DIGI COMMUNICATIONS N.V. (“Digi”)

(the “COMPANY”)

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

FINANCIAL REPORT (the “REPORT”)

for the three month period ended September 30, 2017

This Unaudited Condensed Consolidated Interim Financial Report for the period ended 30 September 2017 refers to the Unaudited Condensed Consolidated Interim Financial Statements prepared in accordance with IAS 34 “Interim Financial Reporting”. This report has not been prepared and is not published in accordance with the provisions of article 67 of the Romanian Law no. 24/2017 on issuers of financial instruments and market operations, as the home member state of DIGI for the purposes of the Directive 2004/109/EC (commonly referred to as the “Transparency Directive”), i.e. The Netherlands, does not require the publication of quarterly reports.

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1. IMPORTANT INFORMATION

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Report are not historical facts and are forward-looking. Forward-looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future operating revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy, and the trends we anticipate in the industries and the political and legal environments in which we operate and other information that is not historical information.

Words such as "believe," "anticipate," "estimate," "target," "potential," "expect," "intend," "predict," "project," "could," "should," "may," "will," "plan," "aim," "seek" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

The forward-looking statements contained in this Report are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors, some of which are discussed below. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. We caution all readers that the forward-looking statements contained in this report are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur.

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

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

OPERATING AND MARKET DATA

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

More specifically:

- for our cable TV and DTH services, we count each basic package that we invoice to a customer as an RGU, without counting separately the premium add-on packages that a customer may subscribe for;
- for our fixed internet and data services, we consider each subscription package to be a single RGU;
- for our fixed-line telephony services, we consider each phone line that we invoice to be a separate RGU,

so that a customer will represent more than one RGU if it has subscribed for more than one phone line; and

- for our mobile telecommunication services we consider the following to be a separate RGU: (a) for pre-paid services, each mobile voice and mobile data SIM with active traffic in the last month of the relevant period, except for Romania where pre-paid RGUs are not included due to low usage and small number of users; and (b) for post-paid services, each separate SIM on a valid contract.

As our definition of RGUs is different for our different business lines, you should use caution when comparing RGUs between our different business lines. In addition, since RGUs can be defined differently by different companies within our industry, you should use caution in comparing our RGU figures to those of our competitors.

We use the term average revenue per unit ("**ARPU**") to refer to the average revenue per RGU in a business line, geographic segment or the Group as a whole, for a period by dividing the total revenue of such business line, geographic segment, or the Group, for such period, (a) if such period is a calendar month, by the total number of RGUs invoiced for services in that calendar month; or (b) if such period is longer than a calendar month, by (i) the average number of relevant RGUs invoiced for services in that period and (ii) the number of calendar months in that period. In our ARPU calculations we do not differentiate between various types of subscription packages or the number and nature of services an individual customer subscribes for. Because we calculate ARPU differently from some of our competitors, you should use caution when comparing our ARPU figures with those of other telecommunications companies.

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

NON-GAAP FINANCIAL MEASURES

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

We calculate EBITDA by adding back to our consolidated operating profit or loss charges for depreciation, amortization and impairment of assets. Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items, as well as mark-to-market results (unrealised) from fair value assessment of energy trading contracts. Adjusted EBITDA Margin is the ratio of Adjusted EBITDA to the sum of our total revenue and other operating income (other than mark-to-market gain/(loss) from fair value assessment of energy trading contracts). EBITDA, Adjusted EBITDA or Adjusted EBITDA Margin under our definition may not be comparable to similar measures presented by other companies and labelled "EBITDA", "Adjusted EBITDA" or "Adjusted EBITDA Margin," respectively. We believe that EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are useful analytical tools for presenting a normalized measure of cash flows that disregards temporary fluctuations in working capital, including due to fluctuations in inventory levels and due to timing of payments received or payments made. Since operating profit and actual cash flows for a given period can differ significantly from this normalized measure, we urge you to consider these figures for any period together with our data for cash flows from operations and other cash flow data and our operating profit. You should not consider EBITDA, Adjusted EBITDA or Adjusted EBITDA Margin as substitutes for operating profit or cash flows from operating activities.

In Note 3 to the Interim Financial Statements, as part of our "Other" segment we reported EBITDA of (i) our Italian operations, together with operating expenses of Digi. In this Report, EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin represent the results of our Romanian, Hungarian, Spanish and Italian subsidiaries and operating expenses of Digi.

ROUNDING

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

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of the Group should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Group as of September 30, 2017.

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

OVERVIEW

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

For the three months ended September 30, 2017, we had revenues of €230.1 million, net profit of €12.3 million and Adjusted EBITDA of €73.8 million.

RECENT DEVELOPMENTS

On 13 October 2017, RCS & RDS S.A., DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság, as the borrowers, the Company, as a guarantor, and Citibank N.A., London Branch and ING Bank N.V. as the arrangers, have concluded a short-term loan with two facilities in the aggregate amount of thousand EUR 200 million (the „2017 Bridge Loan").

One facility, in amount of thousand EUR 140 million, was concluded for the purpose of financing the acquisition by Digi Kft. of the Hungarian telecommunications operator Invitel Tavkozlesi Zrt., with respect to the terms of which we have informed the market and the investors on 21 July 2017. The other facility, in amount of thousand EUR 60 million, was concluded for general corporate purposes.

These facilities have not yet been drawn.

The 2017 Bridge Loan has a maturity of 12 months. It can be extended for an additional period of up to 6 or 12 months.

In October 2017, Digi Spain has concluded a short term-loan (9 months) with BBVA for an amount of thousand EUR 2 million.

For details regarding the up-date of the litigations, please see Note 17 (c) from the Interim Consolidated Condensed Financial Statements as at 30 September 2017.

BASIS OF FINANCIAL PRESENTATION

The Group prepared its Interim Financial Statements as of September 30, 2017 in accordance with IFRS as adopted by the EU. For the periods discussed in this Report, the Group's presentation currency was the euro. The Group's financial year ends on December 31 of each calendar year.

Functional Currencies and Presentation Currency

Each Group entity prepares individual financial statements in its functional currency, which is the currency of the primary economic environment in which such entity operates. As our operations in Romania and Hungary generated approximately 71% and 17%, respectively, of our consolidated revenue for the three months ended September 30, 2017 our principal functional currencies are the Romanian leu and the Hungarian forint.

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

Presentation of Revenue and Operating Expenses

Our Board of Directors evaluates business and market opportunities and considers our results primarily on a country by country basis. We currently generate revenue and incur operating expenses in Romania, Hungary, Spain and Italy. Revenue and operating expenses from our operations are broken down into the following geographic segments: Romania, Hungary, Spain and Other (the Other segment includes Italy and expenses of the Company).

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

Exchange rates

In the three month period ended September 30, 2017 the Romanian leu and the Hungarian forint have remained stable relative to the euro compared to the three month period ended September 30, 2016: the Romanian leu has depreciated with approximately 2.6% and the Hungarian forint has appreciated with approximately 1.5%.

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

	As at and for the three months ended September 30		**As at and for the nine months ended September 30**	
	2016	**2017**	**2016**	**2017**
	Value of one euro in the relevant currency			
Romanian leu (RON) (1)				
Period end rate	4.45	4.60	4.45	4.60
Average rate	4.47	4.58	4.49	4.55
Hungarian forint (HUF) (2)				
Period end rate	309.15	311.23	309.15	311.23
Average rate	311.21	306.48	312.19	308.49
United States Dollar (USD)(1)				
Period end rate	1.12	1.18	1.12	1.18
Average rate	1.12	1.18	1.11	1.11

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

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

30, 2016 we had a net foreign exchange gain of €8.7 million.

In the nine months ended September 30, 2017, we had a net foreign exchange gain (which is recognized in net finance income on our statement of comprehensive income) of €0.7 million. In the nine months ended September 30, 2016 we had a net foreign exchange gain of €9.9 million.

Growth in Business, RGUs and ARPU

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

The following table shows our RGUs (thousand) and monthly ARPU (€/month) by geographic segment and business line as at and for the three month period ended September 30, 2016 and 2017:

RGUs (thousand)/ARPU (€/month)	As at and for the three months ended September 30,		% change
	2016	2017	
Romania			
Cable TV			
RGUs	2,821	2,974	5.4%
ARPU.......................................	5.3	5.2	(1.9)%
Fixed internet and data			
RGUs			
Residential................................	1,953	2,092	7.1%
Business	112	133	18.8%
ARPU			
Residential................................	5.0	5.0	0.0%
Business	35.5	31.3	(11.8)%
Mobile telecommunication services			
RGUs	3,059	3,400	11.1%
ARPU........................	3.6	4.2	16.7%
Fixed-line telephony			
RGUs			
Residential................................	1,231	1,151	(6.5)%
Business	128	132	3.1%
ARPU			
Residential................................	1.3	1.3	0.0%
Business	3.8	3.5	(7.9)%
DTH			
RGUs	650	605	(6.9)%
ARPU.......................................	4.9	4.9	0.0%
Hungary			
Cable TV			
RGUs	467	495	6.0%
ARPU.......................................	7.4	8.2	10.8%
Fixed internet and data			
RGUs	417	459	10.1%
ARPU.......................................	7.7	7.7	0.0%
Mobile telecommunication services(1)			
RGUs	15	13	(13.3)%
ARPU........................	7.0	7.4	5.7%

RGUs (thousand)/ARPU (€/month)	**As at and for the three months ended September 30,**		**% change**
	2016	**2017**	
Fixed-line telephony			
RGUs	347	371	6.9%
ARPU.......................................	1.6	1.4	(12.5)%
DTH			
RGUs	320	302	(5.6)%
ARPU.......................................	8.1	9.3	14.8%
Spain			
Mobile telecommunication services(2)			
RGUs	598	813	36.0%
ARPU.......................................	11.5	10.5	(8.7)%
Other(3)			
Mobile telecommunication services(2)			
RGUs	74	158	113.5%
ARPU.......................................	10.4	10.8	3.8%

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

(2) As an MVNO.

(3) Includes Italy.

HISTORICAL RESULTS OF OPERATIONS

Results of Operations for the three and nine months ended September 30, 2016 and 2017

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2017**	**2016**	**2017**
	(€ in millions)		**(€ in millions)**	
Revenues				
Romania	156.3	163.2	450.3	492.8
Hungary	34.1	38.3	100.3	113.1
Spain	21.1	24.8	63.4	67.8
Other	2.5	5.0	6.9	13.4
Elimination of intersegment revenues	(1.9)	(1.2)	(3.5)	(3.1)
Total revenues	**212.2**	**230.1**	**617.4**	**684.1**
Other income	**-**	**6.7**	**-**	**10.7**
Other expenses	**(4.2)**	**0.0**	**(1.5)**	**(2.9)**
Operating expenses				
Romania	(103.5)	(106.4)	(299.5)	(328.8)
Hungary	(21.4)	(27.8)	(60.9)	(80.3)
Spain	(17.5)	(18.3)	(52.0)	(49.2)
Other	(4.1)	(5.0)	(11.2)	(15.0)
Elimination of intersegment expenses	1.9	1.2	3.5	3.1
Depreciation, amortization and impairment of tangible and intangible assets	(42.8)	(41.2)	(138.5)	(126.5)
Total operating expenses	**(187.5)**	**(197.5)**	**(558.6)**	**(596.6)**
Operating profit	**20.6**	**39.3**	**57.3**	**95.3**
Finance income	8.7	0.0	14.7	0.7
Finance expense	(14.4)	(15.5)	(42.8)	(35.9)
Net finance costs	**(5.6)**	**(15.5)**	**(28.1)**	**(35.2)**
Profit/(loss) before taxation	**14.9**	**23.8**	**29.2**	**60.1**
Income tax expense	(3.7)	(11.5)	(11.4)	(15.9)
Profit/(loss) for the period	**11.3**	**12.3**	**17.8**	**44.2**

Revenue

Our revenue (excluding intersegment revenue and other income) for the three month period ended September 30, 2017 was €230.1 million, compared with €212.2 million for the three month period ended September 30, 2016, an increase of 8.4%.

Our revenue (excluding intersegment revenue and other income) for the nine month period ended September 30, 2017 was €684.1 million, compared with €617.4 million for the nine month period ended September 30, 2016, an increase of 10.8%.

The following table shows the distribution of revenue by geographic segment and business line for the three and nine month period ended September 30, 2016 and 2017:

	Three months ended September 30,			**Nine months ended September 30,**		
	2016	**2017**	**% change**	**2016**	**2017**	**% change**
	(€ millions)			*(€ millions)*		
Romania						
Cable TV	44.2	45.8	3.6%	131.1	136.0	3.7%
Fixed internet and data	41.2	43.0	4.4%	121.8	127.9	5.0%
Mobile telecommunication services	32.4	43.0	32.7%	88.1	120.1	36.3%
Fixed-line telephony	6.3	5.8	(7.9)%	19.0	17.6	(7.4)%
DTH	9.7	8.9	(8.2)%	29.2	27.4	(6.2)%
Other revenue(1)	21.4	15.9	(25.7)%	59.1	62.0	4.9%
Total	**155.1**	**162.4**	**4.7%**	**448.2**	**491.1**	**9.6%**
Hungary						
Cable TV	10.2	12.1	18.6%	29.8	35.3	18.5%
Fixed internet and data	9.6	10.5	9.4%	27.9	30.4	9.0%
Mobile telecommunication services(2)	0.3	0.3	0.0%	0.9	0.8	(11.1)%
Fixed-line telephony	1.7	1.6	(5.9)%	5.1	4.9	(3.9)%
DTH	7.8	8.5	9.0%	23.1	25.3	9.5%
Other revenue(1)	4.5	5.4	20.0%	13.5	16.3	20.7%
Total	**34.1**	**38.3**	**12.3%**	**100.3**	**113.1**	**12.8%**
Spain						
Mobile telecommunication services	20.7	24.5	18.4%	62.1	66.7	7.4%
Other revenue(1)	0.1	0.1	0.0%	0.2	0.2	0.0%
Total	**20.7**	**24.6**	**18.8%**	**62.3**	**66.9**	**7.4%**
Other(3)						
Mobile telecommunication services	2.2	4.8	118.2%	6.5	12.9	98.5%
Other revenue(1)	0.0	0.0	-	0.1	0.1	0.0%
Total	**2.2**	**4.8**	**118.2%**	**6.6**	**13.0**	**97.0%**
Total	**212.2**	**230.1**	**8.4%**	**617.4**	**684.1**	**10.8%**

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

(2) Includes mobile internet and data revenue.

(3) Includes revenue from operations in Italy.

Revenue in Romania for the three month period ended September 30, 2017 was €162.4 million (out of which €146.5 million revenue from core services and €15.9 million other revenues) compared with €155.1 million (out of which €133.7 million revenue from core services and €21.4 million other revenues) for the three month period ended September 30, 2016, an increase of 4.7%. Revenue growth in Romania was primarily driven by an increase in our mobile telecommunication services RGUs and ARPU, cable TV and fixed internet and data RGUs. Mobile telecommunication services RGUs increased from approximately 3,059 thousand as at September 30, 2016 to approximately 3,400 thousand as at September 30, 2017, an increase of approximately 11.1%. Mobile telecommunication services ARPU increased to an average €4.2/month for the three month period ended September 30, 2017, compared to an average €3.6 /month for the three month period ended September 30, 2016, an increase of approximately 16.7% primarily as a result of overall voice and data traffic increases, as well as certain changes in the mix of packages. Our cable TV RGUs increased from approximately 2,821 thousand as at September 30, 2016 to approximately 2,974 thousand as at September 30, 2017, an increase of approximately 5.4%, and our residential fixed internet and data RGUs increased from approximately 1,953 thousand as at September 30, 2016 to approximately 2,092 thousand as at September 30, 2017, an increase of approximately 7.1%. These increases were primarily due to our attractive fixed internet and data packages. Growth in our mobile telecommunication services, cable TV, fixed internet and data and other revenue was partially offset by a decrease in revenue generated by our DTH and fixed-line telephony businesses as a result of decreases in RGUs in both business lines. DTH RGUs decreased from 650 thousand as at September 30, 2016 to 605 thousand as at September 30, 2017, a decrease of approximately 6.9%. This decrease was primarily driven by a number of DTH subscribers terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services. Residential fixed-line telephony RGUs decreased from approximately 1,231 thousand as at September 30, 2016 to approximately 1,151 thousand as at September 30, 2017, a decrease of approximately 6.5%.

Revenue in Hungary for the three month period ended September 30, 2017 was €38.3 million, compared with €34.1 million for the three month period ended September 30, 2016, an increase of 12.3%. The increase in revenue in Hungary was principally due to an increase in our cable TV RGUs, fixed internet and data RGUs, increase in other revenues, as well as the increase in the prices of the cable TV packages starting with Q4 2016. Our cable TV RGUs increased from approximately 467 thousand as at September 30, 2016 to approximately 495 thousand as at September 30, 2017, an increase of approximately 6.0%, our fixed internet and data RGUs increased from approximately 417 thousand as at September 30, 2016 to approximately 459 thousand as at September 30, 2017, an increase of approximately 10.1%, and our fixed-line telephony RGUs increased from approximately 347 thousand as at September 30, 2016 to approximately 371 thousand as at September 30, 2017, an increase of approximately 6.9%. These increases were driven by our investments in expanding and upgrading our fixed fiber optic network in Hungary. Other revenue increased primarily as a result of additional revenue from up-link services and advertising. Our DTH RGUs decreased from approximately 320 thousand as at September 30, 2016 to approximately 302 thousand as at September 30, 2017, a decrease of approximately 5.6%. A number of DTH subscribers terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services.

Revenue in Spain for the three month period ended September 30, 2017 was €24.6 million, compared with €20.7 million for the three month period ended September 30, 2016, an increase of 18.8%. The increase in our Spain revenue was due to the increase in mobile telecommunication services RGUs from approximately 598 thousand as at September 30, 2016 to approximately 813 thousand as at September 30, 2017, an increase of approximately 36.0%, primarily due to new customer acquisitions as a result of more attractive and affordable mobile and data offerings.

Revenue in Other represented revenue from our operations in Italy and for the three month period ended September 31, 2017 was €4.8 million, compared with €2.2 million for the three month period ended September 30, 2016, an increase of 118.2%. The increase in our revenue in Italy was primarily due to the increase in mobile telecommunication services RGUs from approximately 74 thousand as at September 30, 2016 to approximately 158 thousand as at September 30, 2017, an increase of approximately 113.5%, primarily due to new customer acquisitions as a result of more attractive mobile and data offerings.

Total operating expenses

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the three period ended September 30, 2017 were €197.5 million, compared with €187.5 million for the three month period ended September 30, 2016, an increase of 5.3%, respectively.

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the nine months ended September 30, 2017 were €596.6 million compared with €558.6 million for the nine months ended September 30, 2016, an increase of 6.8%.

	Three months ended September 30,		**Nine months ended September 30,**	
	2016	**2017**	**2016**	**2017**
Romania	103.0	106.0	298.3	327.5
Hungary	21.4	27.8	60.9	80.3
Spain	16.6	17.8	50.5	48.0
Other(1)	3.7	4.7	10.4	14.3
Depreciation, amortization and impairment of tangible and intangible assets	42.8	41.2	138.5	126.5
Total operating expenses	**187.5**	**197.5**	**558.6**	**596.6**

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

Operating expenses in Romania for three month period ended September 30, 2017 were €106.0 million, compared with €103.0 million for the three month period ended September 30, 2016, an increase of 2.9%. The main increases in the period reported were due to increase in telephony interconnection expenses in line with the development of the mobile business, the increases in salaries and legal fees. These were partially offset by the decrease of cost of goods sold as a result of changes in the offerings for handsets in instalments starting from the end of Q1 2017.

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

Operating expenses in Hungary for the three month period ended September 30, 2017 were €27.8 million, compared with €21.4 million for the three month period ended September 30, 2016, an increase of 29.9%. The increase was primarily due to the increase in mobile network development expenses and salaries.

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

Operating expenses in Spain for the three month period ended September 30, 2017 were €17.8 million, compared with €16.6 million for the three month period ended September 30, 2016, an increase of 7.2%. This increase is mainly a result of higher telephony interconnection expenses, in line with the expansion of RGU base and overall traffic.

Operating expenses in Other represented expenses of our operations in Italy and expenses of Digi and for the three month period ended September 30, 2017 were €4.7 million, compared with €3.7 million for the three month period ended September 30, 2016, an increase of 27.0%. The increase is the result of higher RGUs and traffic in our subsidiary in Italy.

Depreciation, amortization and impairment of tangible and intangible assets

The table below sets out information on depreciation, amortization and impairment of our tangible and intangible assets for the three and nine month period ended September 30, 2016 and 2017.

	Three months ended September 30,		**Nine months ended September 30,**	
	2016	**2017**	**2016**	**2017**
		(*€ millions*)		(*€ millions*)
Depreciation of property, plant and equipment	27.4	24.4	81.2	71.3
Amortization of non-current intangible assets	8.5	8.4	25.8	23.2
Amortization of programme assets	6.9	8.2	31.3	29.5
Impairment of property, plant and equipment	-	0.3	0.2	2.5
Total	**42.8**	**41.2**	**138.5**	**126.5**

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was €24.4 million for the three month period ended September 30, 2017, compared with €27.4 million for the three month period ended September 30, 2016, a decrease of 10.9%. This variation was primarily due to changes in estimated useful lives for certain categories of property, plant and equipment which occurred at the year ended 31 December 2016. For details regarding the impact of the change in useful lives, please see paragraph *Estimated useful lives* below.

Amortization of non-current intangible assets

Amortization of non-current intangible assets was €8.4 million for the three month period ended September 30, 2017, compared with €8.5 million for the three month period ended September 30, 2016, a slight decrease of 1.2%. This was due to the effect of the change in estimated useful lives of certain mobile licence which occurred at year ended 31 December 2016. For details regarding the impact of the change in useful lives, please see paragraph *Estimated useful lives* below.

Amortization of program assets

Amortization of program assets was €8.2 million for the three month period ended September 30, 2017, compared with €6.9 million for the three month period ended September 30, 2016, an increase of 18.8%.

Estimated useful lives

As at December 31, 2016 estimated useful lives of certain categories of property, plant and equipment as well as mobile licenses were revised. The revised useful lives applied prospectively from 1 January 2016.

The impact of revising the estimated useful lives of certain categories of property, plant and equipment on the value of depreciation charge recognized in profit or loss statement for the comparative period ended 30 September 2016 is presented below:

	Depreciation charge for three months ended September, 30 2016 (€ millions)		
	Prior estimated useful lives	**Revised estimated useful lives**	**Difference arising from change in estimated useful lives**
Buildings	0.7	0.7	-
Network	10.8	9.8	(1.0)
Customer premises equipment	5.6	2.7	(2.9)
Equipment and devices	8.5	6.5	(2.0)
Vehicles	0.9	0.9	-
Furniture and office equipment	0.7	0.7	-
Total	**27.4**	**21.4**	**(5.9)**

The impact of revising the estimated useful lives of certain mobile telephony licences on the value amortization charge recognized in profit or loss statement for the comparative period ended 30 September 2016 is presented below:

	Amortization charge for three months ended 30 September 2016 (€ millions)		
	Prior estimated useful lives	**Revised estimated useful lives**	**Difference arising from change in estimated useful lives**
Licenses	4.2	4.0	(0.2)

Other income/(expense)

We recorded €6.7 million of other income in the three month period ended September 30, 2017 compared with €4.2 million of other expense in the three months ended September 30, 2016. This represents mark-to-market gain from fair value assessment of energy trading contracts and income from the disposal of Digi SAT d.o.o participation.

Operating profit

For the reasons set forth above, our operating profit was €39.3 million for the three month period ended September 30, 2017, compared with €20.6 million for the three month period ended September 30, 2016.

Net finance income/(expense)

We recognized net finance expense of €15.5 million in the three month period ended September 30, 2017, compared with €5.6 million for the three month period ended September 30, 2016, an increase of 175.7%. This was primarily the result of net loss from foreign exchange differences compared to previous period.

Profit before taxation

For the reasons set forth above, our profit before taxation was €23.8 million in the three month period ended September 30, 2017, compared with profit before taxation of €14.9 million for the three month period ended September 30, 2016.

Income tax credit/(expense)

An income tax expense of €11.5 million was recognized in the three month period ended September 30, 2017, compared to a tax expense of €3.7 million recognized in the three month period ended September 30, 2016.

Net profit for the period

For the reasons set forth above, our net profit was €12.3 million in the three month period ended September 30, 2017, compared with net profit of €11.3 million for the three month ended September 30, 2016.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

Historical cash flows

The following table sets forth our consolidated cash flows from operating activities for the three and nine month period ended September 30, 2016 and 2017, cash flows used in investing activities and cash flows from/(used in) financing activities.

	Three months ended September 30,		**Nine months ended September 30,**	
	2016	**2017**	**2016**	**2017**
	(€ millions)		**(€ millions)**	
Cash flows from operations before working capital changes	**67.8**	**76.8**	**200.1**	**219.4**
Cash flows from changes in working capital	5.1	(12.6)	(6.1)	1.0
Cash flows from operations	**72.9**	**64.2**	**194.1**	**220.4**
Interest paid	(2.5)	(6.2)	(24.5)	(20.2)
Income tax paid	(1.5)	(2.2)	(3.3)	(5.1)
Cash flow from operating activities	**68.9**	**55.9**	**166.3**	**195.0**
Cash flow used in investing activities	**(59.1)**	**(67.0)**	**(167.4)**	**(187.2)**
Cash flows used financing activities	**(4.8)**	**15.6**	**(26.9)**	**(2.2)**
Net increase/ (decrease) in cash and cash equivalents	5.1	4.5	(28.0)	5.7
Cash and cash equivalents at the beginning of the period	16.0	15.9	49.7	14.6
Effect of exchange rate fluctuation on cash and cash equivalent held	(0.2)	0.0	(0.8)	0.0
Cash and cash equivalents at the closing of the period	**20.8**	**20.4**	**20.8**	**20.4**

Cash flows from operations before working capital changes were €76.8 million in the three month period ended September 30, 2017 and €67.8 million in the three month period ended September 30, 2016 for the reasons discussed in "*—Historical Results of Operations—Results of operations for the three month period ended September 30, 2017 and 2016*".

The following table shows changes in our working capital:

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2017**	**2016**	**2017**
Changes in:	**(€ millions)**		**(€ millions)**	
(Increase)/decrease in trade receivables and other assets	(5.9)	(2.2)	(24.7)	(16.1)
(Increase)/decrease in inventories	2.7	(1.6)	(4.3)	(1.9)
Increase/(decrease) in trade and other payables	8.2	(8.9)	18.9	13.7
Increase/(decrease) in deferred revenue	0.1	0.1	(1.1)	5.3
Total	**5.1**	**(12.6)**	**(11.2)**	**1.0**

We had a working capital requirement of €12.6 million in the three month period ended September 30, 2017 (compared with a working capital surplus of €5.1 million in the three month period ended September 30, 2016). This was primarily due to higher payments made to suppliers and increase in other assets.

Cash flows from operating activities were €55.9 million in the three month period ended September 30, 2017 and €68.9 million in the three month period ended September 30, 2016. Included in these amounts are deductions for interest paid and income tax paid. Income tax paid which were €2.2 million in the three months ended September 30, 2017 and €1.5 million in the three months ended September 30, 2016. Interest paid was €6.2 million in the three months ended September 30, 2017, compared with €2.5 million in the three months ended September 30, 2016. The increase in cash flows from operating activities in the three months ended September 30, 2017 was primarily due to changes in working capital discussed above.

Cash flows used for investing activities were €67.0 million in the three month period ended September 30, 2017 and €59.1 million in the three month period ended September 30, 2016.

Purchases of property, plant and equipment were €52.0 million in the three months ended September 30, 2017 and €42.8 million in the three months ended September 30, 2016.

Purchases of intangible assets were €15.3 million in the three months ended September 30, 2017 and €16.2 million in the three months ended September 30, 2016.

Cash flows used in (from) financing activities were €15.6 million inflow for the three months period ended September 30, 2017, €4.8 million outflow for the three months ended September 30, 2016.

DIGI COMMUNICATIONS N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
IAS 34 INTERIM FINANCIAL REPORTING
for the nine month period ended 30 September 2017

CONTENTS **Page**

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

DIGI Communications N.V.
Interim Condensed Consolidated Statement of Financial Position
as of 30 September 2017
(all amounts are in thousand Euro, unless specified otherwise)

	Notes	Unaudited 30 September 2017	Audited 31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	4	876,200	825,989
Intangible assets	5	213,762	206,812
Available for sale financial assets (AFS)	8	44,414	-
Investment in associates		986	995
Long term receivables		4,085	3,927
Deferred tax assets		2,430	3,126
Total non-current assets		**1,141,877**	**1,040,849**
Current assets			
Inventories		10,208	18,552
Programme assets	5	32,937	30,312
Trade and other receivables		97,525	108,965
Income tax receivable		54	2,804
Other assets		13,749	6,321
Derivative financial assets	16	13,862	17,049
Cash and cash equivalents		20,386	14,625
Total current assets		**188,721**	**198,628**
Total assets		**1,330,598**	**1,239,477**
EQUITY AND LIABILITIES			
Equity			
Share capital	6	6,918	51
Share premium		3,082	8,247
Treasury shares		(13,926)	(16,703)
Reserves		45,934	9,096
Retained earnings		76,291	40,474
Total equity attributable to equity holders of the parent		**118,299**	**41,165**
Non-controlling interest		5,067	1,438
Total equity		**123,366**	**42,603**
Non-current liabilities			
Interest-bearing loans and borrowings, including bonds	7	667,677	665,540
Deferred tax liabilities		41,718	34,812
Long term trade payables and other long term liabilities		40,603	46,076
Total non-current liabilities		**749,998**	**746,428**
Current liabilities			
Trade and other payables		364,390	373,969
Interest-bearing loans and borrowings	7	65,701	44,047
Income tax payable		4,296	1,390
Derivative financial liabilities	16	2,866	16,356
Deferred revenue		19,981	14,684
Total current liabilities		**457,234**	**450,446**
Total liabilities		**1,207,232**	**1,196,874**
Total equity and liabilities		**1,330,598**	**1,239,477**

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

These interim condensed consolidated financial statements were approved by the Board of Directors on 14 November 2017 represented by:

Serghei Bulgac,

CEO,

Valentin Popoviciu

Executive Director,

DIGI Communications N.V.
Interim Condensed Consolidated Statement of profit or loss and Other Comprehensive Income
for the period ended 30 September 2017
(all amounts are in thousand Euro, unless specified otherwise)

	Notes	Unaudited Three month period ended 30 September 2017	Unaudited Three month period ended 30 September 2016
Revenues	10	230,104	212,240
Other income	19	6,682	-
Other expense	19	-	(4,180)
Operating expenses	11	(197,498)	(187,490)
Operating Profit		**39,288**	**20,570**
Finance income	12	13	8,730
Finance expenses	12	(15,509)	(14,350)
Net finance costs		**(15,496)**	**(5,620)**
Profit/ (loss) before taxation		**23,792**	**14,950**
Income tax		(11,454)	(3,693)
Net profit/(loss) for the period		**12,338**	**11,257**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		407	1,946
Available for sale financial asset, net change in fair value		-	-
Cash Flow hedge reserves		1,219	(308)
Other comprehensive income/(loss) for the period, net of income tax		**1,626**	**1,638**
Total comprehensive income/(loss) for the period		**13,964**	**12,895**
Profit attributable to:			
Equity holders of the parent		11,536	10,797
Non-controlling interest		802	460
Profit/(loss) for the period		**12,338**	**11,257**
Total comprehensive income attributable to:			
Equity holders of the parent		13,140	12,364
Non-controlling interest		824	531
Total comprehensive income/(loss) for the period		**13,964**	**12,895**
Basic and diluted earnings per share (EUR/share)		**0.1**	**0.1**

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

These interim condensed consolidated financial statements were approved by the Board of Directors on 14 November 2017 represented by:

Serghei Bulgac,
CEO,

Valentin Popoviciu
Executive Director,

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

	Notes	Unaudited Nine month period ended 30 September 2017	Unaudited Nine month period ended 30 September 2016
Revenues	10	684,071	617,409
Other income	19	10,695	-
Other expense	19	(2,927)	(1,451)
Operating expenses	11	(596,579)	(558,647)
Operating Profit		**95,260**	**57,311**
Finance income	12	706	14,703
Finance expenses	12	(35,856)	(42,807)
Net finance costs		**(35,150)**	**(28,104)**
Profit before taxation		**60,110**	**29,207**
Income tax		(15,944)	(11,414)
Net profit for the period		**44,166**	**17,793**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		208	1,099
Available for sale financial asset, net change in fair value		41,177	2,366
Cash Flow hedge reserves		926	(339)
Other comprehensive income for the period, net of income tax		**42,311**	**3,126**
Total comprehensive income for the period		**86,477**	**20,919**
Profit attributable to:			
Equity holders of the parent		42,143	17,123
Non-controlling interest		2,023	670
Profit for the period		**44,166**	**17,793**
Total comprehensive income attributable to:			
Equity holders of the parent		84,407	20,219
Non-controlling interest		2,070	700
Total comprehensive income for the period		**86,477**	**20,919**
Basic and diluted earnings per share (EUR/share)		**0.5**	**0.2**

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

These interim condensed consolidated financial statements were approved by the Board of Directors on 14 November 2017 represented by:

Serghei Bulgac,

CEO,

Valentin Popoviciu

Executive Director,

_______________________ _______________________

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

	Notes	Unaudited Nine month period ended 30 September 2017	Unaudited Nine month period ended 30 September 2016
Cash flows from operating activities			
Profit before taxation		**60,110**	**29,207**
Adjustments for:			
Depreciation, amortization and impairment	11	126,469	138,513
Interest expense, net	7	26,508	34,728
Impairment of current assets	11	7,300	6,543
Impairment of Investments in associates		-	829
Unrealised (gains) / losses on derivative financial instruments	16	(5,048)	-
Equity settled share-based payments	15	-	-
Unrealised foreign exchange (gain) / loss		4,297	(8,497)
Gain on sale of assets		(251)	(1,189)
Cash flows from operations before working capital changes		**219,385**	**200,134**
(Increase) in trade receivables and other assets		(16,139)	(30,663)
Decrease/(increase) in inventories		(1,909)	(1,544)
Increase in trade payables and other current liabilities		13,745	27,130
(Decrease) / Increase in deferred revenue		5,297	(999)
Cash flows from operations		**220,379**	**194,058**
Interest paid		(20,228)	(24,498)
Income tax paid		(5,111)	(3,308)
Cash flows from operating activities		**195,040**	**166,252**
Cash flow used in investing activities			
Purchases of property, plant and equipment		(132,276)	(108,988)
Purchases of intangibles		(54,180)	(56,417)
Acquisition of subsidiaries, net of cash and NCI		(1,366)	(1,388)
Acquisition of AFS		-	(939)
Proceeds from sale of property, plant and equipment		669	323
Cash flows used in investing activities		**(187,153)**	**(167,409)**
Cash flows from financing activities			
Dividends paid to shareholders		(21,006)	(1,747)
Proceeds from borrowings	7	39,181	9,118
Repayment of borrowings	7	(16,284)	(27,322)
Financing costs paid	7	-	-
Settlement of derivatives		(2,822)	(4,516)
Payment of finance lease obligations		(1,234)	(2,424)
Cash flows used in financing activities		**(2,165)**	**(26,891)**
Net increase/(decrease) in cash and cash equivalents		**5,722**	**(28,048)**
Cash and cash equivalents at the beginning of the period		14,625	49,662
Effect of exchange rate fluctuations of cash and cash equivalents held		39	(790)
Cash and cash equivalents at the end of the period		**20,386**	**20,824**

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

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

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2017 (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	-	-	-	-	-	-		42,143	**42,143**	2,023	**44,166**
Foreign currency translation differences	-	-	-	197	-			-	**197**	11	**208**
Fair value for AFS	-	-	-	-	-	41,177		-	**41,177**	-	**41,177**
Sale of T-Shares	-	-	-	-	-	-		-	-	-	-
Cash Flow hedge reserves(*)	-	-	-	-	-	-	890		**890**	36	**926**
Transfer of revaluation reserve (depreciation)	-	-	-	-	(5,426)	-	-	5,426	-	-	-
Total other comprehensive income/loss	-	-	-	**197**	**(5,426)**	**41,177**	**890**	**5,426**	**42,264**	**47**	**42,311**
Total comprehensive income for the period	-	-	-	**197**	**(5,426)**	**41,177**	**890**	**47,569**	**84,407**	**2,070**	**86,477**
Transactions with owners, recognized directly in equity	-	-	-	-	-	-	-	-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-	-
Net change in share capital	***6,867***	***(5,165)***						***(1,702)***	-		-
Sales of T-Shares			2,777						**2,777**		**2,777**
Dividends distributed	-	-	-	-	-	-	-	(6,000)	**(6,000)**	(425)	**(6,425)**
Total contributions by and distributions to owners	***6,867***	***(5,165)***	***2,777***	-	-	-		***(7,702)***	***(3,223)***	***(425)***	***(3,648)***
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	(4,050)	**(4,050)**	1,984	**(2,066)**
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	*(4,050)*	***(4,050)***	*1,984*	***(2,066)***
Total transactions with owners	**6,867**	**(5,165)**	**2,777**	-	-	-	-	**(11,752)**	**(7,273)**	**1,559**	**(5,714)**
Balance at 30 September 2017 (unaudited)	**6,918**	**3,082**	**(13,926)**	**(29,984)**	**37,570**	**41,177**	**(2,829)**	**76,291**	**118,299**	**5,067**	**123,366**

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

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

(all amounts are in thousand Euro, 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 2016 (audited)	**51**	**8,247**	**(16,703)**	**(31,726)**	**36,314**	**31,355**	**(4,346)**	**77,462**	**100,654**	**2,160**	**102,814**
Comprehensive income for the period											
Net profit for the period	-	-	-	-	-	-	-	17,123	**17,123**	670	**17,793**
Foreign currency translation differences	-	-	-	1,055	-	-	-	-	**1,055**	44	**1,099**
Fair value for AFS	-	-	-	-	-	2,366	-	-	**2,366**	-	**2,366**
Cash Flow hedge reserves(*)	-	-	-	-	-	-	(325)	-	**(325)**	(14)	**(339)**
Transfer of revaluation reserve (depreciation)	-	-	-	-	(7,445)	-	-	7,445	-	-	-
Total other comprehensive income	-	-	-	**1,055**	**(7,445)**	**2,366**	**(325)**	**7,445**	**3,096**	**30**	**3,126**
Total comprehensive income for the period	-	-	-	**1,055**	**(7,445)**	**2,366**	**(325)**	**24,568**	**20,219**	**700**	**20,919**
Transactions with owners, recognized directly in equity											
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	-	-	-	-	(5,000)	**(5,000)**	(396)	**(5,396)**
Total contributions by and distributions to owners	-	-	-	-	-	-		***(5,000)***	***(5,000)***	***(396)***	***(5,396)***
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	(450)	**(450)**	(40)	**(490)**
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(450)	**(450)**	(40)	**(490)**
Total transactions with owners	-	-	-	-	-	-	-	**(5,450)**	**(5,450)**	**(436)**	**(5,886)**
Balance at 30 September 2016 (unaudited)	**51**	**8,247**	**(16,703)**	**(30,671)**	**28,869**	**33,721**	**(4,671)**	**96,580**	**115,423**	**2,424**	**117,847**

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

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors of DIGI on 14 November 2017.

2.1 BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements 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 2016. These interim condensed consolidated financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

(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 available for sale financial assets and derivative financial instruments measured at fair value.

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

(c) Going concern assumption

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 exclusive content.

(d) 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 were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

(e) Functional and presentation currency

The functional currency as well as the presentation currency for the financial statements of the Group entity is either the currency of the primary economic environment in which the entity operates (the local currency) or the relevant currency for the activity and for the main transactions undertaken.

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 :

	2017			**2016**		
Currency	June – 30	Average for the 3 months	Sept – 30	June – 30	Average for the 3 months	Sept – 30
RON per 1EUR	4.5539	4.5814	4.5991	4.5210	4.4653	4.4523
HUF per 1EUR	308.87	306.48	311.23	316.16	311.21	309.15
USD per 1EUR	1.1412	1.1776	1.1806	1.1106	1.1153	1.1161

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

Currency	**2017**			**2016**		
	Jan – 1	Average for the 9 months	Sept – 30	Jan – 1	Average for the 9 months	Sept – 30
RON per 1EUR	4.5411	4.5513	4.5991	4.5245	4.4853	4.4523
HUF per 1EUR	311.02	308.49	311.23	313.12	312.19	309.15
USD per 1EUR	1.0510	1.1145	1.1806	1.0887	1.1139	1.1161

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

2.2 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 2016.

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

3. SEGMENT REPORTING

Three months ended 30 September 2017 (Unaudited)	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	162,356	38,330	24,593	4,825		-	**230,104**
Inter-segment revenues	807	-	245	137	(1,189)	-	**-**
Segment operating expenses	(106,368)	(27,778)	(18,330)	(4,996)	1,189	-	**(156,283)**
Adjusted EBITDA (Note 19)	**56,795**	**10,552**	**6,508**	**(34)**	**-**	**-**	**73,821**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(41,215)	**(41,215)**
Other income	6,682			-			**6,682**
Other expenses (Note 19)	-	-	-	-	-	-	**-**
Operating profit						-	**39,288**
Additions to tangible non-current assets	30,860	8,710	1,494	26	-	-	**41,091**
Additions to intangible non-current assets	6,572	137	1,607	556	-	-	**8,872**
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 AFS	986	-	-	44,414	-	-	**45,400**

The types of products and services from which each segment derives its revenues are disclosed in Note 10.

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

3. SEGMENT REPORTING (continued)

Three months ended 30 September 2016 (Unaudited)	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	155,126	34,140	20,742	2,232	-	-	**212,240**
Inter-segment revenues	1,181	-	396	306	(1,883)	-	**-**
Segment operating expenses	(103,548)	(21,402)	(17,485)	(4,100)	1,883	-	**(144,652)**
Adjusted EBITDA (Note 19)	**52,759**	**12,738**	**3,653**	**(1,562)**	**-**	**-**	**67,588**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-		(42,838)	**(42,838)**
Other expense (Note 19)	(4,180)	-	-	-	-	-	**(4,180)**
Operating profit						-	**20,570**
Additions to tangible non-current assets	45,254	8,023	374	(10)	-	-	**53,641**
Additions to intangible non-current assets	8,752	284	674	106	-	-	**9,816**
Carrying amount of:							
Property, plant and equipment	658,900	107,964	1,378	129	-		**768,371**
Non-current intangible assets	176,127	31,325	3,432	967	-		**211,851**
Investments in associates and AFS	972			47,392	-		**48,364**

The types of products and services from which each segment derives its revenues are disclosed in Note 10.

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

3. SEGMENT REPORTING (continued)

Nine months ended 30 September 2017 (Unaudited)	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	491,055	113,107	66,904	13,005		-	**684,071**
Inter-segment revenues	1,788		884	433	(3,105)	-	**-**
Segment operating expenses	(328,770)	(80,311)	(49,168)	(14,966)	3,105	-	**(470,110)**
Adjusted EBITDA (Note 19)	**164,073**	**32,796**	**18,620**	**(1,528)**	**-**	**-**	**213,961**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-		(126,469)	**(126,469)**
Other income (Note 19)	7,913	-	-	2,782	-	-	**10,695**
Other expenses	-	-	-	(2,927)	-	-	**(2,927)**
Operating profit						-	**95,260**
Additions to tangible non-current assets	104,641	28,042	1,722	185	-	-	**134,591**
Additions to intangible non-current assets	25,678	948	3,713	1,809	-	-	**32,148**
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 AFS	986			44,414	-	-	**45,400**

The types of products and services from which each segment derives its revenues are disclosed in Note 10.

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

3. SEGMENT REPORTING (continued)

Nine months ended 30 September 2016 (Unaudited)	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	448,243	100,293	62,258	6,615			**617,409**
Inter-segment revenues	2,022		1,176	306	(3,504)		**-**
Segment operating expenses	(299,539)	(60,931)	(52,013)	(11,154)	3,504		**(420,133)**
Adjusted EBITDA (Note 19)	150,726	39,362	11,421	(4,233)		-	**197,276**
Depreciation, amortization and impairment of tangible and intangible assets						(138,514)	**(138,514)**
Other income (Note 19)	(1,451)						**(1,451)**
Operating profit						-	**57,311**
Additions to tangible non-current assets	132,969	22,342	776	112			**156,199**
Additions to intangible non-current assets	25,670	1,396	2,089	507			**29,662**
Carrying amount of:							
Property, plant and equipment	658,900	107,964	1,378	129			**768,371**
Non-current intangible assets	176,127	31,325	3,432	967			**211,851**
Investments in associates and AFS	972			47,392			**48,364**

The types of products and services from which each segment derives its revenues are disclosed in Note 10.

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

4. PROPERTY, PLANT AND EQUIPMENT (PPE)

Acquisitions

During the nine month period ended 30 September 2017, the Group acquired property, plant and equipment with a cost of EUR 134,591 (nine months ended 30 September 2016: EUR 156,199). The acquisitions related mainly to cable plant EUR 65,976 (nine months ended 30 September 2016: EUR 54,934), customer premises equipment of EUR 22,613 (nine months ended 30 September 2016: EUR 25,502), equipment and devices of EUR 32,119 (nine months ended 30 September 2016: EUR 47,361), buildings and structures of EUR 7,485 (nine months ended 30 September 2016: EUR 9,333). The overall decrease in total acquisitions is also impacted by the land purchases of EUR 251 during the current period (nine months ended 30 September 2016: EUR 7,571).

Estimated useful lives

As at 31 December 2016, management reviewed the estimated useful lives of property, plant and equipment. As the Group continued to build and utilise the network and related assets, there is a more consistent ground for estimating the consumption pattern of those assets. Consequently, useful lives for several asset sub-categories were revised in order to match the current best estimate of the period over which these assets will generate future economic benefits.

The change of estimated useful lives was applied prospectively from 1 January 2016 onwards. For details, please see also Note 2.2 c) Basis of preparation and accounting policies from the Consolidated Financial Statements as at 31 December 2016.

The impact of revising the estimated useful lives of certain categories of property, plant and equipment on the value of depreciation charge recognized in profit or loss statement for the comparative period ended 30 September 2016 is presented below:

	Depreciation charge for three months ended 30 September 2016		
	Prior estimated useful lives	Revised estimated useful lives	Difference arising from change in estimated useful lives
Buildings	734	734	-
Network	10,817	9,822	(995)
Customer premises equipment	5,631	2,704	(2,927)
Equipment and devices	8,531	6,519	(2,012)
Vehicles	932	932	-
Furniture and office equipment	735	735	-
Total	**27,380**	**21,446**	**(5,934)**

	Depreciation charge for nine months ended 30 September 2016		
	Prior estimated useful lives	Revised estimated useful lives	Difference arising from change in estimated useful lives
Buildings	2,171	2,171	-
Network	31,641	28,752	(2,889)
Customer premises equipment	17,704	9,408	(8,296)
Equipment and devices	24,842	19,262	(5,580)
Vehicles	2,480	2,480	-
Furniture and office equipment	2,346	2,346	-
Total	**81,184**	**64,419**	**(16,765)**

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

5. NON-CURRENT INTANGIBLE ASSETS AND PROGRAMME ASSETS

Acquisitions

Non-current intangible assets
During the nine month period ended 30 September 2017, the Group acquired non-current intangible assets with a cost of EUR 32,148 (nine months ended 30 September 2016: EUR 29,662) as follows:

- Software and licences in amount of EUR 13,906 (nine months ended 30 September 2016: EUR 18,973);
- Customer relationships in amount of EUR 2,628 (nine months ended 30 September 2016: EUR 616);
- Subscriber acquisition costs ("SAC") in amount of EUR 15,614 (nine months ended 30 September 2016: EUR 10,073); SAC represents third party costs for acquiring and connecting customers of the Group.

Estimated useful lives

The impact of revising the estimated useful lives of certain mobile telephony licences on the value amortization charge recognized in profit or loss statement for the comparative period ended 30 September 2016 is presented below:

	Amortization charge for three months ended 30 September 2016		
	Prior estimated useful lives	Revised estimated useful lives	Difference arising from change in estimated useful lives
Licenses	4,197	4,024	(173)

	Amortization charge for nine months ended 30 September 2016		
	Prior estimated useful lives	Revised estimated useful lives	Difference arising from change in estimated useful lives
Licenses	12,258	11,724	(534)

Programme assets

During the nine month period ended 30 September 2017, additions of programme assets in of EUR 32,532 (nine months ended 30 September 2016: EUR 42,014) represent broadcasting rights for sports competitions for 2017/2018 season and related advance payments for future seasons, and also rights for movies and documentaries.

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

Goodwill

(i) Reconciliation of carrying amount

Cost

Balance at 1 January 2016	**77,240**
Additions	-
Effect of movement in exchange rates	1,138
Balance at 30 September 2016	**78,378**
Balance at 1 January 2017	**77,178**
Additions	-
Effect of movement in exchange rates	(718)
Balance at 30 September 2017	**76,460**

(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 2016. There were no impairment indicators for the cash generating units to which goodwill was allocated as of 30 September 2017.

6. EQUITY

In February 2017, the general meeting of shareholders of the Company has unanimously resolved the following (among others):

- to amend the articles of association pursuant to which, inter alia, two classes of shares will be created being: class A shares with a nominal value of ten eurocent (EUR 0.10) each and in respect of which for each share A ten (10) votes may be cast and class B shares with a nominal value of one eurocent (EUR 0.01) each and in respect of which for each share B one (1) vote may be cast;
- a conversion and split of each currently issued ordinary share in the Company with a nominal value of EUR 1 into ten (10) class A shares with a nominal value of EUR 0.10 each;
- the increase of the share capital by issuing up to 100 million class A shares pro-rata to the shareholdings, subject to availability of reserves.

These resolutions took effect 11 April 2017.

In April 2017 the Board of DIGI was authorized to issue a number of 99,494,060 class A shares at a total nominal value of EUR 9,949 through incorporation of share premium and reserves (bonus issuance, based on the shareholders resolutions from February 2017).

The issued and paid-up capital as at 30 June 2017 in amount of EUR 6,918, divided into 100,000,000 shares (out of which (i) 65,756,028 class A shares with a nominal value of ten eurocents (€ 0.10) each and (ii) 34,243,972 class B shares, with a nominal value of one eurocent (€ 0.01) each).

Class B Shares are listed on the Romanian Stock Exchange ("BVB") starting from 16 May 2017.

As at 30 September 2017, the Company had 6.6 million treasury shares.

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

7. INTEREST-BEARING LOANS AND BORROWINGS

Included in Long term interest-bearing loans and borrowings are bonds of EUR 349,433 (31 December 2016: EUR 349,638), bank loans EUR 315,607 (31 December 2016: EUR 311,912) and leasing EUR 2,638 (31 December 2016: EUR 3,990).

Included in Short term interest-bearing loans and borrowings are bank loans of EUR 19,434 (31 December 2016: EUR 11,478), short portion of long term interest-bearing loans of EUR 32,839 (31 December 2016: EUR 25,584), leasing obligations amounting to EUR 1,827 (31 December 2016: EUR 1,782), other short term debts of EUR 12 (31 December 2016: EUR 12) and interest payable amounting to EUR 11,589 (31 December 2016: EUR 5,191).

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

	Carrying amount
Balance as of 1 January 2017	**709,587**
New drawings	
Proceeds from bank borrowings	39,181
Interest expense and amortization of borrowing cost for the period	26,504
Repayment	
Payment of lease obligations	(1,234)
Repayment of borrowings	(16,284)
Current year interest paid	(20,228)
Additional financing costs	(709)
Effect of movements in exchange rates	(3,439)
Balance as of 30 September 2017	**733,378**

RCS & RDS repaid in April 2017 and October 2017 the first and second instalment of the *2016 Senior Facilities Agreement* in total amount of thousand RON 114,750 (EUR 24,951 equivalent).
During the period ended 30 September 2017 RCS & RDS drew from Facility B (RCF) a total amount of thousand RON 130,000. In October 2017, RCS & RDS drew from Facility B additional amount of thousand RON 27,000.

On 13 October 2017, RCS & RDS S.A., DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság, as the borrowers, the Company, as a guarantor, and Citibank N.A., London Branch and ING Bank N.V. as the arrangers, have concluded a short-term loan with two facilities in the aggregate amount of thousand EUR 200,000 (the „**2017 Bridge Loan**”).

In October 2017, Digi Spain has concluded a short term-loan (9 months) with BBVA for an amount of thousand EUR 2,000.

For more details regarding these facilities, please see Note 18.

8. AVAILABLE FOR SALE FINANCIAL ASSETS (AFS)

	30 September 2017	**31 December 2016**
Opening Balance	-	**43,373**
Additions	3,236	1,653
Fair value adjustment - OCI	41,177	2,367
Non-cash distribution of dividends	-	(47,393)
Closing Balance	**44,414**	**-**

The above available for sale financial assets comprise shares in RCSM. As at 30 September 2017 the percentage of ownership of DIGI in RCSM is 10% (31 December 2016: nil). For additional disclosures on the fair values of the AFS refer to Note 23 (iv) from the 2016 Annual Report.
In March 2017 share swaps agreements were concluded between the Company and several minority shareholders, through which the minority shareholders of RCSM exchanged 18,360 shares of RCSM for 17,367,832 shares in RCS&RDS and 255 shares of the Company, which became effective in April 2017.

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

9. RELATED PARTY DISCLOSURES

		30 September 2017	31 December 2016
Receivables from Related Parties			
Ager Imobiliare S.R.L.	(ii)	714	698
Digi Serbia	(ii)	-	218
Music Channel S.R.L.	(ii)	51	52
RCS Management S.A.	(i)	40	37
Other		10	9
Total		**815**	**1,014**

		30 September 2017	31 December 2016
Payables to Related Parties			
Related parties-share options	(ii)	-	1,082
RCS Management S.A.	(i)	3,814	5,711
Digi Serbia	(ii)	-	117
Mr. Teszari Zoltan	(iii)	8	648
Other		731	9,081
Total		**4,553**	**16,639**

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

Short-term loans from converted dividends payable

On 30 January 2017, the Company entered into two short-term loans with two of its minority shareholders (i) Carpathian Cable Investments S.a.R.L., for a principal amount of EUR 6,628 and (ii) Celest Limited, for a principal amount of EUR 1,504. Both loans represent converted dividends payable. The loans bear a 5% per annum interest rate. The short-term loans were repaid as at 30 June 2017.

On 12 May 2017, RCS&RDS entered into a short term loan with RCS Management, for a principal amount of EUR 5,000. The loan bears a 5.5% per annum interest rate, the repayment date being set for 10 May 2018. In May 2017, the Company withdrew EUR 3,780. At 30 September 2017 the outstanding amount to be paid is EUR 3,735.

In September 2017, RCS & RDS disposed of the remaining 24% participation in Digi SAT d.o.o. (Digi Serbia).

Compensation of key management personnel of the Group

	Three months ended 30 September 2017	Three months ended 30 September 2016	Nine months ended 30 September 2017	Nine months ended 30 September 2016
Short term employee benefits – salaries	704	368	1,761	1,090

There was no share option plan in force during the current and comparative period presented above.

On 14 May 2017 the General Shareholders' Meeting adopted the terms and conditions for the stock option plan for Class B Shares grant applicable to the executive Board members of the Company in 2017. A total number of 280,000 class B shares were granted as part of the stock option plan for 2017.

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

10. REVENUES

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

	Three months ended 30 September 2017	Three months ended 30 September 2016	Nine months ended 30 September 2017	Nine months ended 30 September 2016
Cable TV				
Romania	45,839	44,217	135,967	131,088
Hungary	12,113	10,222	35,314	29,780
	57,952	**54,439**	**171,281**	**160,868**
Internet and data				
Romania	42,987	41,156	127,888	121,847
Hungary	10,505	9,554	30,410	27,861
	53,492	**50,710**	**158,298**	**149,708**
Telephony				
Romania	48,725	38,667	137,779	107,072
Hungary	1,848	1,999	5,777	5,999
Spain	24,542	20,660	66,696	62,061
Italy	4,806	2,191	12,934	6,466
	79,921	**63,517**	**223,186**	**181,598**
DTH				
Romania	8,899	9,687	27,372	29,179
Hungary	8,493	7,845	25,270	23,142
	17,392	**17,532**	**52,642**	**52,321**
Other revenues				
Romania	15,907	21,400	62,049	59,058
Hungary	5,370	4,521	16,335	13,511
Spain	50	80	208	196
Italy	20	41	72	149
	21,347	**26,042**	**78,664**	**72,914**
Total revenues	**230,104**	**212,240**	**684,071**	**617,409**

Total revenues for nine months ended 30 September 2017 increased mainly because of the increase in our mobile telecommunication services (included in Telephony revenues line), cable TV and fixed internet and data subscribers' base.

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

11. OPERATING EXPENSES

	Three months ended 30 September 2017	Three months ended 30 September 2016	Nine months ended 30 September 2017	Nine months ended 30 September 2016
Depreciation of property, plant and equipment	24,428	27,380	71,303	81,184
Amortization of programme assets	8,162	6,918	29,497	31,309
Amortization of non-current intangible assets	8,358	8,524	23,200	25,820
Salaries and related taxes	37,582	31,362	107,885	89,295
Contribution to pension related fund	4,167	3,890	12,779	12,317
Programming expenses	21,309	18,900	62,532	53,629
Telephony expenses(1)	41,068	34,887	113,792	102,931
Cost of goods sold	6,667	14,587	30,202	39,032
Rentals	14,241	12,943	42,242	36,648
Invoicing and collection expenses	3,857	3,548	11,244	10,485
Utilities	4,222	3,900	12,867	10,679
Copyrights	2,278	2,228	6,769	6,604
Internet connection and related services(1)	778	998	2,769	3,024
Impairment of receivables, net of reversals	3,363	1,716	7,300	6,543
Impairment of property, plant and equipment	267	14	2,469	200
Other expenses	16,751	12,417	59,729	39,155
Total operating expenses	**197,498**	**187,490**	**596,579**	**558,647**

(1) In 2017 Mobile data connection expenses for Digi Spain are presented on the "Telephony expenses line", not on the "Internet connection and related services line". For comparability purposes, the presentation of comparatives for 2016 was restated accordingly.

The significant increase in telephony expenses is mainly due to the increase in Mobile telephony expenses, in line with the development of the mobile business. The decrease in depreciation of property plant and equipment is mainly due to the change in useful lives of assets made at 31 December 2016. For details, please see Note 4.

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

12. NET FINANCE COSTS

	Three months ended 30 September 2017	**Three months ended 30 September 2016**	**Nine months ended 30 September 2017**	**Nine months ended 30 September 2016**
Financial revenues				
Interest from banks	13	14	45	40
Other financial revenues	-	-	1	4,766
	13	**14**	**46**	**4,806**
Financial expenses				
Interest expense and amortization of borrowing cost	(9,117)	(11,284)	(26,504)	(34,728)
Net gain/(loss) on derivative financial instruments	(866)	(2,697)	(2,822)	(4,177)
Other financial expenses	(2,610)	(369)	(6,530)	(3,902)
	(12,593)	**(14,350)**	**(35,856)**	**(42,807)**
Foreign exchange differences (net)	(2,916)	8,716	660	9,897
Net Financial Cost	**(15,496)**	**(5,620)**	**(35,150)**	**(28,104)**

13. ACQUISITIONS OF SUBSIDIARY

During the nine months period ended 30 September 2017 there were no acquisitions of entities.

On 21 July 2017, Our Hungarian subsidiary, DIGI Távközlési és Szolgáltató Kft. ("**Digi HU**"), acting as purchaser, has signed a share-purchase agreement ("**SPA**") with Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers (the "**Sellers**"; the Sellers are controlled by China Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF, which is managed by Luxembourg Investment Solutions S.A.) for the acquisition of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt. (the "**Target**") (the "**Proposed Transaction**"). For details, please see Note 18.

In September 2017, RCS & RDS disposed of the remaining 24% shares in Digi SAT d.o.o. (Digi Serbia).

14. 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 analyze 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 2017, the Group had net current liabilities of EUR 268,513 (31 December 2016: EUR 251,818). 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 uses forward/option contracts, transacted with local banks.

(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.

15. SHARE-BASED PAYMENT

In the period ended 30 September 2017 no share options were vested under the share based payment plan (31 December 2016: nil shares).

On 14 May 2017 the General Shareholders' Meeting adopted the terms and conditions for the stock option plan for Class B Shares grant applicable to the executive Board members of the Company in 2017. A total number of 280,000 class B shares were granted as part of the stock option plan for 2017.

16. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 September 2017 the Group had derivative financial assets in amount of EUR 13,862 (31 December 2016: EUR 17,049), which included:

- Embedded derivatives of EUR 13,696 related to the bond (the Bonds include several call options as well as one put option which are measured at fair value at each year end) (31 December 2016: EUR 13,908).

- Electricity trading assets (term contracts) of EUR 167 being mark to market gain from fair valuation of electricity trading contracts (31 December 2016: EUR 3,141). We reduced our exposure to energy market price volatility, as a result of the process of refocusing our energy supply business on residential and mid-sized and smaller business customers and decreasing the overall volume of electricity supplied to business customers.

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

As at 30 September 2017 the Group had derivative financial liabilities in amount of EUR 2,866 (31 December 2016: EUR 16,356), which included:

• Interest rate swaps in amount of EUR 2,621 (31 December 2016: EUR 5,318): On 22 May 2015 RCS & RDS concluded an interest rate SWAP for the entire term loan facility through which the company hedges against the volatility of cash flows on its floating rate borrowings due to modification of market interest rates (i.e.: ROBOR). For this purpose the company uses interest rate swaps, paying fixed and receiving variable cash flows on the same dates on which is settles the interest on its hedged borrowings. Hedged cash flows occur periodically, on the settlement of the interest on hedged loans, and impact profit or loss throughout the life of the loan, through accrual. Given that critical terms of the hedging instrument match the critical terms of the hedged cash flows, there is no significant ineffectiveness.

• Electricity trading liabilities (term contracts) of EUR 245 being mark to market loss from fair valuation of electricity trading contracts (31 December 2016: EUR 11,038). We reduced our exposure to energy market price volatility, as a result of the process of refocusing our energy supply business on residential and mid-sized and smaller business customers and decreasing the overall volume of electricity supplied to business customers.

	Available for sale	Cross currency swaps	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		-	-	764	(2,935)	10,654
Gains or (losses) recognised in other comprehensive income	41,177	-	(212)	(890)	(39)	139
Purchases	3,236	-	-	-	-	-
Sales		-	-	-	-	-
Settlements		-	-	2,822	-	-
30 September 2017	**44,414**	**-**	**13,696**	**(2,621)**	**167**	**(245)**

	Available for sale	Cross currency swaps	Embedded derivatives	Interest rate swaps	Trading assets	Trading liabilities
1 January 2016	**43,373**	**(493)**	**9,255**	**(6,094)**	**682**	**(1,666)**
Gains or (losses) recognised in profit or loss for the year	-	-	5,433*	(4,958)	2,459	(9,372)
Gains or (losses) recognised in other comprehensive income	2,367	-	-	779	-	-
Purchases	1,653	-	8,474*	-	-	-
Sales	-	-	-	-	-	-
Settlements**	(47,393)	493	(9,255)	4,955	-	-
31 December 2016	**-**	**-**	**13,908**	**(5,318)**	**3,141**	**(11,038)**

** Net effect of gain on 2013 Bond embedded derivative in 2016 of EUR 4,956, expense of EUR 14,211 upon exercising the call option on 2013 Bond and recognition of fair value gain on 2016 Bond embedded derivative of EUR 5,433 after taking into consideration fair value of the embedded derivative asset at inception of EUR 8,474.*
***As of 31 December 2016 the AFS assets were derecognized and the entire fair value gain accumulated in fair value reserve, amounting to EUR 33,722, was reclassified to Profit or Loss and accordingly reclassified from OCI (EUR 33,722).*

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

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 2017				
Interest rate swaps			(2,621)	(2,621)
Embedded derivatives	-	-	13,696	13,696
Electricity trading assets (term contracts)	-	-	167	167
Electricity trading liabilities (term contracts)	-	-	(245)	(245)
Total	**-**	**-**	**10,997**	**10,997**

	Level 1	Level 2	Level 3	Total
31 December 2016				
Available for sale financial assets	-	-	-	-
Interest rate swaps			(5,318)	(5,318)
Embedded derivatives	-	-	13,908	13,908
Electricity trading assets (term contracts)	-	-	3,141	3,141
Electricity trading liabilities (term contracts)	-	-	(11,038)	(11,038)
Total	**-**	**-**	**693**	**693**

17. GENERAL COMMITMENTS AND CONTINGENCIES

(a) Contractual commitments

Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR/EURIBOR/ROBOR + 5.7% 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 2017, contractual commitments for capital expenditure amounted to approximately EUR 68,806 (31 December 2016: EUR 85,642) and contractual operating commitments amounted to approximately EUR 215,084 (31 December 2016: EUR 161,183), including operating leases.

In addition to the above, there are approximately another 500 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 1,742 (31 December 2016: EUR 1,396).

(b) Letters of guarantee

As of 30 September 2017, there were bank letters of guarantee and letters of credit issued in amount of EUR 21,038 mostly in favour of content and satellite suppliers and for participation to tenders (31 December 2016: EUR 11,375). Of these, as at 30 September 2017 we had letters of guarantee issued in amount of EUR 13,153, which were secured with moveable mortgage over cash collateral accounts. In October 2017, the cash collateral for a letter of guarantee in amount of EUR 13,000 was released.

(c) Legal proceedings

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

Intact Media Group Litigation

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

a) The must carry related litigations

In March 2011, Antena Group (Intact Media Group) initiated three separate lawsuits in tort against us alleging that we illegally refused to carry its channels breaching, among other things, the Romanian must carry rules. They claim damages of approximately €100 million and have requested that the court impose other non-monetary remedies, such as requiring that we provide the Intact Media Group channels to our subscribers free of charge and in compliance with the highest technical standards.

In the first proceeding, Antena Group claims that we are bound by the must carry rules to provide Antena 1, the Intact Media Group's lead channel, free of charge to our subscribers in a package that only contains must carry channels. Antena Group has requested injunctive relief which would require us to offer such a package to our subscribers (neither we nor any other Romanian distributor currently offers to its customers such a package) and has sought damages amounting to €65 million for our alleged breach of the must carry rules. The €65 million monetary damages were reiterated by First Quality in a different lawsuit.

The First Quality claim regarding the €65 million monetary damages was suspended until settlement of both the claim for injunctive relief and a lawsuit we initiated challenging the effects of an arrangement regarding the assignment of receivables from Antena Group to First Quality Debt Recovery. On 15 April 2015, the Bucharest Tribunal partially admitted RCS&RDS' claim and annulled the assignment of receivables from Antena Group to First Quality Debt Recovery. We expect this decision to have a significant positive impact on RCS&RDS' defence against Antena Group's claim regarding the €65 million monetary damages. Antena Group challenged the ruling of the Bucharest Tribunal, but the Bucharest Court of Appeal rejected the appeal in its entirety and upheld the decisions issued by the first court. RCS&RDS appealed limited aspects in connection to the reasoning of the Court of Appeal's decision, only in view of preserving its rights for the event Antena Group's challenge is successful. From the information at our disposal, Antena Group did not file a higher appeal against this decision. The Romanian Supreme Court has set the next hearing for 18 January 2018.

In the case regarding the injunctive relief request, both the court of first instance and the court of appeal ruled in our favour and dismissed Antena Group's claims as ungrounded. However, in February 2014, the Romanian Supreme Court admitted the higher appeals filed by Antena Group and First Quality Debt Recovery and overturned the decisions issued by both the first instance and the appeal courts, ordering a retrial of the case by the first court. The decision of the Supreme Court does not confirm Antena Group's allegations on the merits of the case, as the retrial was ordered solely based on procedural reasons. In the retrial, the Bucharest Tribunal annulled the monetary claims (€65 million) filed in the case file (because Antena Group's failure to pay the stamp duties) and suspended the proceedings until a final settlement will be issued in the lawsuit we initiated to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

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

The case regarding the injunctive relief sought in relation to the GSP TV channel was settled by the Bucharest Tribunal in favour of Antena Group, the court ordering us to include the channel in our network in compliance with several technical requirements. However, we have been carrying the channel as of January 2012, and therefore the decision did not impact our network. The appeal filed by RCS&RDS against the first court decision was rejected in October 2014. The decision of the Bucharest Tribunal remained final.

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

At the end of 2014, Antena Group initiated two new lawsuits requesting damages in relation to the carriage of GSP TV and Antena 2. The claims are almost identical to the ones regarding the same channels and assigned to First Quality Debt Recovery in 2012, except for the much lower amounts requested, specifically RON 500,000 in relation to GSP TV and RON 250,000 in relation to Antena 2. Both lawsuits have been suspended until the final settlement of the trial initiated by RCS&RDS to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

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

This adverse decision could be used in the monetary claims of Antena Group against us in relation to the alleged breach of the must carry rules with respect to GSP TV (such claims being approximately €24 million).

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

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

In July 2014, two companies of the Intact Media Group (Antena Group and Antena 3) filed another claim against RCS&RDS requesting the court to ascertain that RCS&RDS abused its dominant position by its alleged refusal to negotiate and conclude an agreement for the remunerated carriage of Antena Group channels, should Antena Group eventually choose to waive the must carry regime currently applicable to all Intact Media Group’s TV channels. The claimants also requested the court to order RCS&RDS to negotiate with Antena Group in view of concluding a pay-tv based agreement under terms similar to the ones agreed by us with Pro TV S.R.L.

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

In March 2015, RCS&RDS requested the court to stay the proceedings until the final settlement of four other trials of whose outcome may prove the existence of a justification for the alleged refusal to negotiate with Antena Group and Antena 3. The court decided on April 14, 2015 in favour of RCS&RDS' request and suspended the trial until the final settlement of the lawsuit including the €65 million monetary damages. Although the decision on suspension of the trial was challenged by Antena Group, the Bucharest Tribunal rejected on 15 June 2016 Antena Group's higher appeal as ungrounded, this decision being final. In October 2017, Antena Group and Antena 3 filed an extraordinary appeal against the Bucharest Tribunal's decision. Basically, these two companies argue that the court awarded more than the parties requested when it stated that the settlement of this lawsuit depends on the settlement of the injunctive relief and the €65 million monetary claim. RCS & RDS filed a statement of defence arguing that the extraordinary appeal is inadmissible and ungrounded. The first hearing term was scheduled for 14 November 2017.

c) The copyright related litigation

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

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

On 30 October 2014, the Bucharest Tribunal rejected the claim on procedural grounds and stated that Antena Group does not have legal standing in this lawsuit. On 16 March 2016, the Bucharest Court of Appeal admitted Antena Group's appeal, annulled the first court's decision and sent the file back to the Bucharest Tribunal for a trial on the merits of the case. The full decision of the Court of Appeal has been communicated to us on 11 July 2016 and the deadline for a higher appeal expired on 11 August 2016. We have decided not to challenge this decision because, although it granted Antena Group standing in the file, it contains favourable conclusions on the merits of the case. More specifically, the Court of Appeal stated that the relation between Antena Group and RCS&RDS regarding the retransmission of the must carry channels is not subject to an agreement between the parties.

After the annulment decision of the Bucharest Court of Appeal, the case file returned to the Bucharest Tribunal. In front of the Bucharest Tribunal, RCS&RDS requested the court to bring into this claim RCS&RDS' competitors on the retransmission market in Romania. This request was dismissed by the court. At this stage in the judicial file, the judge is currently hearing the parties with respect to the evidence. The next hearing of this case by the Bucharest Tribunal is scheduled for 16 November 2017.

d) Litigation regarding the outcome of the GSP investigation

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

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

Antena Group initiated the proceedings only against the Competition Council, but the court decided that RCS&RDS needs to be introduced in the trial as defendant. On 3 October 2016, the court decided to reject Antena Group's claim in its entirety as ungrounded. The court issued its written reasoning on 16 June 2017 and Antena Group challenged the decision. RCS&RDS appealed limited aspects in connection to its reasoning, only in view of preserving its rights. The Romanian Supreme Court did not yet set the first hearing in this higher appeal. Should the court decide in favour of Antena Group's claim, it might force the Competition Council to reopen the investigation against RCS&RDS.

e) Reciprocal contractual claims with the Intact Media Group

Compensation of damage to reputation

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

On 7 March 2016, the Bucharest Court of Appeal ruled in our favour on most counts and required Antena Group to pay us €780,000 in moral damages. Antena Group filed a higher appeal to the Romanian Supreme Court against the decision of the appeal court. On 24 November 2016, the Romanian Supreme Court admitted the higher appeal and sent the case for retrial to the Bucharest Court of Appeal. On 10 November 2017, the Bucharest Court of Appeal heard the case on the merits and will issue its ruling not sooner than 17 November 2017.

Violation of certain contracts

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

In the first proceedings, we sought a refund of certain retransmission fees we had paid to Antena Group until 2010 in relation to two of its channels (Antena 3 and Antena 4). In turn, Antena Group sought further retransmission fees from us for 2010 and 2011. On November 2, 2015, the first instance court dismissed our claim and granted Antena Group's counterclaim in part, ordering us to pay approximately €1.9 million to Antena Group in retransmission fees and legal expenses. Both parties have appealed that decision. On 16 March 2017, the Bucharest Court of Appeal partially admitted both appeals and consequently awarded approx. €315,000 to us and approx. €900,000 to Antena Group. Both parties have filed a higher appeal against this decision. On 18 October 2017, the Romanian High Court of Cassation and Justice admitted both parties' appeals, overturned the decision issued by the Bucharest Court of Appeal and sent the case back to the Bucharest Court of Appeal for retrial. The first hearing in front of the Bucharest Court of Appeal has not yet been scheduled.

In the second proceedings, the court of the first instance fully dismissed both our claim and Antena Group's counterclaim, but both parties appealed the first court's decisions. On 3 May 2017, the Court of Appeal issued its ruling and rejected Antena Group's appeal and admitted RCS&RDS claim in its entirety consisting in the aggregate of €500,000. The court issued its written reasoning on 29 June 2017 and Antena Group appealed the decision in its entirety, while RCS&RDS appealed limited aspects in connection to its reasoning, only in view of preserving its rights for the event Antena Group's challenge is successful. The next hearing in front of the Romanian Supreme Court is scheduled for 1 February 2018.

Pecuniary claim filed by the National Cinematography Centre

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

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

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

The above-mentioned case file involves an urgent (extraordinary) proceeding through which the National Cinematography Centre aimed at forcing RCS&RDS to pay the above-mentioned amounts. Given the rejection of the above claim by the court of first instance for lack of ground, on 4 November 2016, the National Cinematography Centre additionally filed before the Bucharest Tribunal the principal (ordinary) claim for payment, but with respect to a lower amount, in approximate value of €1.2 million, including principal and accessories. In connection with this second case file, the next hearing is set for 4 December 2017.

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

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

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

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

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

On 2 May 2017, certain individuals (William Hawkins, Eric Keller, Kristof Gabor, Justin Panchley, and Thomas Zato) (collectively, the "Plaintiffs") filed in the United States District Court for the Eastern District of Virginia – Alexandria Division (the "**US Court**") a motion to enforce a default judgment (the "Motion") that was issued in favour of the Plaintiffs by the US Court in the Civil Action No. 1:05-cv-1256 (LMB/TRJ) in February 2007 (the "**Default Judgment**") against Laszlo Borsy, Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. (the predecessor to i-TV Digitális Távközlési Zrt.) (the "Defendants") jointly and severally. Additionally, the Motion sought to extend the enforcement of the Default Judgment against the following entities that were not parties to the original proceedings and not named in the Default Judgment: i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., and the Company.

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

The Motion alleges that i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft. and the upstream separate companies RCS&RDS (Romania), the Company (the Netherlands), and RCS Management S.A. (Romania) 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 Hungary, Romania, or the Netherlands.

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 30 June 2017, at the hearing before the US Court, the US Court denied the Motion without prejudice, but also issued a scheduling order, including discovery, in anticipation of a hearing on the merits of a renewed Motion by the Plaintiffs once discovery is completed, and ordered that the parties enter into a discovery process. Discovery is ongoing. The US Court has not determined yet whether it may exercise jurisdiction over either of i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, S.A., RCS Management S.A. and the Company.

On 15 September 2017, for procedural matters, the Court issued an order vacating its prior order that had denied the Motion without prejudice which, as a consequence, was reactivated. The discovery process is scheduled to be finalized by 19 January 2018.

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

Investigation by the Romanian National Anti-Corruption Agency

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

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

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

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

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

INTEGRASOFT S.R.L., RCS&RDS, and their officers have also submitted other preliminary requests and objections against the allegations brought by the DNA in court. At the court hearing from 1 November 2017, the Bucharest Tribunal heard the DNA and the defendants on their arguments. No sooner than 16 November 2017, the Bucharest Tribunal is expected to issue its decision. If the claims and objections raised by the defendants are admitted by the court either in full or in part, the case file would return to the DNA for the remedy of the irregularities ascertained by the court decision. The court's decision rejecting the defendants' claims and objections can be challenged by the defendants within 3 days after the court issues its decision. Should a final decision of rejecting the claims and objections be rendered by the court of appeal, the file would be returned to the Bucharest Tribunal (as the initially invested court) for judgment on the substance.

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 restate that we will continue to defend against all the above allegations.

Competition Council Investigations

RCS&RDS has been until the date of this report subject to two infringement investigations by the Competition Council. As per our knowledge, no other infringement investigation is pending against RCS&RDS.

Telecom market interconnection investigation

In February 2011, the RCC opened an investigation on the telecommunications market related to interconnection tariffs charged by all telecommunications operators. We believe this investigation was launched with the aim of reducing the relatively high interconnection tariffs charged on the Romanian market and thereby reducing the rates ultimately charged to consumers.

By decision no 33/2015 the RCC decided to close the investigation in exchange for all operators undertaking and complying with a general commitment not to discriminate between the level of the tariffs charged for the on-net and the off-net calls. We will need to implement this commitment for 2 years, that expires in 2017. During the term of the commitments, RCS&RDS is required to provide to the RCC, upon request, business information, and to commission periodic independent market studies on the evolution of the mobile telephony sector.

The RCC's decision accepting our commitment has closed the investigation without the application of any fines for the alleged anticompetitive conduct. The offering of commitments does not imply any admission of wrongdoing. A failure to comply with the terms of the commitment as accepted by the RCC may lead to penalties of up to 10 per cent of our aggregate turnover.

GSP investigation

In May 2011, Antena TV Group S.A., a leading media group in Romania and our former commercial partner, made a complaint to the RCC based on our refusal to retransmit one of its channels, GSP TV. The RCC opened an investigation against us in relation to this matter in August 2011. We have fully cooperated during this investigation and we consider the demands of Antena TV Group S.A. to be abusive and groundless, given that we have started retransmitting GSP TV following an injunctive relief that Antena TV Group S.A. obtained against us on grounds that starting July 2011 GSP TV became a "must-carry" channel.
The RCC issued its decision on March 3, 2015 declaring our initial refusal to retransmit GSP TV channel not abusive and not in violation of any competition laws. The RCC additionally considered that such refusal was justified by the existence of multiple judicial disputes between the parties, including with respect to the application and meaning of the "must-carry" regime.

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

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

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

18. SUBSEQUENT EVENTS

On 13 October 2017, RCS & RDS S.A., DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság, as the borrowers, the Company, as a guarantor, and Citibank N.A., London Branch and ING Bank N.V. as the arrangers, have concluded a short-term loan with two facilities in the aggregate amount of thousand EUR 200,000 (the „**2017 Bridge Loan**").
One facility, in amount of thousand EUR 140,000, was concluded for the purpose of financing the acquisition by Digi Kft. of the Hungarian telecommunications operator Invitel Tavkozlesi Zrt., with respect to the terms of which we have informed the market and the investors on 21 July 2017. The other facility, in amount of thousand EUR 60,000, was concluded for general corporate purposes.
These facilities have not yet been drawn.
The 2017 Bridge Loan has a maturity of 12 months. It can be extended for an additional period of up to 6 or 12 months.

In October 2017, Digi Spain has concluded a short term-loan (9 months) with BBVA for an amount of thousand EUR 2,000.

For details regarding the Legal Proceedings, please see Note 17.

19. 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) the charges for depreciation, amortization and impairment of assets. Adjusted EBITDA is defined as EBITDA adjusted for the effect of extraordinary or one-off/non-recurring items. In addition, we adjust EBITDA for mark to market results (unrealized) from fair value assessment of energy trading contracts.

	Three month ended 30 September 2017	**Three month ended 30 September 2016**	**Nine months ended 30 September 2017**	**Nine months ended 30 September 2016**
Revenues and other income	**230,104**	**212,240**	**684,071**	**617,409**
EBITDA				
Operating profit	39,288	20,570	95,260	57,311
Depreciation, amortization and impairment	41,215	42,838	126,469	138,514
EBITDA	**80,503**	**63,408**	**221,729**	**195,825**
Excluding				
Other income	(6,682)	-	(10,695)	-
Other expenses	-	4,180	2,927	1,451
Adjusted EBITDA	**73,821**	**67,588**	**213,961**	**197,276**
Adjusted EBITDA (%)	*32.08%*	*31.85%*	*31.28%*	*31.95%*

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.

For the nine months ended 30 September 2016 EBITDA was adjusted to exclude Other expense of EUR 1,451 representing mark to market loss from fair valuation of energy trading contracts.

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

20. FINANCIAL INDICATORS

Financial Indicator	**As at 30 September 2017**
Current ratio	
Current assets/Current liabilities	0.41
Debt to equity ratio	
Long term debt/Equity x 100	574%
(where Long term debt = Borrowings over 1 year)	
Long term debt/Capital employed x 100	85%
(where Capital employed = Long term debt+ Equity)	
Trade receivables turnover	
Average receivables/Revenues x 270	40.75 days
Non-current assets turnover	
(Revenues/Non-current assets x 4/3)	0.80

Serghei Bulgac,	**Valentin Popoviciu**
CEO,	**Executive Director,**
______________________	______________________