Judgment against the following entities that were not parties to the original proceedings and not named in the Default Judgment: i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., and the Company.

The Default Judgment, of which enforcement is sought before the US Court, awarded the Plaintiffs approximately $1.8 million in damages resulting from alleged unpaid debts that appear to have been caused by Laszlo Borsy and several related entities. It also ordered that the ownership interest of Defendants Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. be distributed to the Plaintiffs in total percentage of 56.14%. Finally, it prohibited Defendants Laszlo Borsy, Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. from disposing of or dissipating any assets of the initial defendant entities or engaging in any corporate transactions without the consent of the Plaintiffs.

The Motion alleges that i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft. and the upstream separate companies RCS&RDS, the Company, and RCS Management S.A. violated the Default Judgment, to which these companies were not party, when, ten years ago, DIGI Távközlési és Szolgáltató Kft. entered the share capital of DMCC Kommunikacios Rt. (i-TV Digitális Távközlési Zrt.'s predecessor).

For more than ten years after the Default Judgment was issued in 2007, the Plaintiffs filed no actual claim against i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A. or the Company. During the same period, the Plaintiffs never sought to enforce the Default Judgment against i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company in Hungary or another foreign jurisdiction. Nor did they seek to enforce the Default Judgment against any of the Defendants in their domestic countries.

We deem the Motion, which requests payment from the Defendants, i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A. and the Company, jointly and severally, of $1.8 million, plus interest, as well as other compensation, damages, fees and expenses, as vexatious for numerous legal and factual reasons. Those reasons include, but are not limited to, the lack of any actual proof of fraud on behalf of either of i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company, the Plaintiffs' passivity for more than ten years, the lack of jurisdiction of the US Court over i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, S.A., RCS Management S.A., or the Company, as well as the fact that the Motion, if granted, would go against mandatory legal provisions of any of the jurisdictions where i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company operate.

On 8 February 2018, the US Court granted the Defendants' motion to vacate and dismissed the entire lawsuit for lack of subject matter jurisdiction. The US Court also vacated all prior orders entered in the case (the "**US Court's Decision**"). The Plaintiffs filed an appeal against the US Court's Decision with the United States Court of Appeals for the Fourth Circuit (the "**Appellate Court**"). The Defendants also filed a conditional cross-appeal on multiple grounds that need only be considered if the Appellate Court reverses the US Court's Decision. The Appellate Court has issued a scheduling order for the exchange of written arguments, but a date for hearing has not yet been scheduled.

Should the Appellate Court grant the Plaintiffs' appeal in whole or in part and reject the Defendants' cross-appeal in whole or in part, the matter would return to the US Court for trial on the merits of the case.

We believe any judgment issued by the US Court against i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A. or the Company would not be enforceable, as it would need to be first recognized in the relevant jurisdictions where these companies operate, subject to the foreign judgement's compliance with those jurisdictions' mandatory legal provisions.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

Investigation by the Romanian National Anti-Corruption Agency brought to court

Since 2013, the Romanian National Anti-Corruption Agency (the "**DNA**") has been investigating whether a 2009 joint venture agreement between RCS&RDS and Bodu SRL with respect to a large events hall in Bucharest was compliant with criminal legislation.

On 7 June 2017, Mr. Bendei Ioan, member of the Board of directors of RCS&RDS, was indicted by the DNA in connection with the offences of bribery and accessory to money laundering. Mr. Bendei Ioan was also placed under judicial control. On 25 July 2017, RCS&RDS was indicted by the DNA in connection with the offences of bribery and money laundering, Integrasoft S.R.L. (one of RCS&RDS's subsidiaries in Romania) was indicted for the offence of accessory to money laundering, Mr. Mihai Dinei (member of the Board of directors of RCS&RDS), was indicted by the DNA in connection with the offences of accessory to bribery and accessory to money laundering. On 31 July 2017, Mr. Serghei Bulgac (Chief Executive Officer of the Company and General Manager and President of the Board of Directors of RCS&RDS), was indicted by the DNA in connection with the offence of money laundering.

The offences of bribery, of receiving bribes and the accessories to such offenses under investigation are alleged to have been committed through the 2009 joint-venture between RCS&RDS and Bodu SRL with respect to the events hall in Bucharest in relation to agreements between RCS&RDS and LPF with regard to the broadcasting rights for Liga 1 football matches, while the offences of money laundering and accessory to money laundering are alleged to have been perpetrated through RCS&RDS's acquisition of the Bodu S.R.L. events hall in 2016.

On 22 August 2017, the DNA sent to court under the judiciary control Mr. Ioan Bendei in connection with the offences of bribery and accessory to money laundering, RCS&RDS in connection with the offences of bribery and money laundering, INTEGRASOFT S.R.L. in connection with the offence of accessory to money laundering, Mr. Mihai Dinei in connection with the offences of accessory to bribery and accessory to money laundering, and Mr. Serghei Bulgac in connection with the offence of money laundering. The DNA has also requested the Bucharest Tribunal to maintain the preventive and precautionary measures instituted by the DNA, including the attachment of the two real estate assets pertaining to RCS&RDS to secure an amount of up to Lei 13,714,414 (approximately € 3 million) that was instituted by the DNA on 25 July 2017, as well as of the judicial control with respect to Mr. Ioan Bendei instituted on 7 June 2017.

Mr. Ioan Bendei contested, amongst others, the judicial control imposed by the DNA. On 31 August 2017, based on the final decision published by the Bucharest Court of Appel, the court decided by final ruling to revoke the judicial control measure imposed by the DNA with respect to Mr. Ioan Bendei, with the consequence that the obligations and the communication restrictions imposed by the DNA on 7 June 2017 are no longer applicable.

INTEGRASOFT S.R.L., RCS&RDS, and their officers have also submitted other preliminary requests and objections against the allegations brought by the DNA in court. On 16 November 2017, the Bucharest Tribunal rejected all these requests and objections. On 2 March 2018, the Bucharest Court of Appeal rejected the appeal filed by INTEGRASOFT S.R.L., RCS&RDS's and their officers. The file was returned to the Bucharest Tribunal (as the initially invested court) for judgment on the merits of the case. The next hearing in front on the Bucharest Tribunal will take place on 30 May 2018.

We strongly believe that RCS&RDS, INTEGRASOFT S.R.L. and their current and former officers have acted appropriately and in compliance with the law, and we strongly restate that we will continue to defend against all the above allegations.

Claim for indemnity filed against RCS&RDS in connection to certain matters related to the sale by RCS&RDS of its subsidiary in the Czech Republic in 2015

In March 2018, Yolt Services s.r.o., a Czech company, filed against RCS&RDS a claim for indemnification in front of the Vienna International Arbitral Centre (the "**VIAC**"). The claimant grounds its request on the sale purchase agreement (the "**SPA**") concluded between RCS&RDS and Lufusions s.r.o., a subsidiary of Lama Energy Group Czech-based holding, whereby RCS&RDS sold in April 2015 to Lufusions s.r.o. its wholly owned subsidiary in the Czech Republic (the "**Sold Company**"). As an accessory to the business it had sold to the Lama Energy Group, RCS&RDS as seller accepted to indemnify Lufusions s.r.o., as buyer, for certain types of claims (such as tax, copyright) related to the past activity of the Sold Company, under certain conditions provided under the SPA.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

After completing the sale, RCS&RDS conducted in good faith the claims against the Sold Company, aiming to obtain the dismissal and/or the mitigation of such claims. However, under the control of the new owner, the Sold Company suffered several corporate changes (including chain de-mergers) that finally resulted in the Sold Company no longer operating the business sold by RCS&RDS through the SPA. Later, the Sold Company (which had meanwhile become a shell entity) was renamed to Yolt Services s.r.o. In RCS&RDS's view, all these post-closing changes have severely impaired the scope of the indemnity provided under the SPA.

In its claim in front of the VIAC, Yolt Services s.r.o. requests RCS&RDS to pay approximately € 4,5 million together with the accrued default interest as indemnity under the SPA for tax and copyright claims (the latter in favor of a Czech collective rights management body), as well as indemnity for breach of the seller's warranties and for other losses. We deem that the claimant lacks legal standing, and these claims as ungrounded and abusive, while some of them are either statute barred or do not meet the conditions for indemnification under the SPA.

We have also filed in front of the VIAC a counterclaim against the claimant for unpaid amounts for services provided by RCS&RDS to the Sold Company post-closing, in approximate outstanding unpaid amount of € 1 million together with accrued default interest, as well as for other amounts due to RCS&RDS under the SPA.

RCS&RDS has appointed its arbitrator and has submitted to the VIAC its arguments in defense and will continue to defend its position against Yolt Services s.r.o. The procedure in front of the VIAC is currently in a preliminary phase.

Competition Council GSP Tv Investigation

RCS&RDS has been until the date of this report subject to one infringement investigation by the Competition Council that is pending (while any other investigations that we are aware of have been finalized, as previously disclosed to the market). As per our knowledge, no other infringement investigation is pending against RCS&RDS.

GSP investigation

In May 2011, Antena TV Group S.A., a leading media group in Romania and our former commercial partner, made a complaint to the RCC based on our refusal to retransmit one of its channels, GSP TV. The RCC opened an investigation against us in relation to this matter in August 2011. We have fully cooperated during this investigation and we consider the demands of Antena TV Group S.A. to be abusive and groundless, given that we have started retransmitting GSP TV to our cable subscribers following an injunctive relief that Antena TV Group S.A. obtained against us on grounds that starting July 2011 GSP TV became a must-carry channel.

The RCC issued its decision on March 3, 2015 declaring our initial refusal to retransmit GSP TV channel not abusive and not in violation of any competition laws. The RCC additionally considered that such refusal was justified by the existence of multiple judicial disputes between the parties, including with respect to the application and meaning of the must-carry regime.

The RCC also issued a formal, but not-binding recommendation for us to produce general terms to be complied by third party broadcasters wishing to retransmit their content via our network. Our relations with "must-carry" and pay-tv channels are expressly excluded from the scope of that recommendation.

The RCC's decision is not final and is subject to judicial review. Antena TV Group S.A.'s challenge against the RCC's decision was rejected as ungrounded by the Bucharest Court of Appeal, but Antena TV Group S.A. filed a higher appeal against the first court's award and that trial is ongoing (the details of this case are explained in a dedicated section above: "Litigation regarding the outcome of the GSP investigation").

(all amounts are in thousand Eur, unless specified otherwise)

17. SUBSEQUENT EVENTS

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. ("Digi HU") our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement with Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers for the acquisition of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt. In May 2018 the Regulatory Authority from Hungary approved, with certain conditions, the proposed transaction. The transaction is expected to be closed during Q2 2018.

On 14 May 2017 the General Shareholders' Meeting adopted the terms and conditions of the stock option plan for Class B Shares, applicable to the executive Board members of the Company. A total number of 280,000 class B shares were granted as part of the stock option plan, with vesting date in one year's time. On 15 May 2018, this stock option plan is vested.

On 2 May 2018, the General Shareholder's Meeting has approved the grant of stock options for class B shares applicable to the executive and non-executive Board members in 2018.

Starting from May 2018 the National Authority for Management and Regulation in Communications from Romania ("ANCOM") has reduced the mobile interconnection rate from 0.96 Eurocents/minute to 0.84 Eurocents/minute.

18. EBITDA

In the telecommunications industry the benchmark for measuring profitability is EBITDA (earnings before interest, taxes, depreciation and amortization). EBITDA is a non-IFRS accounting measure.

For the purposes of disclosure in these notes, EBITDA is calculated by adding back to consolidated operating profit/(loss) our charges for depreciation, amortization and impairment of assets. Our Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items, as well as mark to market results (unrealized) from fair value assessment of energy trading contracts.

	Three month period ended 31 March 2018	**Three month period ended 31 March 2017**
Revenues and other income	**232,792**	**226,683**
EBITDA		
Operating profit	31,583	28,118
Depreciation, amortization and impairment	47,145	41,054
EBITDA	**78,728**	**69,172**
Other income	(4,257)	(4,043)
Other expense	3,020	-
Adjusted EBITDA	**77,491**	**65,129**
Adjusted EBITDA (%)	*33.29%*	*28.73%*

Other income represents mark to market gain from fair value assessment of the energy trading contracts as at 31 March 2018 and as at 31 March 2017. Other expense represents the accrued expenses for the period related to the share option plan approved in December 2017.

(all amounts are in thousand Eur, unless specified otherwise)

19. FINANCIAL INDICATORS

Financial Indicator	**Value as at 31 March 2018**
Current ratio	
Current assets/Current liabilities	0.38
Debt to equity ratio	
Long term debt/Equity x 100 (where Long term debt = Borrowings over 1 year)	430%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	84%
Trade receivables turnover	
Average receivables/Revenues x 90	31,90 days
Non-current assets turnover	
(Revenues/Non-current assets)	0.78

Serghei Bulgac,

CEO,

____

Valentin Popoviciu

Executive Director,

____