DIGI COMMUNICATIONS NV

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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GENERAL INFORMATION

Directors:

Serghei Bulgac

Bogdan Ciobotaru

Valentin Popoviciu

Piotr Rymaszewski

Sambor Ryszka

Marius Catalin Varzaru

Zoltan Teszari

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

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 EUR 135.4 million. 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 valuator.

These unaudited interim condensed consolidated financial statements include the consolidated results of Invitel starting from 1 June 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 Combinations.

	Notes	Unaudited 30 September 2018	Audited 31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,082,933	900,691
Intangible assets	5	245,672	215,248
Financial assets at fair value through OCI		35,960	42,146
Investments in associates		788	784
Long term receivables		4,768	2,018
Other non-current assets		4,323	-
Deferred tax asset		2,442	2,828
Total non-current assets		**1,376,886**	**1,163,715**
Current assets			
Inventories		14,082	10,063
Programme assets	5	28,821	22,250
Trade and other receivables		63,669	82,472
Contract assets		34,734	-
Income tax receivable		436	1,727
Other assets		13,624	11,046
Derivative financial assets	15	40,411	34,883
Cash and short term deposits		17,063	16,074
Total current assets		**212,840**	**178,515**
Total assets		**1,589,726**	**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		(13,653)	1,248
Retained earnings		165,021	138,869
Total equity attributable to equity holders of the parent		**149,505**	**136,519**
Non-controlling interest		7,245	6,029
Total equity		**156,750**	**142,548**
Non-current liabilities			
Interest-bearing loans and borrowings, including bonds	7	777,960	648,040
Deferred tax liabilities		61,916	45,517
Decommissioning provision		5,571	5,409
Other long term liabilities		34,251	36,738
Total non-current liabilities		**879,698**	**735,704**
Current liabilities			
Trade payables and other payables		407,535	358,074
Interest-bearing loans and borrowings	7	109,324	82,009
Income tax payable		2,659	-
Derivative financial liabilities	15	1,629	10,131
Provisions		7,224	2,497
Contract liabilities		24,907	-
Deferred revenue		-	11,267
Total current liabilities		**553,278**	**463,978**
Total liabilities		**1,432,976**	**1,199,682**
Total equity and liabilities		**1,589,726**	**1,342,230**

The notes on pages 7 to 46 are an integral part of these interim condensed consolidated financial statements.
These unaudited interim condensed consolidated financial statements were re-issued on 6 February 2019.

	Notes	Unaudited			Unaudited		
		Nine month period ended 30 September 2018			Nine month period ended 30 September 2017		
		Continuing Operations	Discontinued Operations	TOTAL	Continuing Operations	Discontinued Operations	TOTAL
Continuing Operations							
Revenues	9	756,368		756,368	687,335	-	687,335
Other income		9,729		9,729	10,695	-	10,695
Operating expenses	10	(668,169)		(668,169)	(597,506)	-	(597,506)
Other expenses		(16,279)	(1,070)	(17,349)	(2,927)	-	(2,927)
Operating Profit		**81,649**	(1,070)	**80,579**	**97,597**	**-**	**97,597**
Finance income	11	3,819		3,819	15,129	-	15,129
Finance expenses	11	(45,007)		(45,007)	(35,856)	-	(35,856)
Net finance costs		**(41,188)**		**(41,188)**	**(20,727)**	**-**	**(20,727)**
Profit before taxation		**40,461**	(1,070)	**39,391**	**76,870**	**-**	**76,870**
Income tax		(18,465)		(18,465)	(18,814)	-	(18,814)
Net profit for the period		**21,996**	(1,070)	**20,926**	**58,056**	**-**	**58,056**
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Foreign operations – foreign currency translation differences		(5,044)	-	(5,044)	249	-	249
Cash Flow hedge reserves		518	-	518	926	-	926
Items that will not be reclassified to profit or loss							
Revaluation of equity instruments measured at fair value through OCI*		(6,186)	-	(6,186)	-	-	-
Other comprehensive income/(loss) for the period, net of income tax		**(10,712)**	**-**	**(10,712)**	**1,175**	**-**	**1,175**
Total comprehensive income for the period		**11,284**	**(1,070)**	**10,214**	**59,231**	**-**	**59,231**

*) following the adoption of IFRS 9, no recycling of gains or losses to profit or loss will be recorded on derecognition of financial assets at fair value through OCI starting from 1 January 2018. Under the previous accounting standard, recycling of gains or losses to profit or loss would occur.

Profit attributable to:						
Equity holders of the parent	19,381	-	19,381	55,738	-	55,738
Non-controlling interest	1,545	-	1,545	2,318	-	2,318
Profit for the period	**20,926**	**-**	**20,926**	**58,056**	**-**	**58,056**
Total comprehensive income attributable to:						
Equity holders of the parent	8,948	-	8,948	56,861	-	56,861
Non-controlling interest	1,265	-	1,265	2,370	-	2,370
Total comprehensive income for the period	**10,213**	**-**	**10,213**	**59,231**	**-**	**59,231**
Basic earnings per share (EUR/share)	**0.2**	**-**	**0.2**	**0.6**	**-**	**0.6**
Diluted earnings per share (EUR/share)	**0.2**	**-**	**0.2**	**0.6**	**-**	**0.6**

The notes on pages 7 to 46 are an integral part of these interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements were re-issued on 6 February 2019.

	Notes	Unaudited Nine month period ended 30 September 2018	Unaudited Nine month period ended 30 September 2017
Cash flows from operating activities			
Profit before taxation		**39,391**	**76,871**
Adjustments for:			
Depreciation, amortization and impairment	10	152,684	126,469
Interest expense, net	11	33,546	26,508
Impairment of trade and other receivables	10	7,537	7,300
Share-based payment expense		12,404	926
Unrealised losses/ (gains) on derivative financial instruments		(12,587)	(19,471)
Unrealised foreign exchange loss / (gain)		3,464	4,298
Gain on sale of assets		(11)	(251)
Provisions		4,729	-
Cash flows from operations before working capital changes		**241,157**	**222,650**
Changes in:			
Trade receivables, other assets and contract assets (increase)		(28,267)	(19,403)
Inventories (increase)		(4,219)	(1,909)
Trade payables, other payables and contract liabilities (increase)		8,915	13,745
Contract liabilities (increase)		12,380	5,297
Cash flows from operations		**229,966**	**220,380**
Interest paid		(26,837)	(20,228)
Income tax paid		(2,574)	(5,111)
Cash flows from operating activities		**200,555**	**195,041**
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 acquired acquired*		(141,599)	(1,366)
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 purchase of treasury shares		(703)	-
Proceeds from borrowings	7	174,827	39,181
Repayment of borrowings	7	(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**	**5,723**
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 is the consideration paid for acquisition of Invitel in amount of EUR 135,4 million paid by Digi Hu for the completion of transaction on 30 May 2018. For details, please see Note 12 Business Combinations.*

The notes on pages 7 to 46 are an integral part of these interim condensed consolidated financial statements.

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

DIGI Communications N.V.
Interim Condensed Consolidated Statement of Changes in Equity
for the period ended 30 September 2018
(all amounts in EUR '000, 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 (audited)	**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	-	-	-	-	-	-	-	19,381	**19,381**	1,545	**20,926**
Foreign currency translation differences	-	-	-	(4,731)	-	-	-	-	**(4,731)**	(313)	**(5,044)**
Revaluation of equity instruments measured at fair value through OCI	-	-	-	-	-	(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	**-**	**-**	**-**	**(4,731)**	**(4,468)**	**(6,186)**	**485**	**23,849**	**8,949**	**1,265**	**10,214**
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 (unaudited)	**6,918**	**5,251**	**(14,032)**	**(34,688)**	**30,652**	**(9,853)**	**237**	**165,020**	**149,505**	**7,245**	**156,750**

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

The notes on pages 7 to 46 are an integral part of these interim condensed consolidated financial statements.

	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 (audited)	**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	-	-	-	-	-	-	-	55,738	**55,738**	2,318	**58,056**
Foreign currency translation differences	-	-	-	233	-	-	-	-	**233**	16	**249**
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	**-**	**-**	**-**	**233**	**(5,426)**	**-**	**890**	**61,164**	**56,861**	**2,370**	**59,231**
Transactions with owners, recognized directly in equity											
Contributions by and distributions to owners											
Net change in share capital	6,867	(5,165)	-	-	-	-	-	(1,702)	**-**	-	**-**
Equity-settled share-based payment transactions	-	-	-	-	-	-	-	927	927	-	927
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**	-	-	-	**-**	***(6,775)***	***(2,296)***	***(425)***	***(2,721)***
Changes in ownership interests in subsidiaries											
Swap of NCI against Available for sale financial assets	-	-	-	-	-	-	-	41,177	**41,177**	-	**41,177**
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	(4,248)	(4,248)	2,182	(2,066)
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**36,929**	**36,929**	**2,182**	**39,111**
Total transactions with owners	**6,867**	**(5,165)**	**2,777**	**-**	**-**	**-**	**-**	***30,154***	**34,633**	**1,757**	**36,390**
Balance at 30 September 2017 (unaudited)	**6,918**	**3,082**	**(13,926)**	**(29,948)**	**37,570**	**-**	**(2,829)**	**131,792**	**132,659**	**5,565**	**138,224**

(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 EUR 135.4 million. For details, please see Note 12 Business Combinations.

Re-issue of previously issued financial information for the nine month period ended 30 September 2018

On 14 November 2018, the Company issued and published on its website the condensed consolidated interim financial report for the nine month period ended 30 September 2018 ("the original financial statements"). In connection with the Company's decision to issue an additional EUR 125,000 senior secured notes due 2023, the Company was required to re-issue financial information for the nine month period ended 30 September 2018 and financial information for the nine month period ended 30 September 2017 in these unaudited interim condensed consolidated financial statements for the nine month period ended 30 September 2018 ("the re-issued financial statements). As a result of this, the Company made certain changes compared to the original financial statements, as a result of the impact of adjusting subsequent events and inaccuracies/errors that were identified

Below tables summarize the adjustments that were recorded as at 30 September 2018:

As at 30 September 2018	*(all in Euro thousand)*		
Statement of Financial Position	**Reported as at 14 November 2018**	**Adjustments**	**Adjusted**
Other non-current assets		4,323[1]	4,323
Derivative financial assets	36,848	3,563[2]	40,411
Deferred tax liabilities	(60,826)	(1,090)[3]	(61,916)
Trade payables and other payables	(410,030)	2,495[4]	(407,535)
Provisions	-	(7,224)[5]	(7,224)
Equity attributable to equity holders of the parent	(147,577)	(1,928)[6]	(149,505)
Non-controlling interest	(7,112)	(133)[6]	(7,245)

1 recognition of deferred green certificates (€4,323)

2 fair value re-assessment for embedded derivative asset (€3,563)

3 additional deferred tax liability generated by the recorded adjustments (€1,090)

4 reclassification from trade and other payables to provisions (€2,495)

5 additional provisions in connection with ongoing litigation (€4,729) and reclassification from trade and another payables line (€2,495)

6 impact on equity attributable to equity holders of the parent (€1,928) and non-controlling interest (€133) of the recorded adjustments above

Below tables summarize the adjustments that were recorded for the nine month period ended 30 September 2018:

9 months period ended 30 September 2018 (all in Euro thousand)			
Statement of comprehensive income	**Reported as at 14 November 2018**	**Adjustments**	**Adjusted**
Revenues	752,045	4,323[1]	756,368
Other expenses	(12,620)	(4,729)[2]	(17,349)
EBITDA	233,670	(407)	233,263
Finance income	257	3,562[3]	3,819
Income Tax	(17,373)	(1,092)[4]	(18,465)
Net profit for the period	18,864	2,062	20,926

1 recognition of deferred green certificates (€4,323)

2 additional provisions in connection with ongoing litigation (€4,729)

3 fair value re-assessment for embedded derivative asset (€3,563)

4 additional deferred tax expense from the recorded adjustments (€1,092)

Below tables summarize the adjustments that were recorded for the nine month period ended 30 September 2017:

9 months ended 30 September 2017 (all in Euro thousand)

Statement of comprehensive income	Reported as at 14 November 2018	Adjustments	Adjusted
Revenues	684,071	3,264	687,335[1]
Operating expenses	(596,579)	(927)	(597,506)[2]
EBITDA	221,729	2,337	224,066
Finance income	706	14,423	15,129[3]
Income Tax	(15,944)	(2,870)	(18,814)[4]
Net profit for the period	44,166	13,890	58,056
Other comprehensive income:			
Available for sale financial asset, net change in fair value	41,177	(41,177)[5]	-

1 recognition of deferred green certificates (€3,264)

2 recognition of expense related to the Group's Share Option Plans (€927)

3 fair value re-assessment for embedded derivative asset (€14,423)

4 additional deferred tax expense from the recorded adjustments (€2,870)

5 reclassification to retained earnings of the Swap of NCI against Available for sale financial assets

The cash flow statements and the statements of changes in equity have been also restated accordingly.

These unaudited interim condensed consolidated financial statements were authorized for re-issue on 6 February 2019 by the Board of Directors of Digi Communications N.V.

2.1 BASIS OF PREPARATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements for the nine month period ended 30 September 2018 have 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. These interim condensed consolidated financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017 which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and part 9 of book 2 of the Dutch Civil code.

(b) Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for buildings, cable plant, equipment and devices and customer premises equipment measured at revalued amount, and except for financial assets at fair value through OCI and derivative financial instruments measured at fair value.

(c) Judgements and estimates

Preparing the interim condensed consolidated financial statements 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 these interim condensed consolidated financial statements, 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.

(d) Functional and presentation currency

The functional currency as well as the presentation currency for the financial statements of each Group entity is the currency of the primary economic environment in which the entity operates (the local currency).

The interim condensed consolidated financial statements are presented in Euro ("EUR") and all values are rounded to the nearest thousand EUR except when otherwise indicated. The Group uses the EUR as a presentation currency of the interim condensed consolidated financial statements under IFRS based on the following considerations:

- management analysis and reporting is prepared in EUR;
- EUR is used as a reference currency in telecommunication industry in the European Union;
- Main debt finance instruments are denominated in EUR.

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		
	1 Jan	Average for the 9 months	30 Sep	1 Jan	Average for the 9 months	30 Sep
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

2.2. GOING CONCERN

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017, except for the following amended IFRSs which have been adopted by the Group as of 1 January 2018:

New pronouncements
The accounting policies used are consistent with those of the previous financial year except for the following new and amended IFRSs which have been adopted by the Group as of 1 January 2018:

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

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

The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Group adopted the new standard on the required effective date and utilized the option of simplified initial application. As the effect arising from transition to IFRS 9 was not material, the cumulative effect arising from the transition was recognized in the statement of comprehensive income for the period of initial application. Prior year comparative information was not restated and continues to be reported under IAS 39. The Group provides the explanation of the reasons for changes in items in the consolidated statement of financial position and the consolidated statement of comprehensive income.

a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The new classification and measurement of the Group's debt financial assets are at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables, which are classified and measured as Debt instruments at amortised cost beginning 1 January 2018;

Other financial assets include equity instruments which are classified and subsequently measured as financial assets at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

There are no significant factoring arrangements in place and no significant sales of receivables have occurred in the past. For these trade receivables the principal is deemed to be the amount resulting from a transaction in the scope of IFRS 15.

The entity has determined that the trade receivables do not include a significant financing component and, hence, the time value of money component was considered immaterial and ignored in the SPPI assessment. All trade receivables of the Group are plain vanilla. Therefore, trade receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest;

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of IFRS 9, the Group recorded the following required reclassifications as at 1 January 2018:

		IFRS 9 measurement category	
	IAS 39 Amount	Amortised cost	Fair value through OCI
IAS 39 measurement category			
Loans and receivables			
Trade and other receivables	49,949	49,949	-
Contract assets	32,523	32,523	-
Available for sale			
Unquoted equity instruments	42,146	-	42,146
	124,618	**82,472**	**42,146**

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

b) Impairment

The new impairment model requires the recognition of impairment allowances based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. Financial assets measured at amortized cost will be subject to the impairment requirements of IFRS 9. In general, the application of the expected credit loss model results in earlier recognition of credit losses and increases the amount of loss allowance recognized for the relevant items.

The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The only impact on the financial statements of the Group due to 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, as well as contract assets which are not yet due. Trade receivables overdue by more than 6 months are written off. The Group considers a financial asset in default when contractual payment are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The Company applies the simplified method.

Upon adoption of IFRS 9, the Group computed additional impairment as on the Group's Trade receivables and contract assets as at 1 January 2018. The additional impairment was not recorded in the opening balance of Retained earnings, as at 1 January 2018, given the fact that the amount was not material.

With respect to cash and cash equivalent amounts, due to the fact that the Group's exposure is towards banks with very low probability of default there was no allowance to be recorded as the amounts are insignificant.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9. Remeasurements are mostly attributable to application of the expected credit losses model.

	Allowance for impairment	Remeasurement	Allowance for

	under IAS 39 as at 31 December 2017		impairment under IFRS 9 as at 1 January 2018
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9	48,421	1,136	49,557
Loans and receivables under IAS 39/ Contract assets	-	106	106
Total	**48,421**	**1,242**	**49,663**

Hedging

The Group applied the policy choice of continuing with hedge accounting requirements of IAS 39. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The Group holds derivative financial instruments to hedge its interest rate risk exposures. On initial designation of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent.

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's financial statements.

At the date of initial application, 1 January 2018, the Group applied the modified retrospective method and did not restate the comparative period, as permitted by IFRS 9.

- **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. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 Revenue from contracts with customers using the modified retrospective method of adoption with initial date of application of 1 January 2018, limiting the application of the new standard to contracts that have not yet been completely fulfilled at the date of initial application. Contracts that have not been yet completely fulfilled as of 1 January 2018 are accounted for, as if the requirements of the new standard would have applied since the beginning of the contract.

The impact of initial application of IFRS 15 consist solely of reclassifications and a more disaggregated presentation of revenues by categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors (for details, please see the disaggregated presentation of revenues, included in Note 10). Thus, the cumulative effect arising from transition to be recognized as an adjustment to the opening balance of retained earnings in the year of initial application was not recognized, as it is not significant. Prior year comparatives were not adjusted in order to reflect the effect of reclassification in the consolidated statement of financial position. Instead, the Group presents the adjustments made to items in the consolidated statement of financial position as at 1 January 2018 attributable to IFRS 15.

Impact on the consolidated statement of financial position at 31 December 2017

	Carrying amount in accordance with IAS 18	Reclassification	Carrying amount in accordance with IFRS 15
Current assets			
Trade and other receivables	82,472	(32,523)	49,949
Contract assets	-	32,523	32,523
Total	**82,472**	**-**	**82,472**
Current liabilities			
Contract liabilities	-	11,267	11,267
Deferred income	11,267	(11,267)	-
Total	**11,267**	**-**	**11,267**

The overview presented above contains only those items of the consolidated statement of financial position that are affected by the first-time application of IFRS 15. The carrying amounts as of 1 January 2018 are shown before the effect of impairment losses on contract assets recognized in accordance with the initial application of IFRS 9. Please refer to the section above, for the impact of initial application of IFRS 9.

The reclassifications mainly concern the following items:

- the unbilled amounts in relation with equipment sold in installments to customers (such as TV sets, telephones and tablets), that, under IAS 18 were recognized under trade and other receivables, as of 31 December 2017, are reclassified as contract assets under IFRS 15; these represent the right to consideration in exchange for goods or services already transferred to the customer;
- the deferred income in relation with amounts collected in advance, from customers, which is recognized as contract liabilities under IFRS 15, being the obligation to transfer goods or services for which the Group has received consideration (or an amount of consideration is due) from the customer;

Impact on the consolidated statement of comprehensive income for the nine months ended 30 September

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated statement of comprehensive income is:

	For the period ended 30 September 2018		
	Without adoption of IFRS 15	Effect of IFRS 15	As reported
Revenues	756,368	(756,368)	-
Revenues from contract with customers	-	749,132	749,132
Other revenues	-	7,236	7,236
Total	**756,368**	**-**	**756,368**

Revenue is measured based on the consideration specified in a contract with a customer. Revenue from contracts with customers is recognised when control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from sale of goods was recognized when the significant risk and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably. Revenue from rendering of services was recognized in proportion to the stage of completion of the work performed at the reporting date, or at the time when the services are performed.

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 compared to IAS 18 consists 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 received;
- 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 create a contract asset (which is included in the calculation of the impairment allowance under IFRS 9, as described above).

Below section summarize how and when revenue is recognized for the respective category of revenue.

Revenues from services

The Group's main sources of revenue from services are:

- revenue from the provision of video, cable TV ("CATV") and direct-to-home ("DTH") TV, subscription services;
- revenue from the provision of internet and data communication subscription services (fixed and mobile);
- revenue from the provision of fixed-line and mobile telephony subscription and fixed-line and mobile telephony voice traffic services.

- *Subscription fees and voice traffic services*
  Video services subscriptions, pay TV fees, internet and data subscriptions, telephony subscriptions and voice minutes consumption revenues are recognised over time, based on the period when the services are provided. These revenues are collected through subscription fees that arise from the monthly billing of subscribers for these services and monthly billing of voice traffic. Revenue is recognized in the month the service is rendered. Voice traffic revenue is recognized in the profit or loss at a point in time, when the call is made. Revenue from interconnect fees is recognised at a point in time, when the services are performed.

- *Prepaid services*
  Revenue from sale of prepaid cards, net of discounts allowed, included in the Group's prepaid services packages is recognised over time based on usage. Prepaid revenue is deferred until the customer uses the traffic or the card expires.

- *Customer loyalty programme*
  Starting with 2016, the Group operates a loyalty programme in Romania which allows customers to receive vouchers on signing new or renewed contracts. The fair value of the consideration is deducted from the future subscription values and recognized as revenue when it is redeemed, or at expiration.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Equipment sales

Revenue is recognized at a point in time, when the Group performs under the contract and the control of goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Sales of mobile, CTV and DTH devices

The group recognizes revenue when a customer takes possession of the device. This usually occurs when the customer signs the contract. For devices sold separately (not in a bundled package), customers pay in full at the point of sale. For mobile devices sold in bundled packages, customers usually pay monthly in equal instalments, over a period of 12 months or 24 months.

Bundled services

Certain packaged offers comprise of the subscription service and the device. For bundled services, the Group accounts for individual products or services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list price at which the Group sells the devices and the telecommunication, CATV, DTH services.

Where a promotional offer includes a period of free service, the respective discount is allocated proportionally to each distinct performance obligation.

Rental income

Rental income comprising of the fair value of the consideration received or receivable arising from leases of assets is accounted over the lease term (unless another systematic basis is more representative of the pattern in which the usage benefit derived from the leased asset is diminished).

Advertising

Revenues obtained from publicity sales on our broadcasting channels (TV & radio) are recognized at a point in time, when the relating advertising is performed.

Supply of electricity

Realized results from trading of electricity are reported in the Profit and Loss account on a net basis as part of Operating expenses. Mark-to-market results (unrealised) from fair value assessment of energy trading contracts are reported as Other income/ (Other expense) in the Profit and Loss account.

Revenues from electricity production are recognized in the period when these have been delivered into the Romanian national electric grid and / or to customers.

Revenue from sale of green certificates granted under Romania's renewable energy support scheme is recognized at a point in time, when control is transferred to the customers. Deferred green certificates are recognized at fair value, which includes for the green certificates for which trading is deferred, the assessment of the related under-absorption risk.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Costs to obtain a contract

Under IFRS 15, amounts capitalized by the Group as subscriber acquisition costs (intangible assets) met the criteria describe in the new standard and were reclassified as costs to obtain a contract. The amortization period was also analyzed and found to be compliant with IFRS 15 requirements.

Principal versus agent

Under IFRS 15, the principal versus agent assessment is based on whether the Group controls the specific goods or services before transferring to the customer, rather than whether it has exposure to significant risks and rewards associated with the sale of the goods or services. The Group has concluded that it is the principal in all its revenue arrangements, because it controls the goods or services before transferring them to the customer.

Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach.

The Group has considered these clarifications when performing the analysis of the IFRS 15 implementation impact, as detailed above.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- **IFRS 16: Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group will transition to IFRS 16 in accordance with the modified retrospective approach, therefore the prior-year figures will not be adjusted.

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 material effect on components of the consolidated statements and the presentation of the net assets, financial position and results of operations.

Statement of financial position: IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases. In future, assets must be recognized for the right of use received and liabilities must be recognized for the payment obligations entered into for all leases.

The Group will make use of the relief options provided for leases of low-value assets and short-term leases. In contrast, the accounting requirements for lessors remain largely unchanged, particularly with regard to the continued requirement to classify leases according to IAS 17.
For leases that have been classified to date as operating leases in accordance with IAS 17, the lease liability will be recognized at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate at the time the standard is first applied. The right of use asset will generally be measured at the amount of the lease liability plus initial direct costs. Advance payments and liabilities from the previous financial year will also be accounted for. The preliminary results of the analysis indicate a probable significant increase in lease liabilities and total assets. The Group's equity ratio will decline and the Net debt will rise accordingly due to the material increase in lease liabilities.

Statement of comprehensive income: In contrast to the presentation to date of operating lease expenses, in future depreciation charges on right of use assets and the interest expense from the unwinding of the discount on the lease liabilities will be recognized. IFRS 16 also provides new guidance on the treatment of sale and leaseback transactions. The seller/lessee recognizes a right of use asset in the amount of the proportional original carrying amount that relates to the right of use retained. Accordingly, only the proportional amount of gain or loss from the sale must be recognized.
These changes will improve the profit from operating activities (EBIT).

Cash flow statement: The change in presentation of operating lease expenses will result in a corresponding improvement in cash flows from operating activities and a decline in cash flows from financing activities.

To assess the impact of the application of IFRS 16, the Group performs an on-going analysis of its operational leases contracts as at 31 December 2018. To assess whether a contract is or contains a lease, the Group analyses if:

- The contract relates to an identified asset, which may be physically distinct or represent substantially all the capacity of a physically distinct asset;
- The Group has the right to obtain substantially all the economic benefits from the use of the asset throughout the contractual period;
- The Group has the right to direct the use of the asset

The remaining lease payments of the contracts, which were considered to be in the scope of IFRS 16, were discounted using the incremental borrowing rate which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Discount rates estimated considering lessee's incremental borrowing rate for each type of lease contracts reflects the specific risk of the lessee, country of operation and each sector for which funding would be needed.

The Group performs an on-going analysis to estimate the present value of the rent expenses which will represent the estimated additional impact on debt to be recognized in the Consolidated financial position and the carrying amount of the Right of usage asset; to estimate the depreciation expense for the additional assets recognized in the Consolidated financial position and the estimated interest expense of the lease liability, based on maturity profiles.

We expect the adoption of IFRS 16 from 1 January 2019 to have a significant impact on the above elements.

Other standards

Other standards which were issued but not yet effect and not early adopted have no impact on the Group's financial statements:

- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRS 9: Prepayment features with negative compensation (Amendment)
- IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)
- IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments
- IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)
- Conceptual Framework in IFRS standards
- the Annual Improvements to IFRSs 2015 – 2017 Cycle issued by IASB.

3. SEGMENT REPORTING

Nine months ended 30 September 2018	Romania	Hungary[1]	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	514,219	134,972	89,988	17,189	-	-	**756,368**
Inter-segment revenues	2,602	-	616	452	(3,670)	-	**-**
Segment operating expenses	(320,091)	(108,722)	(69,159)	(21,183)	3,670	-	**(515,485)**
Adjusted EBITDA	**196,730**	**26,250**	**21,445**	**(3,542)**	**-**	**-**	**240,883**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(152,684)	**(152,684)**
Other income (Note 18)	9,729	-	-	-	-	-	**9,729**
Other expenses (Note 18)	(14,830)	(2,519)	-	-	-	-	**(17,349)**
Operating profit							**80,579**
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**
Carrying amount of:							
Property, plant and equipment	796,458	279,601	6,607	267	-	-	**1,082,933**
Non-current intangible assets	201,892	32,975	8,468	2,337	-	-	**245,672**
Investments in associates and Financial assets at fair value through OCI	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 combinations.

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

3. SEGMENT REPORTING (continued)

Nine months ended 30 September 2017	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	494,319	113,107	66,904	13,005	-	-	**687,335**
Inter-segment revenues	1,788	-	884	433	(3,105)	-	**-**
Segment operating expenses	(328,770)	(80,311)	(49,168)	(15,893)	3,105	-	**(471,037)**
Adjusted EBITDA	**167,337**	**32,796**	**18,620**	**(2,455)**	**-**	**-**	**216,298**
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						-	**97,597**
Additions to tangible non-current assets	104,641	28,042	1,722	185	-	-	**134,590**
Additions to intangible non-current assets	25,678	948	3,713	1,809	-	-	**32,148**
Carrying amount of:							
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 and Financial assets at fair value through OCI	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

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 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 consolidation at the acquisition date, please see details in Note 12 Business Combinations.

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).

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 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 consolidation at the acquisition date, please see details in Note 12 Business Combinations.

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 by EUR 2,667 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 EUR 35,095 (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	2,667
Effect of movement in exchange rates	(1,023)
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 it 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 Combinations.

(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. The key assumptions used to determine the recoverable amount for the different cash generating units as of last December were disclosed in the annual consolidated financial statements for the year ended 31 December 2017. 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 (EUR 0.10) each and (ii) 34,243,972 class B shares, with a nominal value of one eurocent (EUR 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 RON 0.35 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 of 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 of EUR 42,471 (December 2017: EUR 33,151), short portion of long term interest-bearing loans of 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**
New drawings	
Proceeds from bank borrowings and leasing obligations	180,295
Proceeds from business combinations	918
Interest expense for the period	31,295
Repayment	
Payment of lease obligations	(2,661)
Repayment of borrowings	(23,259)
Current year interest paid	(24,586)
Additional financing costs	(1,918)
Effect of movements in exchange rates	(2,849)
Balance as of 30 September 2018	**887,284**

On 25 May 2018, Digi KFT and RCS & RDS drew HUF 31,299,850 thousand, EUR 45,000 and RON 75,000 thousand out of the Senior Facility Agreement 2018 ("SFA 2018"). In October 2018, RCS & RDS drew the remaining available amount of RON 78,884 thousand 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 S.A.	(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 RON 50,000 thousand, equivalent of EUR 10.8 million from 2017 profit.

At the end of May 2018, Digi HU has granted Invitel a loan of HUF 2,963,900 thousand 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

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

The amount above include employer contributions to State pension plan

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:

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
a) Revenues from contracts with costumers		
Cable TV		
Romania	141,737	135,967
Hungary	43,221	35,314
	184,958	**171,281**
Internet and data		
Romania	134,257	127,888
Hungary	39,942	30,410
	174,199	**158,298**
Telephony		
Romania	149,352	137,779
Hungary	11,588	5,777
Spain	89,916	66,696
Italy	17,125	12,934
	267,981	**223,186**
DTH		
Romania	24,764	27,372
Hungary	24,121	25,270
	48,885	**52,642**
Other revenues		
Romania	56,873	58,733
Hungary	16,100	16,335
Spain	72	208
Italy	64	72
	73,109	**75,348**
b) Other revenues		
Romania	7,236	6,580
Total revenues	**756,368**	**687,335**

Other revenues as at 30 September 2018 include mainly revenues from sale of handsets and other CPE, as well as advertising revenues.

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.

10. OPERATING EXPENSES

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Depreciation of property, plant and equipment	92,263	71,303
Amortization of programme assets	28,484	29,497
Amortization of non-current intangible assets	30,656	23,200
Salaries and related taxes	135,201	108,812
Contribution to pension related fund	3,855	12,779
Programming expenses	68,431	62,532
Telephony expenses	123,917	113,792
Cost of goods sold	26,417	30,202
Rentals	49,812	42,242
Invoicing and collection expenses	14,321	11,244
Utilities	14,361	12,867
Copyrights	7,045	6,769
Internet connection and related services	2,953	2,769
Impairment of receivables, net of reversals	7,537	7,300
Impairment of property, plant and equipment	1,275	2,469
Impairment of non-current intangible assets	5	-
Taxes to authorities	7,146	7,079
Other materials and subcontractors	7,436	6,540
Other services	23,529	15,525
Other expenses	23,525	30,585
Total operating expenses	**668,169**	**597,506**

2017 and 2018 share option plans expenses accrued in the period are included in the caption "Salaries and related taxes". For details of these share option plans, 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.

11. NET FINANCE COSTS

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Financial revenues		
Interest from banks	220	45
Other financial revenues	3,599	14,425
Foreign exchange differences (net)	-	659
	3,819	**15,129**
Financial expenses		
Interest expense and amortization of borrowing cost	(33,546)	(26,504)
Net gain/(loss) on derivative financial instruments	(685)	(2,822)
Foreign exchange differences (net)	(4,652)	-
Other financial expenses	(6,124)	(6,530)
	(45,007)	**(35,856)**
Net Financial Cost	**(41,188)**	**(20,727)**

12. BUSINESS COMBINATIONS

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 EUR 135.4 million, after the Hungarian Competition Authority (Gazdasági Versenyhivatal – "GVH") approved the transaction (the "Initial Decision"), with certain conditions regarding divesting part of the Invitel business in certain areas that need to be fulfilled.

Control was transferred at the same date, in form of a share transfer certificate, which confirms that the ownership title over the shares is transferred at the respective date together with all rights and obligations resulting from such transfer. The related purchase price was paid by the buyer to the seller at the same date.

On 14 November 2018, the GVH formally withdrew the Initial Decision and it opened a new investigation ("New Procedure") for reassessing limited aspects, but also decided to allow Digi HU to continue to exercise control over Invitel ("Exemption Decision") until the issuance by the GVH of a new decision on the Transaction. Therefore, Digi HU's ownership and control over Invitel is not affected by the above-mentioned GVH's decisions. As a consequence, the implementation by Digi HU of the Transaction is not affected by the GVH's New Procedure, except for certain limited behavioural restrictions from the Initial Decision that were reinstated.

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 HUF 27,280,548 thousand (approximately EUR 85,000 equivalent, using foreign exchange rate as at the date of transaction), 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 phase, but will be finalized over a period of 12 months, as per IFRS 3 requirements. The PPA is undertaken by an external independent evaluator. The purpose is to estimate the market value of the assets acquired and the liabilities assumed by Digi HU following the Transaction.

At the date of reissuing these financial statements, the PPA report prepared by the independent valuer is still in draft form, as the valuer is still working with the Group to refine the assumptions and inputs included in the valuation, in particular for the valuation of the customer relationships.

The valuation of assets and liabilities was performed in accordance with the Valuation Standards issued by ANEVAR in 2018, which incorporate the IVS based on three valuation approaches:

- Cost approach-based on the Depreciated Replacement Cost method;
- Market approach-estimates the market value of an asset based on market prices in actual transactions and on asking prices for assets currently financial assets at fair value through OCI;
- Income approach-market value is estimated based on the discounted cash flows that the asset is expected to generate or the costs avoided as a result of the ownership of the assets over the remining usefull life. The cash flows are discounted to present value at a rate of return (cost of capital) that considers the relative risk of achieving the cash flows and the time value of money.

The allocation of the purchase price to assets acquired and liabilities assumed was performed according to IFRS 3.

The 30 September 2018 consolidated financial statements include the consolidated results of Invitel starting from 1 June 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:

	Fair Value recognized on acquisition
Purchase consideration paid	**135,576**
Assets acquired	
Intangible assets	30,337
Tangible assets	130,926
Financial assets	45
Net working capital	(5,670)
Total assets	**155,638**
Long term liabilities	(9,867)
Current Liabilities	(2,923)
Provisions	(781)
Deferred income	(10,045)
Total liabilities	**(23,616)**
Cash and bank accounts	3,349
Net debt assumed	**(20,267)**
Deferred tax assets/ liabilities (*)	(2,462)
Net assets, excluding Goodwill	**132,911**
Minority interest, @ 0.001605%	2
Preliminary goodwill	**2,667**

* At acquisition date the Group has recognised a deferred tax liability of EUR 2,462, which comprises mainly the tax effect of the difference between the tax base and the fair value of the trademarks and customer relationships recognized at acquisition date.

At the acquisition date, Invitel recorded acumulated fiscal losses amounting to HUF 68,716 million for which no deferred tax asset was recognized.

The fair value of trade receivables recognized at acquisition was EUR 4,472. The gross contractual amount for trade receivables due was EUR 6,328, of which EUR 1,864 was expected to be uncollectible.

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 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.

Net cash outflow on acquisition	**At acquisition date**
Purchase consideration paid	135,576
Less: Cash on Invitel's balance sheet @31 May 2018	(3,316)
Net cash outflow	**132,260**

Invitel's acquisition costs representing legal, financial and fiscal costs were in amount of EUR 2,519 and were included in Operating expenses. Since these represent non-recurring costs, they were adjusted from the Group's adjusted EBITDA as at 30 September 2018. For details please see Note 18 EBITDA.

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. If the combination had taken place at the beginning of the year, Invitel would have contributed with EUR 60,359 of consolidated revenue.

The goodwill of EUR 2,667 comprises the value of expected synergies arising from the acquisition and intangible assets that did not qualify for separate recognition at acquisition date (e.g. the assembled workforce and related labor contracts). Goodwill is allocated entirely to the Hungary segment.

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 340,438 (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. Management considers that the Group will generate sufficient funds to cover the current liabilities from future revenues.

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.

(d) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk (EUR and USD) through market fluctuations of interest rates. Details of borrowings are disclosed in Note 7.

(e) Exposure to electricity price risk

Through its electricity production and trading activities, the Group is exposed to electricity price risk, due to the volatility of prices on the electricity market and the potential mismatches between purchase prices and selling prices. In particular, due to the fixed prices we charge customers related to our electricity supply activities, increases in the cost of the electricity we acquire from third parties could adversely affect our financial condition.

In the year ended 31 December 2017 we increased significantly the weight of electricity purchased from the forward electricity market in order to naturally hedge our exposure. Moreover, to reduce our exposure to price volatilities, from March 2017 we started to refocus our energy supply business on residential and mid-sized and smaller business customers and decrease the overall volume of electricity supplied to business customers.

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 adjusted EBITDA because the related share option plans are estimated to be one-time events.

15. FINANCIAL INSTRUMENTS

For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements are presented below:

Financial assets at fair value through OCI

Financial assets at fair value through OCI comprise shares in RCSM. In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. As at 30 September 2018, the fair value assessment of the shares held in RCSM was consequently performed based on the quoted price/share of the shares of the Company as of the valuation date (RON/share 28.7), adjusted for the impact of other assets and liabilities of RCSM, given that the main asset of RCSM is the holding of the majority of the shares of the Company. The fair value assessment also takes into account the cross-holdings between the Group and RCSM.

Embedded derivatives

The fair value of the options embedded in the issued bonds was estimated using the Option Adjusted Spread (OAS) model. The OAS model basically compares the yield on a "plain vanilla" bond (i.e.: a bond no optionality features) with the yield on a similar bond but with the embedded options. The difference between the two yields represents the price of the embedded options. Thus the model directly provides a separate price for the entire optionality of the bonds. The fair value was obtained from a third party financial institution. The management has determined that such prices were developed in accordance with the requirements of IFRS 13.

Electricity trading assets and liabilities

The Company uses a discounted cash flow valuation technique to measure the fair value of the term electricity sale and acquisition contracts as these are not traded on active markets. The valuation model is based on the spot-forward parity formula and the significant inputs are represented by:

- the electricity spot price as estimated based on transaction on PZU market around the valuation date, and
- the discount rate approximated by the RON zero rate given the limited data available on term transactions with electricity around the valuation date.

As at 30 September 2018 the Group had derivative financial assets in amount of EUR 40,411 (31 December 2017: EUR 34,883), which included:

- Embedded derivatives of EUR 36,826 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 is settles the interest on its hedged borrowings. Hedged cash flows occur periodically, on the settlement of the interest on hedged loans, and impact profit or loss throughout the life of the loan, through accrual. Given that critical terms of the hedging instrument match the critical terms of the hedged cash flows, there is no significant ineffectiveness.
- 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).

	Financial assets at fair value through OCI	**Embedded derivatives**	**Interest rate swaps**	**Trading assets**	**Trading liabilities**
1 January 2018	**42,146**	**33,264**	**(601)**	**1,619**	**(9,530)**
Gains or (losses) recognised in profit or loss for the year		3,562	(685)	1,809	7,901
Gains or (losses) recognised in other comprehensive income	(6,186)	-	617	-	-
Settlements	-	-	826	-	-
30 September 2018	**35,960**	**36,826**	**157**	**3,428**	**(1,629)**

	Available for sale financial assets	**Embedded derivatives**	**Interest rate swaps**	**Trading assets**	**Trading liabilities**
1 January 2017	**-**	**13,908**	**(5,318)**	**3,141**	**(11,038)**
Gains or (losses) recognised in profit or loss for the year	-	19,356	(3,373)	(1,522)	1,508
Gains or (losses) recognised in other comprehensive income	(3,667)	-	4,326	-	-
Purchases	45,813	-	-	-	-
Settlements	-	-	3,764	-	-
31 December 2017	**42,146**	**33,264**	**(601)**	**1,619**	**(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				
Financial assets at fair value through OCI	-	-	35,960	**35,960**
Interest rate swaps	-	-	-	**-**
Embedded derivatives	-	-	36,983	**36,983**
Electricity trading assets (term contracts)	-	-	3,428	**3,428**
Electricity trading liabilities (term contracts)	-	-	(1,629)	**(1,629)**
Total	-	-	**74,742**	**74,742**
31 December 2017				
Financial assets at fair value through OCI	-	-	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**

Assets and liabilities not measured at fair value but for which the fair value is disclosed.

The fair value of long term loans and their corresponding carrying amount (excluding the interest accrued at 30 September 2018) and fair value measurement hierarchy are presented in the table below:

	30 September 2018		
	Carrying amount	**Fair Value**	**Hierarchy**
Bonds	349,464	369,600	Level 1
Senior Facilities	469,263	473,396	Level 3
Other long term loan(*)	7,182	7,210	
Loans	**825,909**	**850,206**	

	31 December 2017		
	Carrying amount	**Fair Value**	**Hierarchy**
Bonds	349,384	376,199	Level 1
Senior Facilities	333,170	340,800	Level 3
Other long term loan(*)	4,506	4,633	
Loans	**687,060**	**721,632**	

(*) Other long term loan as at 30 September 2018 includes loan from Libra Bank and BRD. As at 31 December 2017 this line includes loan from Libra Bank.

16. GENERAL COMMITMENTS AND CONTINGENCIES

(a) Contractual commitments

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

The Group leases under operating leases several main types of assets:

- pillars for network support in Romania and Hungary in several rural areas for the Romanian and Hungarian fibre optics main ring and pillars/land for mobile network in Romania and Hungary;
- pillars for network support in Romania in several urban areas for "fibre to the block networks";
- fibre optic line capacities in Hungary;
- commercial spaces for cash collection points in Romania and Hungary;
- office facilities in Romania, Hungary, Spain, Italy.

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 most of these disputes have already acknowledged their cease, and in the near future all the two remaining litigations will be finally ceased by implementing the Settlement Agreement. More details in this respect are available below.

i) 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 EUR 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 EUR 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 EUR 65 million for our alleged breach of the must carry rules.

To the best of our knowledge, no other broadcaster in Romania raised against any distributor claims similar to the ones brought against us by Antena Group. Not even Antena Group raised similar claims against other distributors (although all of them are carrying the must carry channels, including Antena 1, in packages similar to the ones offered by us).

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 EUR 65 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 anulled 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 EUR 35 million allegedly caused by our temporary refusal to carry the tv channels GSP TV and Antena 2 which allegedly breached, among other things, the must carry rules; and (ii) injunctive relief that would require us to provide the disputed channels to our customers in compliance with the highest technical standards. Because Antena Group assigned to First Quality Debt Recovery the claims regarding the EUR 35 million monetary damages as well, First Quality Debt Recovery became involved in these proceedings. Consequently, the court split both the GSP TV and the Antena 2 lawsuits into two: in each case, the monetary claim formed one lawsuit and the claim for injunctive relief another one.

At 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.

ii) 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.

iii) The copyright related litigation

In June 2014, Antena Group filed a new monetary claim against RCS&RDS, requesting approximately EUR 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.

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.

iv) 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.

v) 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 EUR 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 EUR 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 EUR 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 4 November 2016, the National Cinematography Centre filed before the Bucharest Tribunal a claim for payment with respect to a value of EUR 1.2 million, including principal and accessories as royalty tax due by law to this claimant. On 7 May 2018, the court admitted the National Cinematography Centre's claim in part by granting to the claimant RON 3.9 million. This decision is not final. We have challenged it. The first hearing in front of the Bucharest Court of Appeal was set for March 2019.

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 Distribuţie Transilvania Nord in relation to a concession agreement between RCS&RDS and the Oradea municipality

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

Based on our request, the trial was suspended pending final settlement of a separate lawsuit in which two Group companies are challenging the validity of the alleged exclusivity rights of incumbent electricity distributors (this claim was denied by the court of first instance). 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 USD 1.8 million in damages resulting from alleged unpaid debts that appear to have been caused by Laszlo Borsy and several related entities. It also ordered that the ownership interest of Defendants Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. be distributed to the Plaintiffs in total percentage of 56.14%. Finally, it prohibited Defendants Laszlo Borsy, Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. from disposing of or dissipating any assets of the initial defendant entities or engaging in any corporate transactions without the consent of the Plaintiffs.

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

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

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

On 8 February 2018, the US Court granted the Defendants' motion to vacate and dismissed the entire lawsuit for lack of subject matter jurisdiction. The US Court also vacated all prior orders entered in the case (the "**US Court's Decision**"). The Plaintiffs filed an appeal against the US Court's Decision with the United States Court of Appeals for the Fourth Circuit (the "**Appellate Court**"). The Defendants also filed a conditional cross-appeal on multiple grounds that need only be considered if the Appellate Court reverses the US Court's Decision. The Appellate Court has issued a scheduling order for the exchange of written arguments (phase completed), and the hearing took place at the end of January 2019. The Appellate Court is expected to issue its decision in the forthcoming months.

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

In 2009, RCS&RDS entered into a joint venture with Bodu S.R.L. (the "JV") with respect to an events hall in Bucharest. This venue enjoys a good location in the city and is relatively close to our headquarters. We believed at the time that the property would have been very helpful to the development of our media business and, potentially, other businesses and desired to acquire the venue from Bodu S.R.L. However, Bodu S.R.L. only agreed to a joint venture arrangement, making certain representations concerning future economic benefits of its joint development, which we accepted in good faith. At the time when RCS&RDS entered into the JV, Bodu S.R.L. was owned by Mr. Bogdan Dragomir, a son of Mr Dumitru Dragomir, who served as the President of the Romanian Professional Football League (the "**PFL**").

In 2013, certain individuals within Antena Group (with which we had a number of ongoing litigations at the time) blackmailed Mr. Ioan Bendei (who at the time was a member of the Board of Directors of RCS&RDS and is a director of Integrasoft S.R.L. (see below)) threatening to report him (and us) to the prosecuting authorities. They alleged that our investment into the JV represented a means to extend an unlawful bribe to Mr. Dumitru Dragomir in exchange for his alleged assistance with granting to us content rights to Romania's national football competitions administered by the PFL and to certain subsequent modifications to the payment terms of content rights awarded through an auction process in 2008. Mr. Ioan Bendei reported the blackmailers to the prosecutors, which resulted in the General Manager of Antena Group being convicted of blackmail and incarcerated. However, Antena Group's allegations against Mr. Ioan Bendei were also brought to the attention of the Romanian National Anti-Corruption Agency (the "**DNA**").

By 2015, the JV became virtually insolvent, as initial expectations on its prospects had failed to materialize. In 2015, in order to recover the EUR 3.1 million investment it had made into the JV from 2009 to 2011 and to be able to manage the business of the events hall directly and efficiently, RCS&RDS entered into a settlement agreement with Bodu S.R.L. In 2016, in accordance with that settlement agreement, RCS&RDS acquired (at a discount to nominal value) Bodu S.R.L.'s outstanding bank debt (which was secured by its share of, and assets it contributed to, the JV). Thereafter, RCS&RDS set-off its acquired receivables against Bodu S.R.L. in exchange for the real estate and business of the events hall. Bodu S.R.L. was replaced as RCS&RDS's JV partner by Integrasoft S.R.L., one of our Romanian subsidiaries.

Following this acquisition, in addition to its investigation of Antena Group's bribery allegations in relation to our investment into the JV, the DNA opened an enquiry as to whether the transactions that followed (including the 2015 settlement and the 2016 acquisition) represented unlawful money-laundering activities. On June 7, 2017, the DNA indicted Mr. Ioan Bendei on the charges of bribery and accessory to money laundering. On July 25, 2017, the DNA indicted RCS&RDS on the charges of bribery and money laundering, Integrasoft S.R.L. on the charge of accessory to money laundering, Mr. Mihai Dinei (a member of the Board of Directors of RCS&RDS) on the charges of accessory to bribery and accessory to money laundering and Mr. Alexandru Oprea (a former Chief Executive Officer and President of the Board of Directors of RCS&RDS) on the charges of accessory to bribery. On July 31, 2017, the DNA indicted Mr. Serghei Bulgac (the current Chief Executive Officer and President of the Board of Directors of RCS&RDS) on the charges of money laundering. During the DNA's investigation, RCS&RDS offered as a bond two real estate assets valued at approximately EUR 3.1 million (which equals our investment into the JV pre-2016 acquisition) that were attached by the DNA; those assets are not material to our business.

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 RCS&RDS and General Manager and President of the Board of Directors of RCS&RDS), was indicted by the DNA in connection with the offence of money laundering.

The offences of bribery, of receiving bribes and the accessories to such offenses under investigation are alleged to have been committed through the 2009 joint-venture between RCS&RDS and Bodu SRL with respect to the events hall in Bucharest in relation to agreements between RCS&RDS and LPF with regard to the broadcasting rights for

Liga 1 football matches, while the offences of money laundering and accessory to money laundering are alleged to have been perpetrated through RCS&RDS's acquisition of the Bodu S.R.L. events hall in 2016.

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

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

On 15 January 2019, the Bucharest Tribunal dismissed the giving of bribe related allegations against RCS&RDS and its past and current directors on the basis that they had become time-barred, convicted RCS&RDS in connection with the offence of money laundering for which the court applied a criminal fine in the amount of RON 1,250,000. The Bucharest Tribunal's decision also decided on the confiscation from RCS&RDS of an amount of EUR 3,100,000 plus RON 655,124 and it maintained the seizure over the two real estate assets first instituted by the DNA. Integrasoft S.R.L. was convicted in connection with the offence of accessory to money laundering for which the court applied a criminal fine of RON 700,000. Mr. Bendei Ioan was convicted to a 4 years imprisonment sentence in connection with the offence of accessory to money laundering resulting from his capacity of director of Integrasoft S.R.L.

Mr. Serghei Bulgac (Chief Executive Officer and President of the board of directors of RCS&RDS), Mr. Mihai Dinei (member of the board of directors of RCS&RDS), as well as Mr. Alexandru Oprea (former Chief Executive Officer of RCS&RSD) were acquitted in connection with all the accusations brought against them by the DNA.

In the same case file, Mr. Dumitru Dragomir was convicted to a 4 years imprisonment sentence in connection with the offences of receiving of bribe and accessory to money laundering, Mr. Bădiță Florin Bogdan (director of Bodu S.R.L.) was convicted to a 4 years imprisonment sentence in connection with the offences of accessory to the receiving of bribe and to money laundering, the company Bodu S.R.L. was convicted in connection with the offences of accessory to the receiving of bribe and money laundering, while Mr. Bogdan Dumitru Dragomir was acquitted in connection with all the accusations brought against him by the DNA.

The decision also cancels the joint-venture agreement from 2009 concluded between RCS&RDS and Bodu S.R.L., as well as all the agreements concluded between RCS&RDS, Bodu S.R.L. and Integrasoft S.R.L. in 2015 and 2016.

We strongly deem the Bucharest Tribunal's decision to be profoundly unjust, incorrect and ungrounded. This decision is neither final nor enforceable. We have already challenged this decision to the Bucharest Court of Appeal.

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 EUR 4,5 million together with the accrued default interest and other costs (amounting to approximately EUR 2,8 million) as indemnity under the SPA for tax and copyright claims (the latter in favor of a Czech collective rights management body), as well as indemnity for breach of the seller's warranties and for other losses. We deem that the claimant lacks legal standing, and these claims as ungrounded and abusive, while some of them are either statute barred or do not meet the conditions for indemnification under the SPA.

We have also filed in front of the VIAC a counterclaim against the claimant for unpaid amounts for services provided by RCS&RDS to the Sold Company post-closing, in approximate outstanding unpaid amount of EUR 1.1 million together with accrued default interest, as well as for other amounts due to RCS&RDS under the SPA.

The hearing in the arbitration proceeding took place on 23 January 2019, while the parties are expected to submit post-hearing briefs and additional evidence within the next weeks.

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 (the "**Initial Decision**") approving the acquisition by our Hungarian subsidiary – 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. ("**Invitel**") from Ilford Holding Kft. and InviTechnocom Kft., acting as sellers (the "**Transaction**" – the completion of which we have disclosed to the market on 30 May 2018), on 14 November 2018, the GVH issued several decisions whereby it formally withdrew the Initial Decision and it opened a new investigation ("**New Procedure**") for reassessing limited aspects in connection with certain

settlements where i-TV Digitális Távközlési Zrt. ("**i-TV**" – one of Digi HU's subsidiaries in Hungary) and Invitel overlap.

GVH's stated reason for withdrawing the Initial Decision is based on allegations that Digi HU has failed to proactively comment during the initial assessment on certain data regarding the territorial scope of certain telecommunications services provided by i-TV, which has been used by the GVH in its Initial Decision. On that basis, the GVH also imposed a fine on Digi HU of approximately EUR 280 (HUF 90,000,000).

Digi HU's ownership and control over Invitel is not affected by the above-mentioned GVH's decisions, as the GVH simultaneously decided on 14 November 2018 to allow Digi HU to continue to exercise control over Invitel ("**Exemption Decision**") before the issuance by the GVH of a new decision on the Transaction. As a consequence, on the basis of the Exemption Decision, the implementation by Digi HU of the Transaction is not affected by the GVH's New Procedure, except for certain limited behavioural restrictions from the Initial Decision that were reinstated.

In relation to the operation of i-TV, the GVH imposed certain behavioural interim obligations on Digi HU until the completion of the New Procedure. i-TV represents a minor part of DIGI HU's business in Hungary.

We continue to strongly hold that Digi HU fully cooperated during the initial procedure by providing complete and accurate information, and that the GVH's decision to withdraw the Initial Decision and to apply a fine is incorrect. In December 2018, we have challenged in court the parts of the GVH's decision alleging Digi HU's guilt and setting the size of the fine. This procedure is ongoing.

Meanwhile, we will continue to fully and in good faith cooperate with the GVH during the New Procedure in order to ensure that a new decision re-approving the Transaction is finalized as soon as possible.

17. SUBSEQUENT EVENTS

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

On 14 January 2019, the Board of Directors of the Company decided to convert 1,200,000 class A shares held by the Company in treasury into an equal number of class B shares (the "Conversion"). Given the difference in the nominal value between a class A share (EUR 0.1) and a class B share (EUR 0.01) of the Company, in accordance with article 5 (4) from the Company's articles of association, the Conversion resulted in a decrease by EUR 0.09 in nominal value per class A share subject of the Conversion (in total – EUR 108.000). This amount will be added to the general equity reserves of the Company.

The class B shares resulting from the Conversion will be used by the Company (in addition to the existing treasury class B shares and to the class B shares repurchased through the ongoing buy-back program) for the purpose of the several ongoing Company's subsidiaries employees and managers' stock option plans having a vesting period in 2019. For more details in connection with the above-mentioned stock option plans, please see Note 14.

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.

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Revenues and other income	**756,368**	**687,335**
EBITDA		
Operating profit	80,579	97,597
Depreciation, amortization and impairment	152,684	126,469
EBITDA	**233,263**	**224,066**
Other income	(9,729)	(10,695)
Other expenses	17,349	2,927
Adjusted EBITDA	**240,883**	**216,298**
Adjusted EBITDA (%)	*31.85%*	*31.47%*

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)	518%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	84%
Trade receivables turnover	
Average receivables/Revenues x 270	32.28 days
Non-current assets turnover	
(Revenues/Non-current assets)	0.73

Bucharest, 6 February 2019,

On behalf of the Board of directors of Digi Communications N.V.

Serghei Bulgac,
CEO

Valentin Popoviciu
Executive Director