

An aerial night photograph of a city, likely Budapest, showing a complex highway interchange and city lights. Overlaid on the image are several glowing, white, curved lines that represent fiber optic cables or data paths, creating a sense of connectivity and technology.

DIGI
communications n.v.

3RD QUARTER 2018 – FINANCIAL REPORT
for the three month period ended September 30, 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 September 30, 2018**

This Unaudited Condensed Consolidated Interim Financial Report for the period ended 30 September 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 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 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



Investment
Value at Year
end

339 970	373 967
56 969	804 029
1 817	1 296 731
58	1 859 317
6	2 499 808
	3 227 076
	4 050 935
	R 28 331

Start
Con

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 September 30, 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 network in Romania, which shares the backbone of our fixed fiber optic infrastructure. In addition, we provide mobile telecommunication services as an MVNO primarily to the large Romanian communities in Spain and Italy and starting from September 2018, fixed internet and telephony services as resale products in Spain.

For the three months ended September 30, 2018, we had revenues of €269.8 million, net profit of €10.3 million and Adjusted EBITDA of €81.7 million, including Invitel’s consolidated results.

The Invitel transaction was closed on 30 May 2018 for a total consideration of approximately 135.4 million EUR. Control was transferred at the same date.

In accordance with the requirements of IFRS 3 “Business Combinations”, the Purchase Price Allocation (“PPA”) analysis for the Invitel acquisition of shares started in view of consolidating the Invitel’s assets, liabilities and results. The PPA assessment is in a preliminary phase, but can be finalized over a period of 12 months, as per IFRS 3 requirements.

The nine month period ended 30 September 2018 interim condensed consolidated financial statements include the consolidated results of Invitel starting from June 1st, 2018 and the preliminary valuation of the fair value of identifiable assets and liabilities of Invitel as at the date of acquisition. For details, please see Note 12 Business Combination from the Interim Consolidated Simplified Financial Statements as at September 30, 2018.

Recent Developments

In October 2018, Digi Spain purchased from RCS & RDS the ownership of a quota of DIGI Italy equal to nominal value of €5,500, at a price of €9 mil. The price shall be paid within 6 months of the date the transaction.

In October 2018, RCS & RDS drew the remaining available amount of RON 78.9 mil from Facility B1 of the SFA 2018. At present, the entire SFA 2018 facility is fully drawn.

On 15 June 2018, RCS & RDS S.A. (the Romanian subsidiary of the Company - “**RCS & RDS**”) concluded a settlement agreement with Antena TV Group S.A. (“**Antena Group**”) and Antena 3 S.A. on the grounds of which the parties have irrevocably waived all the claims which were the subject of the disputes between them and, therefore, have agreed to cease all disputes between RCS & RDS and Intact Media Group. In the implementation of the Settlement Agreement, the parties submitted requests in each file registered with the courts to cease these disputes. The courts vested with part of these disputes have already acknowledged their cease, and in the near future all these litigations will be finally ceased by implementing the Settlement Agreement.

For details regarding the up-date of the litigations, please see Note 16 (c) from the Interim Consolidated Condensed Financial Statements as at September, 30 2018.

Basis of Financial Presentation

The Group prepared its Interim Financial Statements as of September 30, 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 65% and 20%, respectively, of our consolidated revenue for the three months ended September 30, 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 September 30, 2018 the Romanian leu has depreciated with approximately 1.4% and the Hungarian forint has appreciated with approximately 5.8%.

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

Value of one euro in the relevant currency	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2017	2018	2017	2018
Romanian leu (RON)⁽¹⁾				
Period end rate	4.60	4.66	4.60	4.66
Average rate	4.58	4.65	4.55	4.65
Hungarian forint (HUF)⁽²⁾				
Period end rate	311.23	323.78	311.23	323.78
Average rate	306.48	324.17	308.49	317.41
U.S. dollar (USD)⁽¹⁾				
Period end rate	1.18	1.16	1.18	1.16
Average rate	1.18	1.16	1.11	1.19

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

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

In the three months ended September 30, 2018, we had a net foreign exchange gain (which is recognized in net finance result on our statement of comprehensive income) of €0.9 million. In the three months ended September 30, 2017 we had a net foreign exchange loss of €2.9 million.

In the nine months ended September 30, 2018, we had a net foreign exchange loss (which is recognized in net finance results on our statement of comprehensive income) of €4.7 million. In the nine months ended September 30, 2017 we had a net foreign exchange gain of €0.7 million.

Growth in Business, RGUs and ARPU

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

The following table shows our RGUs (thousand) and monthly ARPU (€/month) by geographic segment and business line as at and for the three month period ended September 30, 2017 and 2018, including Invitel's consolidated RGUs and ARPU:

RGUs (thousand)/ARPU (€/month)	As at and for the three months ended September 30,		% change
	2017	2018	
Romania			
Cable TV			
RGUs	2,974	3,234	8.7%
ARPU	5.2	5.0	-3.8%
Fixed internet and data			
RGUs			
Residential	2,092	2,305	10.2%
Business	133	154	15.8%
ARPU			
Residential	5.0	4.8	-4.0%
Business	31.3	27.7	-11.5%
Mobile telecommunication services			
RGUs	3,400	3,379	-0.6%
ARPU	4.2	4.4	4.8%
Fixed-line telephony			
RGUs			
Residential	1,151	1,075	-6.6%
Business	132	132	0.0%
ARPU			
Residential	1.3	1.3	0.0%
Business	3.5	3.3	-5.7%
DTH			
RGUs	605	544	-10.1%
ARPU	4.9	4.8	-2.0%
Hungary⁽⁴⁾			
Cable TV			
RGUs	495	685	38.4%
ARPU	8.2	8.3	1.2%
Fixed internet and data			
RGUs	459	741	61.4%
ARPU	7.7	7.9	2.6%
Mobile telecommunication services⁽¹⁾			
RGUs	13	16	23.1%
ARPU	7.4	5.6	-24.3%
Fixed-line telephony			
RGUs	371	697	87.9%
ARPU	1.4	2.8	100.0%
DTH			
RGUs	302	288	-4.6%
ARPU	9.3	8.9	-4.3%

RGUs (thousand)/ARPU (€month)	As at and for the three months ended September 30,		% change
Spain			
Mobile telecommunication services⁽²⁾			
RGUs	813	1,213	49.2%
ARPU	10.5	9.4	-10.5%
Other⁽³⁾			
Mobile telecommunication services⁽²⁾			
RGUs	158	202	27.8%
ARPU	10.8	9.4	-13.0%

(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.

(4) For the period ended September 30, 2018, RGUs and ARPUs for Hungary include the consolidated RGUs and ARPUs for Digi Hungary and Invitel.

Historical Results of Operations

Results of Operations for the three and nine months ended September 30, 2017 and 2018, including Invitel's results

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2017	2018	2017	2018
(€millions)				
Revenues				
Romania	163.2	177.3	492.8	512.5
Hungary	38.3	54.6	113.1	135.0
Spain	24.8	33.1	67.8	90.6
Other	5.0	5.9	13.4	17.6
Elimination of intersegment revenues	(1.2)	(1.2)	(3.1)	(3.7)
Total revenues	230.1	269.8	684.1	752.0
Other income	6.7	2.5	10.7	9.7
Other expenses	0.0	(3.8)	(2.9)	(12.6)
Operating expenses				
Romania	(106.4)	(114.4)	(328.8)	(320.1)
Hungary	(27.8)	(43.5)	(80.3)	(108.7)
Spain	(18.3)	(24.9)	(49.2)	(69.2)
Other	(5.0)	(6.4)	(15.0)	(21.2)
Elimination of intersegment expenses	1.2	1.2	3.1	3.7
Depreciation, amortization and impairment of tangible and intangible assets	(41.2)	(50.6)	(126.5)	(152.7)
Total operating expenses	(197.5)	(238.7)	(596.6)	(668.2)
Operating profit	39.3	29.8	95.3	81.0
Finance income	0.0	1.1	0.7	0.3
Finance expense	(15.5)	(14.4)	(35.9)	(45.0)
Net finance costs	(15.5)	(13.3)	(35.2)	(44.8)
Profit before taxation	23.8	16.5	60.1	36.2
Income tax expense	(11.5)	(6.2)	(15.9)	(17.4)
Profit for the period	12.3	10.3	44.2	18.9

Revenue

Our revenue (excluding intersegment revenue and other income) for the three month period ended September 30, 2018 was €269.8 million, compared with €230.1 million for the three month period ended September 30, 2017, an increase of 17.3%. For the period ended September 30, 2018, Invitel's results are consolidated to Digi group's results. The increase in our revenues excluding Invitel for three month period ended September 30, 2018 would have been 9.0%.

Our revenue (excluding intersegment revenue and other income) for the nine month period ended September 30, 2018 was €752.0 million, compared with €684.1 million for the nine month period ended September 30, 2017, an increase of 9.9%. For the period ended September 30, 2018, Invitel's results are consolidated to Digi group's results. The increase in our revenues excluding Invitel for nine month period ended September 30, 2018 would have been 6.2%.

The following table shows the distribution of revenue by geographic segment and business line for the three and nine month period ended September 30, 2017 and 2018, including Invitel's revenues:

	As at and for the three months ended September 30,			As at and for the nine months ended September 30,		
	2017	2018	% change	2017	2018	% change
(€millions)						
Romania						
Cable TV	45.8	48.0	4.8%	136.0	141.7	4.2%
Fixed internet and data	43.0	45.3	5.3%	127.9	134.3	5.0%
Mobile telecommunication services ⁽¹⁾	43.0	44.8	4.2%	120.1	132.8	10.6%
Fixed-line telephony	5.8	5.4	-6.9%	17.6	16.5	-6.3%
DTH	8.9	8.0	-10.1%	27.4	24.8	-9.5%
Other revenue ⁽²⁾	15.9	24.9	56.6%	62.0	59.8	-3.5%
Total	162.4	176.5	8.7%	491.1	509.9	3.8%
Hungary						
Cable TV	12.1	17.1	41.3%	35.3	43.2	22.4%
Fixed internet and data	10.5	17.4	65.7%	30.4	39.9	31.3%
Mobile telecommunication services ⁽³⁾	0.3	0.3	0.0%	0.8	0.7	-12.5%
Fixed-line telephony	1.6	6.0	275.0%	4.9	10.8	120.4%
DTH	8.5	7.9	-7.1%	25.3	24.1	-4.7%
Other revenue ⁽²⁾	5.4	5.9	9.3%	16.3	16.1	-1.2%
Total	38.3	54.6	42.6%	113.1	135.0	19.4%
Spain						
Mobile telecommunication services ⁽¹⁾	24.5	32.9	34.3%	66.7	89.9	34.8%
Other revenue ⁽²⁾	0.1	0.0	-100.0%	0.2	0.1	-50.0%
Total	24.6	32.9	33.7%	66.9	90.0	34.5%
Other⁽⁴⁾						
Mobile telecommunication services ⁽¹⁾	4.8	5.8	20.8%	12.9	17.1	32.6%
Other revenue ⁽²⁾	0.0	0.0	-	0.1	0.1	0.0%
Total	4.8	5.8	20.8%	13.0	17.2	32.3%
Total	230.1	269.8	17.3%	684.1	752.0	9.9%

(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 September 30, 2018 was €176.5 million compared with €162.4 million for the three month period ended September 30, 2017, an increase of 8.7%. Revenue growth in Romania was primarily driven by an increase in our cable TV and fixed internet and data RGUs and increase in our mobile telecommunication services ARPU. Our cable TV RGUs increased from approximately 2,974 thousand as at September 30, 2017 to approximately 3,234 thousand as at September 30, 2018, an increase of approximately 8.7%, and our residential fixed internet and data RGUs increased from approximately 2,092 thousand as at September 30, 2017 to approximately 2,305 thousand as at September 30, 2018, an increase of approximately 10.2%. These increases were primarily due to our investments in expanding of our fixed fiber optic network and to our attractive fixed internet and data packages. Mobile telecommunication services RGUs had a slight decrease from approximately 3,400 thousand as at September 30, 2017 to approximately 3,379 thousand as at September 30, 2018, a decrease of approximately 0.6%. Mobile telecommunication services ARPU increased to an average €4.4/month for the three month period ended September 30, 2018, compared to an average €4.2 /month for the three month period ended September 30, 2017, an increase of approximately 4.8% primarily as a result of overall change in the mix of packages. Growth in our cable TV, fixed internet and data and mobile telecommunication services and other revenue was partially offset by a decrease in revenue generated by our DTH and fixed-line telephony businesses as a result of decreases in RGUs in both business lines. DTH RGUs decreased from 605 thousand as at September 30, 2017 to 544 thousand as at September 30, 2018, a decrease of approximately 10.1%. This decrease was primarily driven by 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 1,151 thousand as at September 30, 2017 to approximately 1,075 thousand as at September 30, 2018, a decrease of approximately 6.6%.

Revenue in Hungary for the three month period ended September 30, 2018 was €54.6 million, compared with €38.3 million for the three month period ended September 30, 2017, an increase of 42.6%. For the three month period ended September 30, 2018, revenues in Hungary include consolidated revenues from Digi Hungary and Invitel. Revenues in Hungary, excluding Invitel, for three month period ended September 30, 2018 would have decreased with 7%. The decrease in revenue presented in EUR, excluding Invitel, was principally due to the foreign exchange impact of the depreciation of the HUF related to EUR in the reported period (324.17 HUF/EUR average exchange rate at Q3 2018 compared 306.48 HUF/EUR average exchange rate at Q3 2017), and to a lower extent due to promotion and discounts offered to new and existing customers. For the three month period ended September 30, 2018, RGUs in Hungary include consolidated RGUs from Digi Hungary and Invitel. Our cable TV RGUs increased from approximately 495 thousand as at September 30, 2017 to approximately 685 thousand as at September 30, 2018, an increase of approximately 38.4% (out of which Digi Hungary' stand-alone cable TV RGU's increased with approximately 3.2%), our fixed internet and data RGUs increased from approximately 459 thousand as at September 30, 2017 to approximately 741 thousand as at September 30, 2018, an increase of approximately 61.4% (out of which Digi Hungary' stand-alone fixed internet and data RGUs increased with approximately 8.1%), and our fixed-line telephony RGUs increased from approximately 371 thousand as at September 30, 2017 to approximately 697 thousand as at September 30, 2018, an increase of approximately 87.9% (out of which Digi Hungary' stand-alone fixed-line telephony RGUs increased with approximately 7.0%). These increases were driven by our investments in expanding and upgrading our fixed fiber optic network in Hungary. Our DTH RGUs decreased from approximately 302 thousand as at September 30, 2017 to approximately 288 thousand as at September 30, 2018, a decrease of approximately 4.6%. 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 September 30, 2018 was €32.9 million, compared with €24.6 million for the three month period ended September 30, 2017, an increase of 33.7%. The increase in our Spain revenue was due to the increase in mobile telecommunication services RGUs from approximately 813 thousand as at September 30, 2017 to approximately 1,213 thousand as at September 30, 2018, an increase of approximately 49.2%, primarily due to new customer acquisitions as a result of more attractive and affordable mobile and data offerings. Fixed internet and fixed telephony services were launched by Digi Spain towards the end of September 2018, as a resale product on Telefonica's network.

Revenue in Other represented revenue from our operations in Italy and for the three month period ended September 30, 2018 was €5.8 million, compared with €4.8 million for the three month period ended September 30, 2017, an increase of 20.8%. The increase in our revenue in Italy was primarily due to the increase in mobile telecommunication services RGUs from approximately 158 thousand as at September 30, 2017 to approximately 202 thousand as at September 30, 2018, an increase of approximately 27.8%, 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 September 30, 2018 were €238.7 million, compared with €197.5 million for the three month period ended September 30, 2017, an increase of 20.9%, respectively. For the period ended September 30, 2018, Invitel's results are consolidated to Digi group's results. The increase in our expenses excluding Invitel for three month period ended September 30, 2018 would have been 11.1%.

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the nine months ended September 30, 2018 were €668.2 million compared with €596.6 million for the nine months ended September 30, 2017, an increase of 12.0%. For the period ended September 30, 2018, Invitel's results are consolidated to Digi group's results. The increase in our expenses excluding Invitel for nine month period ended September 30, 2018 would have been 6.6%.

The following table shows the distribution of operating expenses by geographic segment for the three and nine month period ended September 30, 2017 and 2018, including Invitel's operating expenses:

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2017	2018	2017	2018
(€millions)				
Romania	106.0	114.0	327.5	319.0
Hungary ⁽¹⁾	27.8	43.5	80.3	108.7
Spain	17.8	24.3	48.0	67.4
Other ⁽²⁾	4.7	6.2	14.3	20.4
Depreciation, amortization and impairment of tangible and intangible assets	41.2	50.6	126.5	152.7
Total operating expenses	197.5	238.7	596.6	668.2

(1) Includes consolidated operating expenses for Digi Hungary and Invitel.

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

Operating expenses in Romania for three month period ended September 30, 2018 were €114.0 million, compared with €106.0 million for the three month period ended September 30, 2017, an increase of 7.5%. The main increases in the period reported were due to increase in salaries and increase in programming expenses.

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

Operating expenses in Hungary for the three month period ended September 30, 2018 were €43.5 million, compared with €27.8 million for the three month period ended September 30, 2017, an increase of 56.5%. For the reported period, operating expenses of Hungary include consolidated operating expenses of Digi Hungary and Invitel. The increase in expenses, excluding Invitel, for the three month period ended September 30, 2018 would have been approximately 10.3%, primarily as a result of the increase in mobile network development expenses and salaries.

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 September 30, 2018 were €24.3 million, compared with €17.8 million for the three month period ended September 30, 2017, an increase of 36.5%.

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 September 30, 2018 were €6.2 million, compared with €4.7 million for the three month period ended September 30, 2017, an increase of 31.9%. The increase is the result of higher RGUs and traffic in our subsidiary in Italy. Digi's operating expenses increased mainly because of the accrued expenses related to the share option plans approved in 2018 in amount of €0.9 million in the three months period ended September 30, 2018.

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 and nine month period ended September 30, 2017 and 2018. For period ended September 30, 2018, Invitel's results are consolidated to Digi group's results.

	As at and for the three months ended September 30,		As at and for the nine months ended September 30	
	2017	2018	2017	2018
(€millions)				
Depreciation of property, plant and equipment	24.4	32.5	71.3	92.3
Amortization of non-current intangible assets	8.4	9.5	23.2	30.7
Amortization of programme assets	8.2	8.3	29.5	28.5
Impairment of property, plant and equipment	0.3	0.3	2.5	1.3
Total	41.2	50.6	126.5	152.7

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was €2.5 million for the three month period ended September 30, 2018, compared with €24.4 million for the three month period ended September 30, 2017, an increase of 33.2%. This variation was primarily due to fixed assets additions related to the mobile network from Hungary, as well as Invitel's consolidated depreciation. The increase in depreciation expenses excluding Invitel for three month period ended September 30, 2018 would have been 9.6%.

Amortization of non-current intangible assets

Amortization of non-current intangible assets was €9.5 million for the three month period ended September 30, 2018, compared with €8.4 million for the three month period ended September 30, 2017, an increase of 13.1%. This variation was primarily due to Invitel's consolidated amortization. The increase in amortization expenses excluding Invitel for three month period ended September 30, 2018 would have been 5.6%.

Amortization of program assets

Amortization of program assets was €8.3 million for the three month period ended September 30, 2018, compared with €8.2 million for the three month period ended September 30, 2017, a slight increase of 1.2%.

Other income/(expenses)

We recorded €2.5 million of other income in the three month period ended September 30, 2018 compared with €6.7 million of other income in the three months ended September 30, 2017. This reflected mark-to-market unrealized gain from fair value assessment of energy trading contracts.

We recorded €3.8 million of other expense in the three month period ended September 30, 2018, representing accrued expenses for the period related to the share option plan approved in 2017 and 2018 which are estimated to be one off events.

Operating profit ⁽¹⁾

For the reasons set forth above, our operating profit was €29.8 million for the three month period ended September 30, 2018, compared with €39.3 million for the three month period ended September 30, 2017.

Net finance expense

We recognized net finance expense of €13.3 million in the three month period ended September 30, 2018, compared with €15.5 million for the three month period ended September 30, 2017, a decrease of 13.9%. This decrease was primarily the result of the fact that in the comparative period there was a net loss from foreign exchange differences in amount of €2.9 million compared to a net gain in the current period of €0.9 million, as well as lower net losses for derivative instruments (IRS) in the current period compared to the previous period. This movement was partially offset by the increase in the interest expense of €12.1 million in the current period compared to €9.1 million in the previous period. We have incurred higher interest expenses mainly because of the ROBOR fluctuations in the current period and to the new SFA 2018 signed in February 2018.

Profit before taxation ⁽¹⁾

For the reasons set forth above, our profit before taxation was €16.5 million in the three month period ended September 30, 2018, compared with profit before taxation of €23.8 million for the three month period ended September 30, 2017.

Income tax expense

An income tax expense of €6.2 million was recognized in the three month period ended September 30, 2018, compared to a tax expense of €1.5 million recognized in the three month period ended September 30, 2017.

Net profit for the period ⁽¹⁾

For the reasons set forth above, our net profit was €10.3 million in the three month period ended September 30, 2018, compared with net profit of €12.3 million for the three month ended September 30, 2017.

¹ Including Invitel's results. For details, please see Note 12 Business Combination from the Interim Consolidated Financial Statements as at September, 30 2018.

Liquidity and Capital Resources

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

All of our businesses have historically produced positive operating cash flows that are relatively constant from month to month. Variations in our aggregate cash flow during the periods under review principally represented increased or decreased cash flow used in investing activities and cash flow from financing activities.

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

Historical cash flows

The following table sets forth our consolidated cash flows from operating activities for the three and nine month period ended September 30, 2017 and 2018, cash flows used in investing activities and cash flows from/(used in) financing activities, including Invitel's cash flows.

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2017	2018	2017	2018
(€millions)				
Cash flows from operations before working capital changes	76.8	84.8	219.4	236.8
Cash flows from changes in working capital	(12.6)	(12.7)	1.0	(6.9)
Cash flows from operations	64.2	72.1	220.4	230.0
Interest paid	(6.2)	(6.7)	(20.2)	(26.8)
Income tax paid	(2.2)	(0.4)	(5.1)	(2.6)
Cash flow from operating activities	55.9	64.9	195.0	200.6
Cash flow used in investing activities	(67.0)	(58.3)	(187.2)	(341.2)
Cash flows from /(used in) financing activities	15.6	(1.7)	(2.2)	141.6
Net decrease in cash and cash equivalents	4.5	5.0	5.7	1.0
Cash and cash equivalents at the beginning of the period	15.9	12.1	14.6	16.1
Effect of exchange rate fluctuation on cash and cash equivalent held	0.0	0.0	0.0	0.0
Cash and cash equivalents at the closing of the period	20.4	17.1	20.4	17.1

Cash flows from operations before working capital changes were €84.8 million in the three month period ended September 30, 2018 and €76.8 million in the three month period ended September 30, 2017 for the reasons discussed in “—Historical Results of Operations—Results of operations for the three month period ended September 30, 2018 and 2017”.

The following table shows changes in our working capital:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2018	2017	2018
(€millions)				
(Increase) in trade receivables and other assets	(2.2)	(1.7)	(16.1)	(23.9)
(Increase) in inventories	(1.6)	(1.1)	(1.9)	(4.2)
Increase/(decrease) in trade payables and other current liabilities	(8.9)	(9.0)	13.7	8.9
Increase/(decrease) in contract liabilities	0.1	(0.9)	5.3	12.4
Total	(12.6)	(12.7)	1.0	(6.9)

We had a working capital requirement of €12.7 million in the three month period ended September 30, 2018 (compared with a working capital requirement of €12.6 million in the three month period ended September 30, 2017).

Cash flows from operating activities were €64.9 million in the three month period ended September 30, 2018 and €55.9 million in the three month period ended September 30, 2017. Included in these amounts are deductions

for interest paid and income tax paid. Income tax paid which were €0.5 million in the three months ended September 30, 2018 and €2.2 million in the three months ended September 30, 2017. Interest paid was €6.7 million in the three months ended September 30, 2018, compared with €6.2 million in the three months ended September 30, 2017. The increase in cash flows from operating activities in the three months ended September 30, 2018 was primarily due to changes in working capital discussed above.

Cash flows used for investing activities were €8.3 million in the three month period ended September 30, 2018 and €7.0 million in the three month period ended September 30, 2017.

Purchases of property, plant and equipment were €49.5 million in the three months ended September 30, 2018 and €2.0 million in the three months ended September 30, 2017.

Purchases of intangible assets were €12.0 million in the three months ended September 30, 2018 and €15.3 million in the three months ended September 30, 2017.

Cash flows used for financing activities were €1.7 million outflow for the three months period ended September 30, 2018, €15.6 million inflow for the three months ended September 30, 2017.

DIGI COMMUNICATIONS NV

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

**PREPARED IN ACCORDANCE WITH
IAS 34 INTERIM FINANCIAL REPORTING
for the nine-month period ended 30 September 2018**

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GENERAL INFORMATION

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GENERAL INFORMATION (CONTINUED)

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. (“Digi HU”) our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement (“SPA”) 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 (“Invitel”).

The transaction was closed on 30 May 2018 for a total consideration of approximately 135.4 million EUR. Control was transferred at the same date. There are certain conditions regarding divesting part of the Invitel business in certain areas that need to be fulfilled.

In accordance with the requirements of IFRS 3 “Business Combinations”, the Purchase Price Allocation (“PPA”) analysis for the Invitel acquisition of shares started in view of consolidating the Invitel’s assets, liabilities and results. The PPA assessment is in a preliminary phase, but can be finalized over a period of 12 months, as per IFRS 3 requirements. The PPA is undertaken by an external independent evaluator.

The nine month period ended 30 September 2018 interim condensed consolidated financial statements include the consolidated results of Invitel starting from June 1st, 2018 and the preliminary valuation of the fair value of identifiable assets and liabilities of Invitel as at the date of acquisition. For details, please see Note 12 Business Combination.

DIGI Communications N.V.**Condensed Consolidated Statement of financial position (unaudited)**

for the period 9 month period ended 30 September 2018

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

	Notes	30 September 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,082,933	900,691
Intangible assets	5	245,672	215,248
Available for sale financial assets (AFS)		35,960	42,146
Investments in associates		788	784
Long term receivables		4,768	2,018
Deferred tax asset		2,442	2,828
Total non-current assets		1,372,563	1,163,715
Current assets			
Inventories		14,082	10,063
Programme assets	5	28,821	22,250
Trade and other receivables		63,669	49,949*
Contract assets		34,734	32,523*
Income tax receivable		436	1,727
Other assets		13,630	11,046
Derivative financial assets	15	36,848	34,883
Cash and short term deposits		17,063	16,074
Total current assets		209,283	178,515
Total assets		1,581,846	1,342,230
EQUITY AND LIABILITIES			
	6		
Equity attributable to equity holders of the parent			
Share capital		6,918	6,918
Share premium		5,251	3,406
Treasury shares		(14,032)	(13,922)
Reserves		(13,651)	1,248
Retained earnings		163,091	138,869
Total equity attributable to equity holders of the parent		147,577	136,519
Non-controlling interest		7,112	6,029
Total equity		154,689	142,548
Non-current liabilities			
Interest-bearing loans and borrowings	7	777,960	648,040
Deferred tax liability		60,826	45,517
Decommissioning provision		5,571	5,409
Other long term liabilities		34,251	36,738
Total non-current liabilities		878,608	735,704
Current liabilities			
Trade payables and other payables		410,030	360,571
Interest-bearing loans and borrowings	7	109,324	82,009
Income tax payable		2,659	-
Derivative financial instruments	15	1,629	10,131
Contract liabilities		24,907	11,267
Total current liabilities		548,549	463,978
Total liabilities		1,427,157	1,199,682
Total equity and liabilities		1,581,846	1,342,230

* Starting from 2018, we have presented separately "Contract assets" from "Trade receivables", in compliance with IFRS 15 disclosure requirements. For comparison purposes, the presentation of the comparative figures as at 31 December 2017 was restated accordingly.

The notes on pages 7 to 34 are an integral part of this condensed consolidated interim financial report.

The condensed consolidated interim financial report was issued on 14 November 2018.

DIGI Communications N.V.**Condensed Consolidated Statement of Comprehensive Income (unaudited)****for the period ended 30 September 2018***(all amounts are in thousand Eur, unless specified otherwise)*

	Notes	Three month period ended 30 September 2018	Three month period ended 30 September 2017
Revenues	9	269,778	230,104
Other income		2,481	6,682
Operating expenses	10	(238,667)	(197,498)
Other expenses		(3,754)	-
Operating Profit		29,838	39,288
Finance income	11	1,089	13
Finance expenses	11	(14,428)	(15,509)
Net finance costs		(13,339)	(15,496)
Profit before taxation		16,499	23,792
Income tax		(6,240)	(11,454)
Net profit for the period		10,259	12,338

The Condensed Consolidated Statement of Comprehensive Income for the three month period ended 30 September 2018 is based on the restated Condensed Consolidated Statement of Comprehensive Income for the three month period ended 30 June 2018, which was restated to include the Invitel results for one month (June 2018). At the date of H1 2018 Consolidated Financial Statements publication, the results reported for 30 June 2018 did not include Invitel's results.

The PPA was registered in the Consolidated financial statements as at 30 September 2018. The Condensed Consolidated Statement of Comprehensive Income for the current quarter (three months ended 30 September 2018) includes the results of Invitel for 3 months and is reported here on this restated basis only for presentation purposes. For details, please see Note 12. Business Combination.

The notes on pages 7 to 34 are an integral part of this condensed consolidated interim financial report.

The condensed consolidated interim financial report was issued on 14 November 2018.

DIGI Communications N.V.**Condensed Consolidated Statement of Comprehensive Income (unaudited)**

for the period ended 30 September 2018

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

	Notes	Nine month period ended 30 September 2018	Nine month period ended 30 September 2017
Revenues	9	752,045	684,071
Other income		9,729	10,695
Operating expenses	10	(668,167)	(596,579)
Other expenses		(12,620)	(2,927)
Operating Profit		80,987	95,260
Finance income	11	257	706
Finance expenses	11	(45,007)	(35,856)
Net finance costs		(44,750)	(35,150)
Profit before taxation		36,237	60,110
Income tax		(17,373)	(15,944)
Net profit for the period		18,864	44,166
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign operations – foreign currency translation differences		(5,043)	208
Available for sale financial asset, net change in fair value		(6,186)	41,177
Cash Flow hedge reserves		518	926
Other comprehensive income/(loss) for the period, net of income tax		(10,711)	42,311
Total comprehensive income for the period		8,153	86,477
Profit attributable to:			
Equity holders of the parent		17,452	42,143
Non-controlling interest		1,412	2,023
Profit for the period		18,864	44,166
Total comprehensive income attributable to:			
Equity holders of the parent		7,021	84,407
Non-controlling interest		1,132	2,070
Total comprehensive income for the period		8,153	86,477
Basic earnings per share (EUR/share)			
Diluted earnings per share (EUR/share)		0.2	0.5

The notes on pages 7 to 34 are an integral part of this condensed consolidated interim financial report.

The condensed consolidated interim financial report was issued on 14 November 2018.

DIGI Communications N.V.
Condensed Consolidated Cash Flow Statement (unaudited)
for the 9 month period ended 30 September 2018
(all amounts are in thousand Eur, unless specified otherwise)

	Notes	Nine month period ended 30 September 2018	Nine month period ended 30 September 2017
Cash flows from operating activities			
Profit before taxation		36,237	60,110
Adjustments for:			
Depreciation, amortization and impairment	10	152,678	126,469
Interest expense, net	11	33,546	26,508
Impairment of trade and other receivables	10	7,536	7,300
Equity settled share-based payments		12,404	-
Unrealised losses/ (gains) on derivative financial instruments		(9,025)	(5,048)
Unrealised foreign exchange loss / (gain)		3,468	4,297
Gain on sale of assets		(11)	(251)
Cash flows from operations before working capital changes		236,833	219,385
Changes in:			
Trade receivables, other assets and contract assets		(23,943)	(16,139)
Inventories		(4,219)	(1,909)
Trade payables and other current liabilities		8,915	13,745
Contract liabilities		12,380	5,297
Cash flows from operations		229,966	220,379
Interest paid		(26,837)	(20,228)
Income tax paid		(2,574)	(5,111)
Cash flows from operating activities		200,555	195,040
Cash flow used in investing activities			
Purchases of property, plant and equipment		(146,972)	(132,276)
Purchases of intangibles		(52,770)	(54,180)
Acquisition of subsidiaries, net of cash and NCI*		(46,753)	(1,366)
Invitel loan assignment*		(94,846)	-
Proceeds from sale of property, plant and equipment		184	669
Cash flows used in investing activities		(341,157)	(187,153)
Cash flows from financing activities			
Dividends paid to shareholders		(3,122)	(21,006)
Cash outflows from buying back equity shares		(703)	-
Proceeds from borrowings		174,827	39,181
Repayment of borrowings		(23,259)	(16,284)
Financing costs paid		(2,667)	-
Settlement of derivatives		(826)	(2,822)
Payment of finance lease obligations		(2,661)	(1,234)
Cash flows used in/from financing activities		141,589	(2,165)
Net increase / (decrease) in cash and cash equivalents		987	5,722
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		2	39
Cash and cash equivalents at the end of the period		17,063	20,386

*Included in "Acquisition of subsidiaries, net of cash and NCI" is the consideration paid for Invitel's shares acquisition in amount of 50 million EUR, part of the total purchase consideration of 135 million EUR equivalent paid by Digi Hu for the completion of transaction with Invitel on 30 May 2018. The remaining amount of 85 million EUR equivalent represent seller's debt which was included in the purchase consideration, presented on row "Invitel loan assignment". For details, please see Note 12 Business Combination.

The notes on pages 7 to 34 are an integral part of this condensed consolidated interim financial report.

Cash and cash equivalents as at 30 September 2018 includes cash equivalents in amount of EUR 3,851.

DIGI Communications N.V.**Condensed Consolidated Statement of Changes in Equity (unaudited)**

for the period ended 30 September 2018

(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	-	-	-	-	-	-	-	17,452	17,452	1,412	18,864
Foreign currency translation differences	-	-	-	(4,730)	-	-	-	-	(4,730)	(313)	(5,043)
Movements fair value reserves	-	-	-	-	-	(6,186)	-	-	(6,186)	-	(6,186)
Cash Flow hedge reserves ⁽¹⁾	-	-	-	-	-	-	485	-	485	33	518
Transfer of revaluation reserve (depreciation)	-	-	-	-	(4,468)	-	-	4,468	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	(4,730)	(4,468)	(6,186)	485	21,920	7,021	1,132	8,153
Transactions with owners, recognized directly in equity											
Contributions by and distributions to owners											
Equity-settled share-based payment transactions	-	1,845	(110)	-	-	-	-	9,339	11,074	630	11,704
Dividends distributed	-	-	-	-	-	-	-	(7,037)	(7,037)	(679)	(7,716)
Total contributions by and distributions to owners	-	1,845	(110)	-	-	-	-	2,302	4,037	(49)	3,988
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	-	1,845	(110)	-	-	-	-	2,302	4,037	(49)	3,988
Balance at 30 September 2018	6,918	5,251	(14,032)	(34,687)	30,652	(9,853)	237	163,091	147,577	7,112	154,689

*(1) The amount presented on Cash Flow Hedge reserves is included in Reserves in Statement of financial position.**The notes on pages 7 to 34 are an integral part of this condensed consolidated interim financial report.*

DIGI Communications N.V.
Condensed Consolidated Statement of Changes in Equity (unaudited)
for the period ended 30 September 2018
(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 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	-	-	-	-	-	-	-	42,143	42,143	2,023	44,166
Foreign currency translation differences	-	-	-	197	-	-	-	-	197	11	208
Fair value of AFS	-	-	-	-	-	41,177	-	-	41,177	-	41,177
Cash Flow hedge reserves ⁽¹⁾	-	-	-	-	-	-	890	-	890	36	926
Transfer of revaluation reserve (depreciation)	-	-	-	-	(5,426)	-	-	5,426	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	197	(5,426)	41,177	890	47,569	84,407	2,070	86,477
Transactions with owners, recognized directly in equity											
Contributions by and distributions to owners											
Net change in share capital	6,867	(5,165)	-	-	-	-	-	(1,702)	-	-	-
Sale of Treasury Shares	-	-	2,777	-	-	-	-	-	2,777	-	2,777
Dividends distributed	-	-	-	-	-	-	-	(6,000)	(6,000)	(425)	(6,425)
Total contributions by and distributions to owners	6,867	(5,165)	2,777	-	-	-	-	(7,702)	(3,223)	(425)	(3,648)
Changes in ownership interests in subsidiaries											
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	(4,050)	(4,050)	1,984	(2,066)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(4,050)	(4,050)	1,984	(2,066)
Total transactions with owners	6,867	(5,165)	2,777	-	-	-	-	(11,752)	(7,273)	1,559	(5,714)
Balance at 30 September 2017	6,918	3,082	(13,926)	(29,984)	37,570	41,177	(2,829)	76,291	118,299	5,067	123,366

(1)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.

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. (“Digi HU”) our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement (“SPA”) 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 (“Invitel”).

The transaction was closed on 30 May 2018 for a total consideration of approximately 135.4 million EUR.

For details, please see Note 12 Business Combination.

The consolidated financial statements were authorized for issue on 14 November 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.

2.1 BASIS OF PREPARATION (CONTINUED)**(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.

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 9 months	Sep – 30	Jan – 1	Average for the 9 months	Sep – 30
RON per 1EUR	4.6597	4.6514	4.6637	4.5411	4.5513	4.5991
HUF per 1EUR	310.14	317.41	323.78	311.02	308.49	311.23
USD per 1EUR	1.1643	1.1944	1.1598	1.0510	1.1145	1.1806

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 exceeding one year are classified as Other long term liabilities. 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

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, IFRS 16, IFRS 9 described below). The rest of 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.

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.

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 application for year ended 31 December 2017 compared to the previous application of 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).

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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).

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The Group has started an assessment of the impact of IFRS 16 on its consolidated financial statements. The application of IFRS 16 will have a significant impact on the consolidated statement of financial position, as the Group will recognize new assets and liabilities for most of its operating leases. In profit or loss statement, depreciation expense and interest expense will be reported instead of lease expense.

DIGI Communications N.V.**Notes to the Condensed Consolidated Interim Financial Report (unaudited)**

for the period ended 30 September 2018

*(all amounts are in thousand Eur, unless specified otherwise)***3. SEGMENT REPORTING**

Three months ended 30 September 2018	Romania	Hungary ¹	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	176,464	54,602	32,916	5,796	-	-	269,778
Inter-segment revenues	850	-	213	147	(1,210)	-	-
Segment operating expenses	(114,353)	(43,537)	(24,911)	(6,443)	1,210	-	(188,034)
Adjusted EBITDA	62,961	11,065	8,218	(500)	-	-	81,744
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(50,633)	(50,633)
Other income (Note 18)	2,481	-	-	-	-	-	2,481
Other expenses (Note 18)	(3,754)	-	-	-	-	-	(3,754)
Operating profit							29,838
Additions to tangible non-current assets	39,115	144,224	1,397	20	-	-	184,756
Additions to intangible non-current assets	26,644	14,818	2,420	436	-	-	44,318
<i>Carrying amount of:</i>							
Property, plant and equipment	796,459	279,601	6,607	266	-	-	1,082,933
Non-current intangible assets	201,892	32,975	8,468	2,337	-	-	245,672
Investments in associates	788	-	-	35,960	-	-	36,748

(1) As at 30 September 2018, Hungarian operations include the consolidated results of both Digi Hu and Invitel. For details, please see Note 12 Business combination.

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

DIGI Communications N.V.**Notes to the Condensed Consolidated Interim Financial Report (unaudited)**

for the period ended 30 September 2018

*(all amounts are in thousand Eur, unless specified otherwise)***3. SEGMENT REPORTING (continued)**

Three months ended 30 September 2017	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	162,356	38,330	24,593	4,825	-	-	230,104
Inter-segment revenues	807	-	245	137	(1,189)	-	-
Segment operating expenses	(106,368)	(27,778)	(18,330)	(4,996)	1,189	-	(156,283)
Adjusted EBITDA	56,795	10,552	6,508	(34)	-	-	73,821
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(41,215)	(41,215)
Other income (Note 18)	6,682	-	-	-	-	-	6,682
Other expenses (Note 18)	-	-	-	-	-	-	-
Operating profit							39,288
Additions to tangible non-current assets	30,860	8,710	1,494	26	-	-	41,091
Additions to intangible non-current assets	6,572	137	1,607	556	-	-	8,872
<i>Carrying amount of:</i>							
Property, plant and equipment	739,738	133,442	2,762	258	-	-	876,200
Non-current intangible assets	176,810	29,909	4,893	2,150	-	-	213,762
Investments in associates	986	-	-	44,414	-	-	45,400

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

DIGI Communications N.V.**Notes to the Condensed Consolidated Interim Financial Report (unaudited)**

for the period ended 30 September 2018

*(all amounts are in thousand Eur, unless specified otherwise)***3. SEGMENT REPORTING (continued)**

Nine months ended 30 September 2018	Romania	Hungary¹	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	509,896	134,972	89,988	17,189	-	-	752,045
Inter-segment revenues	2,602	-	616	452	(3,670)	-	-
Segment operating expenses	(320,090)	(108,722)	(69,159)	(21,183)	3,670	-	(515,484)
Adjusted EBITDA	192,408	26,250	21,445	(3,542)	-	-	236,561
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(152,683)	(152,683)
Other income (Note 18)	9,729	-	-	-	-	-	9,729
Other expenses (Note 18)	(10,101)	(2,519)	-	-	-	-	(12,620)
Operating profit							80,987
Additions to tangible non-current assets	117,264	163,547	4,198	53	-	-	285,062
Additions to intangible non-current assets	40,399	15,285	6,420	1,426	-	-	63,530
<i>Carrying amount of:</i>							
Property, plant and equipment	796,459	279,601	6,607	266	-	-	1,082,933
Non-current intangible assets	201,892	32,975	8,468	2,337	-	-	245,672
Investments in associates	788	-	-	35,960	-	-	36,748

(1) As at 30 September 2018, Hungarian operations include the consolidated results of both Digi Hu and Invitel. For details, please see Note 12 Business combination.

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

DIGI Communications N.V.**Notes to the Condensed Consolidated Interim Financial Report (unaudited)**

for the period ended 30 September 2018

*(all amounts are in thousand Eur, unless specified otherwise)***3. SEGMENT REPORTING (continued)**

Nine months ended 30 September 2017	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	491,055	113,107	66,904	13,005	-	-	684,071
Inter-segment revenues	1,788	-	884	433	(3,105)	-	-
Segment operating expenses	(328,770)	(80,311)	(49,168)	(14,966)	3,105	-	(470,110)
Adjusted EBITDA	164,073	32,796	18,620	(1,528)	-	-	213,961
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(126,469)	(126,469)
Other income (Note 18)	7,913	-	-	2,782	-	-	10,695
Other expenses (Note 18)	-	-	-	(2,927)	-	-	(2,927)
Operating profit						-	95,260
Additions to tangible non-current assets	104,641	28,042	1,722	185	-	-	134,591
Additions to intangible non-current assets	25,678	948	3,713	1,809	-	-	32,148
<i>Carrying amount of:</i>							
Property, plant and equipment	739,738	133,442	2,762	258	-	-	876,200
Non-current intangible assets	176,810	29,909	4,893	2,150	-	-	213,762
Investments in associates	986	-	-	44,414	-	-	45,400

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

4. PROPERTY, PLANT AND EQUIPMENT (PPE)

Acquisitions and disposals

During the nine month period ended 30 September 2018, the Group acquired property, plant and equipment with a cost of EUR 285,062 (nine months ended 30 September 2017: EUR 134,591). The majority of increase in the additions in the period relate to the additions of property, plant and equipment of Invitel, as a result of Invitel's consolidation. For details regarding the Invitel's tangible assets included in the Business Combination, for the period ended 30 September 2018, please see details in Note 12 Business Combination.

The acquisitions related mainly to networks EUR 161,543 (nine months ended 30 September 2017: EUR 65,976), customer premises equipment of EUR 32,531 (nine months ended 30 September 2017: EUR 22,613), equipment and devices of EUR 61,122 (nine months ended 30 September 2017: EUR 32,119), buildings and structures of EUR 18,776 (nine months ended 30 September 2017: EUR 7,485) and vehicles of EUR 7,858 (nine months ended 30 September 2017: EUR 3,325).

Costs to fulfil the performance obligations under the contracts with customers in amount of EUR 18,209 were capitalized during the nine months period ended at 30 September 2018 (nine months ended 30 September 2017: EUR 16,365).

Invitel has received GINOP non-refundable funds for development of the project Next Generation Access and access networks under Milestone 1 for network development projects. The ultimate goal of the project is to boost the availability of digital services to households, and not only, but extending next generation internet access to settlements where the broadband internet is currently not available and to enhance system capacity. The local name of the funding programme within which the grants are available is Super Fast Internet Programme ("SZIP").

In the period ended 30 September 2018 there were no new non-refundable funds received by Invitel.

5. NON-CURRENT INTANGIBLE ASSETS AND PROGRAMME ASSETS

Acquisitions

Non-current intangible assets

During the nine-month period ended 30 September 2018, the Group acquired non-current intangible assets with a cost of EUR 63,530 (30 September 2017: EUR 32,148). The majority of increase in the additions in the period relate to the additions of non-current intangible assets of Invitel, as a result of Invitel's consolidation. For details regarding the Invitel's non-current intangible assets included in the Business Combination, for the period ended 30 September 2018, please see details in Note 12 Business Combination.

The additions were as follows:

- Software and licences in amount of EUR 16,319 (30 September 2017: EUR 13,906);
- Customer relationships by acquiring control in other companies in amount of EUR 22,420 (30 September 2017: EUR 2,628);
- Costs to obtain contracts with customers (Subscriber Acquisition Costs "SAC") in amount of EUR 22,192 (30 September 2017: EUR 15,614); SAC represents third party costs for acquiring and connecting customers of the Group;
- Goodwill increased due to the consolidation of the Invitel acquisition, which was completed in May 2018. (30 September 2017: EUR 0). For details, please see Note 12 Business Combinations.

5. NON-CURRENT INTANGIBLE ASSETS AND PROGRAMME ASSETS (CONTINUED)***Programme assets***

During the nine month period ended 30 September 2018, additions of programme assets in the amount of 35,095 EUR (30 September 2017: EUR 32,532) 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	(718)
Balance at 30 September 2017	76,460
Balance at 1 January 2018	76,089
Additions	2,599
Effect of movement in exchange rates	(955)
Balance at 30 September 2018	77,733

The acquisition of Invitel was closed on 30 May 2018. In accordance with the requirements of IFRS 3 “Business Combinations”, the Purchase Price Allocation (“PPA”) analysis for the Invitel acquisition of shares was started in view of consolidating the Invitel’s assets, liabilities and results.

The preliminary goodwill was accounted for using the acquisition method and is included on line “Intangible assets” in the group’s consolidated statement of financial position as at 30 September 2018.

For details, please see Note 12 Business Combination.

(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 30 September 2018.

6. EQUITY

The issued and paid-up capital as at 30 September 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.

On 15 May 2018 Mr. Serghei Bulgac, Chief Executive Officer and Executive Director of the Company and Mr. Valentin Popoviciu, Executive Director of the Company, have exercised their stock options, which have vested in accordance with the provisions of the Company’s stock option plan granted in 2017. In accordance with this stock option plan, Mr. Serghei Bulgac was granted 220,000 shares, while Mr. Valentin Popoviciu was granted 60,000 shares.

In June 2018, the Board of Directors of the Company decided upon the initiation of the class B shares buy-back program in accordance with the resolutions of the general shareholders meeting of the Company from 2 May 2018 (the GSM), to be used for the purpose of the several stock option programs. Up to 30 September 2018, a total of 108,104 class B shares were repurchased through the buy-back program.

Consequently, as at 30 September 2018, the Company had 6.43 million treasury shares.

The GSM from 2 May 2018 approved the distribution of a gross dividend of 0.35 RON per share for 2017. The dividend was paid on 30 May 2018.

7. INTEREST-BEARING LOANS AND BORROWINGS

Included in Long term interest-bearing loans and borrowings are bonds EUR 349,464 (December 2017: EUR 349,384), bank loans EUR 424,834 (December 2017: EUR 296,261) and leasing EUR 3,662 (December 2017: EUR 2,395).

Included in Short term interest-bearing loans and borrowing are bank loans EUR 42,471 (December 2017: EUR 33,151), short portion of long term interest-bearing loans EUR 50,853 (December 2017: EUR 40,656), leasing obligations amounting to EUR 4,147 (December 2017: EUR 1,814), other short-term debts of EUR 21 (December 2017: EUR 16) and interest payable amounting to EUR 11,832 (December 2017: EUR 6,372).

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

	Carrying amount
Balance as of 1 January 2018	730,049
<i>New drawings</i>	
Proceeds from bank borrowings and leasing obligations	180,295
Interest expense for the period	31,295
<i>Repayment</i>	
Payment of lease obligations	(2,661)
Repayment of borrowings	(23,259)
Current year interest paid	(24,586)
Additional financing costs	(1,918)
<i>Effect of movements in exchange rates</i>	(1,931)
Balance as of 30 September 2018	887,284

On 25 May 2018, Digi KFT and RCS & RDS drew 31,299,850 HUF, 45,000 EUR and 75,000 RON out of the SFA 2018. In October 2018, RCS & RDS drew the remaining available amount of RON 78,884 from Facility B1 of the SFA 2018.

8. RELATED PARTY DISCLOSURES

		30 September 2018	31 December 2017
Receivables from Related Parties			
Ager Imobiliare S.R.L.	(ii)	737	718
Other		10	61
Total		747	779

		30 September 2018	31 December 2017
Payables to Related Parties			
RCS-Management	(i)	8,118	3,825
Other		870	591
Total		8,988	4,416

(i) Shareholder of DIGI

(ii) Entities affiliated to a shareholder of the parent

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 was extended to May 2019. As at 30 September 2018 the outstanding amount is EUR 3,491.

In May 2018, RCS & RDS declared dividends in amount of 50,000 RON, equivalent of 10.8 million EUR from 2017 profit.

At the end of May 2018, Digi HU has granted Invitel a loan of 2,963,900 HUF with a maturity of 5 years and an interest rate of 2.65% plus BUBOR per annum. In August 2018, Invitel has repaid this outstanding loan.

Compensation of key management personnel of the Group

	Three months ended 30 September 2018	Three months ended 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Short term employee benefits – salaries	1,533	704	3,525	1,761

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.

9. REVENUES

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

	Three months ended 30 September 2018	Three months ended 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Cable TV				
Romania	48,006	45,839	141,737	135,967
Hungary	17,144	12,113	43,221	35,314
	65,150	57,952	184,958	171,281
Internet and data				
Romania	45,293	42,987	134,257	127,888
Hungary	17,404	10,505	39,942	30,410
	62,697	53,492	174,199	158,298
Telephony				
Romania	50,199	48,725	149,352	137,779
Hungary	6,286	1,848	11,588	5,777
Spain	32,879	24,542	89,916	66,696
Italy	5,781	4,806	17,125	12,934
	95,145	79,921	267,981	223,186
DTH				
Romania	8,037	8,899	24,764	27,372
Hungary	7,852	8,493	24,121	25,270
	15,889	17,392	48,885	52,642
Other revenues				
Romania	24,930	15,907	59,786	62,049
Hungary	5,916	5,370	16,100	16,335
Spain	37	50	72	208
Italy	14	20	64	72
	30,897	21,347	76,022	78,664
Total revenues	269,778	230,104	752,045	684,071

The timing of transfer of goods to the customers at a point in time are in amount of EUR 28,487 for the nine months period ended 30 September 2018 (for the nine months period ended 30 September 2017: EUR 34,389). The rest of the services provided to customers are transferred over time and revenue is recognized accordingly.

In the nine month period ended 30 September 2018, from the moment of consolidation, Invitel's revenues contributed with EUR 25,505 to the Group's consolidated revenues (EUR 18,937 for the three month period ended 30 September 2018).

10. OPERATING EXPENSES

	Three months ended 30 September 2018	Three months ended 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Depreciation of property, plant and equipment	32,515	24,428	92,263	71,303
Amortization of programme assets	8,341	8,162	28,484	29,497
Amortization of non-current intangible assets	9,492	8,358	30,656	23,200
Salaries and related taxes	49,466	37,582	135,201	107,885
Contribution to pension related fund	1,614	4,167	3,855	12,779
Programming expenses	25,575	21,309	68,431	62,532
Telephony expenses	42,257	41,068	123,917	113,792
Cost of goods sold	12,627	6,667	26,417	30,202
Rentals	18,608	14,241	49,812	42,242
Invoicing and collection expenses	5,232	3,857	14,321	11,244
Utilities	5,356	4,222	14,361	12,867
Copyrights	2,329	2,278	7,045	6,769
Internet connection and related services	1,116	778	2,953	2,769
Impairment of receivables, net of reversals	2,588	3,363	7,536	7,300
Impairment of property, plant and equipment	284	267	1,275	2,469
Impairment of non-current intangible assets	-	-	5	-
Taxes to authorities	2,369	2,385	7,146	7,079
Other materials and subcontractors	1,924	2,206	7,436	6,540
Other services	8,911	5,290	23,529	15,525
Other expenses	8,059	6,870	23,524	30,585
Total operating expenses	238,663	197,498	668,167	596,579

2017 and 2018 share option plans expenses accrued in the period are included in the caption “Salaries and related taxes”. For details, please see Note 14. Expenses presented on line “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.

In the nine month period ended 30 September 2018, from the moment of consolidation, Invitel’s operating expenses, including depreciation, contributed with EUR 32,261 to the Group’s consolidated operating expenses (EUR 19,311 for the three month period ended 30 September 2018).

11. NET FINANCE COSTS

	Three months ended 30 September 2018	Three months ended 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Financial revenues				
Interest from banks	162	13	220	45
Other financial revenues	37	-	37	1
Foreign exchange differences (net)	890	-	-	660
	1,089	13	257	706
Financial expenses				
Interest expense and amortization of borrowing cost	(12,116)	(9,117)	(33,546)	(26,504)
Net gain/(loss) on derivative financial instruments	(60)	(866)	(685)	(2,822)
Foreign exchange differences (net)	-	(2,916)	(4,653)	-
Other financial expenses	(2,252)	(2,610)	(6,124)	(6,530)
	(14,428)	(15,509)	(45,008)	(35,856)
Net Financial Cost	(13,339)	(15,496)	(44,751)	(35,150)

12. BUSINESS COMBINATION**Acquisition of Invitel Távközlési Zrt (“Invitel”)**

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. (“Digi HU”) our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement (“SPA”) 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 (“Invitel”).

Invitel Távközlési Zrt is one of Hungary’s telecommunication services provider. Invitel offers entertainment and multimedia, digital and HD television, broadband internet and telephone services in different villages and townships and the served areas include nearly 1.1 million households.

The transaction was closed on 30 May 2018 for a total consideration of approximately 135.4 million EUR. Control was transferred at the same date. There are certain conditions regarding divesting part of the Invitel business in certain areas that need to be fulfilled.

The transaction is expected to allow Digi Group to consolidate its position on the Hungarian telecommunications market, to expand its customer reach and experience, as well as to create better operational synergies.

As per the SPA concluded between Digi HU acting as Purchaser and Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers on 21 July 2017, at the completion date of the transaction from 30 May 2018, the Sellers Debt due to Ilford Holding Kft, in amount of 27,280,548 HUF, was part of the purchase consideration settled by Digi HU. As a consequence, Digi HU has become the creditor for Invitel’s loan for a period of 5 years, with interest of 2.65% plus BUBOR per annum.

In accordance with the requirements of IFRS 3 “Business Combinations”, the Purchase Price Allocation (“PPA”) analysis for the Invitel acquisition of shares started in view of consolidating the Invitel’s assets, liabilities and results. The PPA assessment is in a preliminary phases, but can be finalized over a period of 12 months, as per IFRS 3 requirements. The PPA is undertaken by an external independent evaluator. The full disclosure regarding the analysis will be presented in the annual financial statements.

12. BUSINESS COMBINATION (CONTINUED)

The nine month period ended 30 September 2018 interim condensed consolidated financial statements include the consolidated results of Invitel starting from June 1st, 2018 and the preliminary valuation of the fair value of identifiable assets and liabilities of Invitel as at the date of acquisition.

The preliminary fair values of the identifiable assets and liabilities of Invitel as at the date of acquisition were:

	FV recognized on acquisition
Consideration paid	135,576
Shares acquired	50,025
Debt acquired	85,551
Assets acquired	
Intangible assets	30,337
Tangible assets	130,926
Financial assets	45
Net working capital	(5,670)
Total assets	155,640
Long term liabilities	(95,418)
Current Liabilities	(2,923)
Provisions	(781)
Deferred income	(10,045)
Total liabilities	(109,167)
Cash and bank accounts	3,349
Net debt	(105,818)
Less: Debt acquired by Digi	85,551
(Net debt) assumed, adjusted for debt acquired by Digi	(20,267)
Deferred tax assets/ liabilities (*)	(2,462)
Net assets, excluding Goodwill	132,910
Minority interest, @ 0.001605%	2
Preliminary goodwill	2,667

¹ Provisional. At date of this report, the available information is not sufficient to allow a reliable estimate of the DTA or DTL.

The preliminary identifiable intangible assets include the existing intangible assets of Invitel (licenses, software, etc), trademarks and customer relationships.

The preliminary identifiable tangible assets include land, buildings, network, plant & machinery, motor vehicles and assets in progress.

The identifiable net assets acquired do not include the Sellers Debt (including interest) due to Ilford Holding Kft with a nominal value of 27,280,548 HUF which were undertaken by Digi HU and repaid immediately on the acquisition

date as part of consideration paid to the sellers. For purchase price allocation purposes such loans payable are considered to be part of the equity of the acquiree. Therefore, the purchase consideration, as disclosed above, includes the price paid both for the shares of the acquiree and for such loans settled with Ilford Holding Kft.

12. BUSINESS COMBINATION (CONTINUED)

The preliminary implied goodwill was accounted for using the acquisition method and is included on line “Intangible assets” in the group’s consolidated statement of financial position as at 30 September 2018.

From the date of acquisition up to 30 September 2018, Invitel has contributed with EUR 25,505 of consolidated revenue and EUR 7,955 to the consolidated EBITDA of the Group (three months ended 30 September 2018: EUR 18,937 revenue contribution and EUR 6,036 EBITDA contribution).

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.

(b) Liquidity risk

At 30 September 2018, the Group had net current liabilities of EUR 339,266 (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 vested and Mr. Serghei Bulgac, Chief Executive Officer and Executive Director of the Company and Mr. Valentin Popoviciu, Executive Director of the Company, have exercised their stock options. In accordance with this stock option plan, Mr. Serghei Bulgac was granted 220,000 shares, while Mr. Valentin Popoviciu was granted 60,000 shares.

In December 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.

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.

In May 2018, Mr. Serghei Bulgac (Chief Executive Officer and Executive Director of the Company), Mr. Valentin Popoviciu (Executive Director of the Company), Mr. Marius Varzaru (Non-executive Director) and Mr. Bogdan Ciobotaru (Non-executive Director) have been granted by the Company conditional stock options pursuant to the decision of the Company's general meeting of shareholders dated 2 May 2018. The number of options of class B shares granted as part of this stock option plan (applicable for the years 2018 and 2019) amounts to a total of 686,090 stock options. The further vesting of all option shares granted will be conditional upon several performance criteria and the passage of a minimum duration of 1 year.

The Company also granted on 24 May 2018 conditional stock options to a limited number of Romanian directors and employees. The number of options of class B shares granted to such directors and employees amounts to a total of 250,000 stock options. The further vesting of all option shares granted will be conditional upon several performance criteria and the passage of a minimum duration of 1 year.

The Company approved in June 2018 the implementation of a stock option plan to the benefit of the officers and employees of Digi Spain S.L.U., the Company's subsidiary in Spain. The maximum number of options of class B shares allocated to this plan amounts to 35,000. The grant of the stock options under this plan will be determined based on performance criteria and the vesting will be conditional upon the passage of a minimum duration of 1 year.

For the nine month period ended 30 September 2018, the related share option expense of EUR 12,409 (nine month period ended 30 September 2017: nil), out of which EUR 2,309 is included 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), and the amount of EUR 10,101 is excluded from EBITDA because the related share option plans are estimated to be one-time events.

15. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 September 2018 the Group had derivative financial assets in amount of EUR 36,848 (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 3,428 being mark to market gain from fair valuation of electricity trading contracts (31 December 2017: EUR 1,619).
- Interest rate swaps asset in amount of EUR 157 (31 December 2017: EUR 601 liability): 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 it settles the

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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.

As at 30 September 2018 the Group had derivative financial liabilities in amount of EUR 1,629 (31 December 2017: EUR 10,131), which included:

- Electricity trading liabilities (term contracts) of EUR 1,629 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
30 September 2018				
Available for sale financial assets	-	-	35,960	35,960
Interest rate swaps	-	-	-	-
Embedded derivatives	-	-	33,421	33,421
Electricity trading assets (term contracts)	-	-	3,428	3,428
Electricity trading liabilities (term contracts)	-	-	(1,629)	(1,629)
Total	-	-	71,180	71,180
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 and Hungary 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 30 September 2018, contractual commitments for capital expenditure amounted to approximately EUR 65,353 (31 December 2017: EUR 54,052) and contractual operating commitments amounted to approximately EUR 219,199 (31 December 2017: EUR 214,880), including operating leases.

In addition to the above, there are approximately another 600 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 2,735 (31 December 2017: EUR 1,879).

(b) Letters of guarantee

As of 30 September 2018, there were bank letters of guarantee and letters of credit issued in amount of 5,554 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 30 September 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.

(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 the 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 (except for limited amounts in limited cases) 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 Litigations, which ceased under a Settlement Agreement

Starting with March 2011, the Intact Media Group initiated a series of lawsuits against us, while we also initiated a series of counter-claims or separate claims.

On 15 June 2018, RCS & RDS S.A. (the Romanian subsidiary of the Company - “**RCS & RDS**”) concluded a settlement agreement with Antena TV Group S.A. (“**Antena Group**”) and Antena 3 S.A. on the grounds of which the parties have irrevocably waived all the claims which were the subject of the disputes between them and, therefore, have agreed to cease all disputes between RCS & RDS and Intact Media Group. In the implementation of the Settlement Agreement, the parties submitted requests in each file registered with the courts to cease these disputes. The courts vested with part of these disputes have already acknowledged their cease, and in the near future all these litigations will be finally ceased by implementing the Settlement Agreement. More details in this respect are available below.

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. In these litigations were claimed both damages of approximately €100 million, as well as requests to 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. After challenging in court the validity of such assignment agreements, we obtained, on 18 January 2018, a final and binding decision annulling such assignments.

In the first proceeding, Antena Group claimed 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.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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).

On 28 June 2018, Bucharest Tribunal admitted the joint request submitted by RCS & RDS and Antena Group as per the Settlement Agreement, ceasing the first instance judgment in the first dispute. The Tribunal's decision was communicated to the parties and is now final.

The €5 million monetary damages were reiterated, in 2012, by First Quality Debt Recovery in a different lawsuit (on the grounds of the Assignment Agreement which was later annulled by the courts at RCS & RDS request), which was stayed. RCS & RDS requested the court to resume the trial in this file to acknowledge the case of the judgment as a result of both the liquidation and the deregistration of First Quality Debt Recovery from the Trade Registry on 10 November 2017, as well on the grounds of the Settlement Agreement concluded with Antena Group. The court resumed the trial on 17 October 2018 and annulled the statement of claim due to First Quality's lack of capacity.

Separately, Antena Group has filed in 2012 two lawsuits claiming (i) monetary damages of approximately €5 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. Because Antena Group assigned to First Quality Debt Recovery the claims regarding the €5 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 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.

Following the Settlement Agreement, RCS & RDS and Antena Group filed joint requests to settle the litigation having as object the monetary damages for the retransmission of the TV stations GSP TV and Antena 2. The Bucharest Court ceased the proceedings in first instance in the disputes concerning claims for retransmission of Antena 2 on 26 June and 10 July 2018. The court also acknowledged on 2 July and 5 September 2018 of the cease of the disputes regarding the claims related to retransmitting GSP TV station. The court decisions ceasing the litigations were communicated to the parties and are now final.

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 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.

On 17 July 2018, The Fifth District Court admitted the joint request filed by the parties to the dispute, ceasing the first instance judgement. The solution 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.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

On 21 June 2018, the Bucharest Tribunal admitted the joint request filed by the parties to the dispute as per the Settlement Agreement, ceasing the first instance judgment. The solution is final.

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.

On 22 June 2018, the parties filed a joint request to cease the dispute as per the Settlement Agreement and a date for this request to be heard is to be established by the High Court of Cassation and Justice.

e) Other reciprocal 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 22 June 2018, the parties filed a joint request to cease the dispute as per the Settlement Agreement. The High Court of Cassation and Justice gave effects to this request by a final and binding decision on 4 October 2018.

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.

The parties filed joint requests also to cease these disputes as per the Settlement Agreement.

In the first dispute, the court ceased the judgement on 26 June 2018, the solution became final.

In the second dispute, the request will be analysed after the file is transmitted to the High Court of Cassation and Justice by the court of appeal.

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.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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. On 7 May 2018, the court admitted the National Cinematography Centre's claim in part by granting to the claimant 3.9 million lei. This decision is not final. We have challenged it. The first hearing in front of the Bucharest Court of Appeal was not scheduled yet.

For great part of the amounts claimed by the National Cinematography Centre we continue to 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 Distribuție Transilvania Nord in relation to a concession agreement between the Company and the Oradea municipality

In 2015, Electrica Distribuție 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 Distribuție 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 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).

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 (phase completed), while a date for an eventual 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, additionally, 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.

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.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 Appeal, 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. Until the present, the court admitted a request submitted by several defendants and decided that as at the date of the indictment the statute of limitation for prosecuting the alleged giving of bribe has lapsed with respect to RCS&RDS and the individuals subject of the giving of bribe accusations and accessories thereof. On 2 October 2018, the court heard the parties on the merits of the entire case and is to issue a decision not sooner than 15 November 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.

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.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 Arbitral Tribunal was constituted and started the work on the file. The arbitration timetable was agreed between the parties and the Arbitral Tribunal and the first hearing was set for January 2019.

Competition Council GSP Tv Investigation

RCS&RDS has been until the date of this report subject to one infringement investigation by the Competition Council which has been finalized in 2015. To the best of 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, 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.

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 was subjected 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. The trial will be settled as per the Settlement Agreement (the details of this case are explained in a dedicated section above: “Litigation regarding the outcome of the GSP investigation”).

Reassessment by the Hungarian Competition Authority of limited aspects in connection with the Invitel acquisition

In connection with the decision issued by the Hungarian Competition Authority (Gazdasági Versenyhivatal – “GVH”) in May 2018 approving the acquisition by DIGI Távközlési és Szolgáltató Kft. (“**Digi HU**”), as the purchaser, of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt., from Ilford Holding Kft. and InviTechnocom Kft. (former name Invitel Technocom Távközlési Kft.), acting as sellers, the GVH is currently performing an analysis for reassessing the completeness of certain information used on limited aspects in connection with the merger procedure. Digi HU is fully cooperating with the GVH to provide any needed additional information or clarification.

17. SUBSEQUENT EVENTS

In October 2018, Digi Spain purchased from RCS & RDS the ownership of a quota of DIGI Italy equal to nominal value of €8,500, at a price of € mil. The price shall be paid within 6 months of the date the transaction.

In October 2018, RCS & RDS drew the remaining available amount of RON 78,884 from Facility B1 of the SFA 2018.

For details regarding the up-date of the litigations, please see Note 16 (c) above.

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 months ended 30 September 2018	Three months ended 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Revenues and other income	269,778	230,104	752,045	684,071
EBITDA				
Operating profit	29,838	39,288	80,987	95,260
Depreciation, amortization and impairment	50,633	41,215	152,683	126,469
EBITDA	80,471	80,503	233,670	221,729
Other income	(2,481)	(6,682)	(9,729)	(10,695)
Other expenses	3,754	-	12,620	2,927
Adjusted EBITDA	81,744	73,821	236,561	213,961
<i>Adjusted EBITDA (%)</i>	<i>30.30%</i>	<i>32.08%</i>	<i>31.46%</i>	<i>31.28%</i>

For the nine months ended 30 September 2018, EBITDA was adjusted to exclude Other income and Other expense. Other income represents mark to market gain from fair value assessment of the energy trading contracts. Other expense represents the accrued expenses for the period related to the share option plans from 2017 and 2018 which are expected to be one-time events (for details, please see Note 14) and Invitel's acquisition related costs.

For the nine months ended 30 September 2018, Invitel contributed with EUR 7,955 to the consolidated EBITDA of the group.

For the nine months ended 30 September 2017, EBITDA was adjusted to exclude Other income and Other expense. Other income includes mark to market gain from fair valuation of the energy trading contracts in amount of EUR 7,748 and EUR 164 representing revenues from disposal of the participation in Digi SAT d.o.o, which are excluded from adjusted EBITDA. As of 30 September 2017 Digi recorded EUR 2,927 IPO related costs (Other one-off expenses) out of which EUR 2,782 were recovered (Other one-off income) from the selling shareholders in the IPO from May 2017.

19. FINANCIAL INDICATORS

Financial Indicator	Value as at 30 September 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)	525%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	84%
Trade receivables turnover	
Average receivables/Revenues x 270	32.47 days
Non-current assets turnover	
(Revenues/Non-current assets)	1.10

Serghei Bulgac,

CEO,

Valentin Popoviciu

Executive Director,
