DIGI communications n.v.

2_{ND} QUARTER 2018 – FINANCIAL REPORT

for the three month period ended June 30, 2018

DIGI COMMUNICATIONS N.V. (“Digi”)

(the “COMPANY”)

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

FINANCIAL REPORT (the “REPORT”)
for the three month period ended June 30, 2018

This Unaudited Condensed Consolidated Interim Financial Report for the period ended 30 June 2018 refers to the Unaudited Condensed Consolidated Interim Financial Statements prepared in accordance with IAS 34 “Interim Financial Reporting”.

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Important Information

Cautionary Note Regarding Forward-Looking Statements

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

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

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

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

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

Operating and Market Data

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

More specifically:

- for our cable TV and DTH services, we count each basic package that we invoice to a customer as an RGU, without counting separately the premium add-on packages that a customer may subscribe for;
- for our fixed internet and data services, we consider each subscription package to be a single RGU;
- for our fixed-line telephony services, we consider each phone line that we invoice to be a separate RGU, so that a customer will represent more than one RGU if it has subscribed for more than one phone line; and
- for our mobile telecommunication services we consider the following to be a separate RGU: (a) for pre-paid services, each mobile voice and mobile data SIM with active traffic in the last month of the relevant period, except for Romania where pre-paid RGUs are not included due to low usage and small number of users; and (b) for post-paid services, each separate SIM on a valid contract.

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

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

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

Non-Gaap Financial Measures

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

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

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

Rounding

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

Risks Factors

RISKS FACTORS

Main Risks and Uncertainties during the remainder of 2018

The Key information on the key risks specific to the Company, its subsidiaries and their industry

- → We face significant competition in all our markets and business lines, which may encourage the movement of customers to our competitors and thereby adversely affect our revenue and profitability. All our principal competitors in our core Romanian and Hungarian markets are part of much larger international telecommunication groups, and may enjoy certain competitive advantages, such as greater economies of scale, easier access to financing and more comprehensive product offerings in certain business lines.
- → The markets in which we operate are characterized by rapid and significant changes in technology, customer demand and behavior, and as a result are characterized by a changing competitive environment. The cost of implementing investments to upgrade our network offerings could be significant, and there is no assurance that customers will accept these developments to the extent required to generate a rate of return that is acceptable to us.
- → The expansion and operation of our fixed fiber and mobile networks, as well as the costs of development, sales and marketing of our products and services, requires substantial capital expenditure. In addition, our working capital needs have substantially increased in recent years and we may be required to limit our operations and expansion plans if, for any reason, we are unable to obtain adequate funding to meet these requirements.
- → Our success is closely tied to general economic developments in Romania and Hungary and any negative developments may not be offset by positive trends in other markets, potentially jeopardizing our growth targets and adversely affecting our business, prospects, results of operations and financial condition.
- → Since the 2008 global economic crisis, and further exacerbated by the United Kingdom's vote on June 23, 2016 to leave the European Union ("EU"), concerns about the potential economic slowdown and recession in Europe, the availability and cost of credit, diminished business and consumer confidence, inflation and increased unemployment have continued to contribute to increased market volatility and diminished expectations for European and emerging economies, including jurisdictions in which we operate.
- → The telecommunications and media sectors are under constant scrutiny by national competition regulators in the countries in which we operate and by the European Commission. We have been in the past, and may continue to be, the subject of competition investigations and claims in relation to our behavior in the markets of the jurisdictions where we operate.
- → Our operations and properties are subject to regulation by various government entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorizations, as well as ongoing compliance with, among other things, telecommunications, audiovisual, environmental, health and safety, labor, building and urban planning, personal data protection and consumer protection laws, regulations and standards. Any increase in governmental regulation of our operations could increase our costs and could have a material adverse impact on our business, prospects, results of operations and financial condition.
- → A suspension or termination of our licenses or other necessary governmental authorizations could have a material adverse effect on our business and results of operation. Additionally, we are not in full compliance, and from time to time may not be in full compliance, with applicable laws and regulations regarding permitting the construction of various components of our network. We have experienced, and may continue to experience, difficulties in obtaining some of these approvals and permits.
- → Certain agreements we have entered into for the purposes of developing our networks, including some of the agreements entered into with electricity distribution companies and public authorities for the lease of the majority of the poles that support our above-ground fixed fiber optic networks, have been entered into with persons whose title to the leased assets or authority and capacity to enter into such agreements were not fully verifiable or clear at the time they entered into the agreement. Additionally, certain agreements for the lease of poles from third parties are and continue to be arranged on an undocumented basis, creating a risk that they could be discontinued in the future. Termination or cancellation of the agreements may result in additional costs for re-execution of such agreements or for the implementation of an alternative solution or, in the worst case, in a loss of business.
- → The telecommunications industry in the markets in which we operate is characterized by the existence of a large number of patents and trademarks. Objections to the registration of new trademarks by third parties and claims based on allegations of patent and/or trademark infringement or other violations of intellectual property rights are common. We may also be subject to claims for defamation, negligence, copyright or other

legal claims relating to the programming content or information that we broadcast through our network or publish on our websites.

- If we cannot acquire or retain content or programming rights or do so at competitive prices, we may not be able to retain or increase our customer base and our costs of operations may increase.
- Our business relies on hardware, software, commodities and services supplied by third parties. These suppliers may choose to discontinue their products or services, seek to charge us prices that are not competitive or choose not to renew contracts with us.
- The economies of the countries where we operate are vulnerable to market downturns and economic slowdowns elsewhere in the world. The impact of global economic developments is often felt more strongly in emerging markets such as Romania and Hungary than it is in more mature markets.
- The political environment in Romania and Hungary, our main countries of operation, may experience significant political instability.
- Our leverage and debt servicing obligations may require us to dedicate a substantial portion of our cash flow from operations to payments on our debt and increase our vulnerability to economic or business downturns. Additionally, we may incur additional indebtedness in the future, which would increase the consequences of such substantial leverage and debt servicing obligations.
- Our restrictive debt covenants limit our ability to incur or guarantee additional indebtedness and could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest.
- We may continue to undertake acquisitions on an opportunistic basis, such as the Invitel acquisition that was finalized in May 2018, which may increase our risk profile, distract our management or increase our expenses.
- The criminal investigation of the Romanian National Anti-Corruption Directorate in relation to offences of bribery and money laundering alleged to have been committed by RCS&RDS and one of its Romanian subsidiary and certain of our executives may divert management attention and resources, may affect our reputation and, if ultimately finalized through an unfavourable verdict by a court of law, may affect some of our assets, may materially adversely, business, financial condition and prospects. The case is currently pending before the court of first instance. We strongly believe that RCS&RDS, its subsidiary and its current and former officers have acted appropriately and in compliance with the law, and we are committed to challenge any resolution stating otherwise.

These factors and the other risk factors which we have previously disclosed to the market and to our investors in the Offering Memorandum for the Senior Secured Notes due 2023 dated 12 October 2016 “Risk Factors”, Offering Memorandum for the Senior Secured Notes due 2023 dated 8 August 2017 “Risk Factors”, Initial Public Offering prospectus dated 26 April 2017 “Summary – Section D. Risks” and “Part 1 –Risk factors”, in the supplemental IPO prospectus dated 8 May 2017, in the Annual Report for year ended 31 December 2017 as well as in the subsequent public reports, are not necessarily all of the factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also impact our future results. New risk factors and uncertainties appear from time to time and it is not possible for the management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Under no circumstances should the inclusion of such forward-looking statements in this document be regarded as a representation or warranty by us or any other person with respect to the achievement of results set out in such statements or that the underlying assumptions used will in fact be the case. Therefore, you are cautioned not to place undue reliance on these forward-looking statements.

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 June 30, 2018.
The following discussion includes forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including but not limited to those described in sections captioned "Forward-Looking Statements" of this Report.

Overview

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

For the three months ended June 30, 2018, we had revenues of €243.0 million, net profit of €0.5 million and Adjusted EBITDA of €75.5 million, excluding Invitel's results. For details regarding Invitel's one month results for June 30, 2018, please see Note 12 Acquisition of Subsidiary from the Interim Consolidated Simplified Financial Statements as at June 30, 2018.

Recent Developments

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. ("Digi HU") our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement with Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers for the acquisition of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt ("Invitel"). In May 2018 the Regulatory Authority from Hungary approved, with certain conditions, the proposed transaction and the transaction was closed on 30 May 2018. The total consideration paid by Digi HU to the Sellers for the acquisition of shares in Invitel was of approximately EUR 135.4 million equivalent.

At June 30, 2018 the analysis of the purchase price allocation ("PPA"), the restatement of Hungarian GAAP accounts to IFRS EU accounts as well as the harmonization of Invitel's accounting policies to the Group policies, are in early stages. Therefore, Invitel's assets, liabilities and one month results were not consolidated as at June 30, 2018 to Digi Group's assets, liabilities and results.
For details, please see Note 12 Acquisition of Subsidiary from the Interim Consolidated Financial Statements as at 30 June 2018.

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

Basis of Financial Presentation

The Group prepared its Interim Financial Statements as of June 30, 2018 in accordance with IFRS as adopted by the EU. For the periods discussed in this Report, the Group's presentation currency was the euro. The Group's financial year ends on December 31 of each calendar year.

Functional Currencies and Presentation Currency

Each Group entity prepares individual financial statements in its functional currency, which is the currency of the primary economic environment in which such entity operates. As our operations in Romania and Hungary generated approximately 70% and 15%, respectively, of our consolidated revenue for the three months ended June 30, 2018 our principal functional currencies are the Romanian leu and the Hungarian forint.
The Group presents its consolidated Interim Financial Statements in euros. The Group uses the euro as the presentation currency of its consolidated Interim Financial Statements because management analysis and reporting is prepared in euros, as the euro is the most used reference currency in the telecommunication industry in the European Union.

Presentation of Revenue and Operating Expenses

Our Board of Directors evaluates business and market opportunities and considers our results primarily on a country by country basis. We currently generate revenue and incur operating expenses in Romania, Hungary, Spain and Italy. Revenue and operating expenses from our operations are broken down into the following geographic segments: Romania, Hungary, Spain and Other (the Other segment includes Italy).
In line with our management's consideration of the Group's revenue generation we further break down revenue generated by each of our four geographic segments in accordance with our five principal business lines: (1) cable TV; (2) fixed internet and data; (3) mobile telecommunication services; (4) fixed-line telephony; and (5) DTH.

Exchange rates

In the three month period ended June 30, 2018 the Romanian leu has depreciated with approximately 2% and the Hungarian forint has depreciated with approximately 2%.
The following table sets out, where applicable, the period end and average exchange rates for the periods under review of the euro against each of our principal functional currencies and the U.S. dollar, in each case as reported by the relevant central bank on its website (unless otherwise stated):

Value of one euro in the relevant currency	**As at and for the three months ended June 30,**		**As at and for the six months ended June 30,**	
	2017	**2018**	**2017**	**2018**
Romanian leu (RON) (1)				
Period end rate	4.55	4.66	4.55	4.66
Average rate	4.55	4.65	4.54	4.65
Hungarian forint (HUF)(2)				
Period end rate	308.87	328.6	308.87	328.6
Average rate	309.90	317.0	309.50	314.0
U.S. dollar (USD)(1)				
Period end rate	1.12	1.16	1.12	1.16
Average rate	1.14	1.19	1.10	1.21

(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 June 30, 2018, we had a net foreign exchange loss (which is recognized in net finance result on our statement of comprehensive income) of €7.8 million. In the three months ended June 30, 2017, we had a net foreign exchange gain (which is recognized in net finance result on our statement of comprehensive income) of €3.2 million.

In the six months ended June 30, 2018, we had a net foreign exchange loss (which is recognized in net finance result on our statement of comprehensive income) of €5.5 million. In the six months ended June 30, 2017, we had a net foreign exchange gain (which is recognized in net finance income on our statement of comprehensive income) of €3.6 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 June 30, 2017 and 2018, excluding Invitel's RGU's:

RGUs (thousand)/ARPU (€/month)	As at and for the three months ended June 30,		% change
	2017	2018	
Romania			
Cable TV			
RGUs	2,924	3,148	7.7%
ARPU	5.2	5.1	-1.9%
Fixed internet and data			
RGUs			
Residential	2,058	2,237	8.7%
Business	122	147	20.5%
ARPU			
Residential	5.0	4.9	-2.0%
Business	33.3	28.5	-14.4%
Mobile telecommunication services			
RGUs	3,381	3,367	-0.4%
ARPU	4.0	4.4	10.0%
Fixed-line telephony			
RGUs			
Residential	1,170	1,092	-6.7%
Business	131	133	1.5%
ARPU			
Residential	1.30	1.30	0.0%
Business	3.5	3.4	-2.9%
DTH			
RGUs	618	564	-8.7%
ARPU	4.9	4.8	-2.0%
Hungary			
Cable TV			
RGUs	485	509	4.9%
ARPU	8.1	7.9	-2.5%
Fixed internet and data			
RGUs	447	482	7.8%
ARPU	7.6	6.9	-9.2%
Mobile telecommunication services(1)			
RGUs	13	11	-15.4%
ARPU	7.1	6.8	-4.2%
Fixed-line telephony			
RGUs	366	394	7.7%
ARPU	1.5	1.4	-6.7%
DTH			
RGUs	306	290	-5.2%
ARPU	9.2	9.3	1.1%

RGUs (thousand)/ARPU (€/month)	As at and for the three months ended June 30,		% change
Spain			
Mobile telecommunication services[2]			
RGUs	742	1,124	51.5%
ARPU	10.4	9.5	-8.7%
Other[3]			
Mobile telecommunication services[2]			
RGUs	139	209	50.4%
ARPU	10.9	9.7	-11.0%

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

The following table shows Invitel's RGUs (thousand) at period ended June 30, 2018 and ARPU (€/month) for one month ended June 30, 2018 by business line:

RGUs (thousand)/ARPU (€/month)	As at June 30, 2018
Invitel	
Cable TV	
RGUs	78
ARPU	9.9
Fixed internet and data	
RGUs on-net[1][4]	241
RGUs off-net[2]	12
ARPU	11.0
Fixed-line telephony	
RGUs on-net[1]	299
RGUs off-net[2]	26
ARPU	4.8
IP TV	
RGUs	98
ARPU	10.5
DVB-T[3]	
RGUs	9
ARPU	9.5

(1) *On-net RGUs include services rendered through Invitel's own network*
(2) *Off-net RGUs include services rendered through third-party networks*
(3) *Digital Video Broadcasting — Terrestrial*
(4) *Included in the on-net RGUs for Fixed internet and data are 6 thousand RGUs for mobile internet products (resale from Telenor).*

Historical Results of Operations

Results of Operations for the three and six months ended June 30, 2017 and 2018, excluding Invitel's results

	As at and for the three months ended June 30,		As at and for the six months ended June 30,	
	2017	**2018**	**2017**	**2018**
(€ millions)				
Revenues				
Romania	164.3	171.2	329.7	335.2
Hungary	37.3	36.6	74.8	73.9
Spain	21.3	30.4	43.0	57.5
Other	4.8	6.1	8.5	11.7
Elimination of intersegment revenues	(0.5)	(1.3)	(1.9)	(2.5)
Total revenues	**227.3**	**243.0**	**454.0**	**475.8**
Other income	**2.8**	**3.0**	**4.0**	**7.2**
Other expenses	**(5.7)**	**(5.8)**	**(2.9)**	**(8.9)**
Operating expenses				
Romania	(105.6)	(106.0)	(222.4)	(205.7)
Hungary	(26.5)	(31.2)	(52.5)	(60.5)
Spain	(15.5)	(23.5)	(30.8)	(44.2)
Other	(5.1)	(8.1)	(10.0)	(14.7)
Elimination of intersegment expenses	0.5	1.3	1.9	2.5
Depreciation, amortization and impairment of tangible and intangible assets	(44.2)	(46.6)	(85.3)	(93.7)
Total operating expenses	**(196.5)**	**(214.1)**	**(399.1)**	**(416.5)**
Operating profit	**27.9**	**26.0**	**56.0**	**57.6**
Finance income	3.2	0.3	3.6	0.3
Finance expense	(12.1)	(20.4)	(23.3)	(31.5)
Net finance costs	**(8.9)**	**(20.2)**	**(19.7)**	**(31.2)**
Profit before taxation	**18.9**	**5.8**	**36.3**	**26.4**
Income tax expense	(3.0)	(5.4)	(4.5)	(11.1)
Profit for the period	**16.0**	**0.5**	**31.8**	**15.3**

Revenue

Our revenue (excluding intersegment revenue and other income) for the three month period ended June 30, 2018 was €243.0 million, compared with €227.3 million for the three month period ended June 30, 2017, an increase of 6.9%.
Our revenue (excluding intersegment revenue and other income) for the six month period ended June 30, 2018 was €475.8 million, compared with €454.0 million for the six month period ended June 30, 2017, an increase of 4.8%.

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

	As at and for the three months ended June 30,			**As at and for the six months ended June 30,**		
	2017	**2018**	**% change**	**2017**	**2018**	**% change**
(€ millions)						
Romania						
Cable TV	45.2	47.2	4.4%	90.1	93.7	4.0%
Fixed internet and data	42.7	44.8	4.9%	84.9	89.0	4.8%
Mobile telecommunication services(1)	40.2	44.4	10.4%	77.2	88.1	14.1%
Fixed-line telephony	5.9	5.5	-6.8%	11.9	11.1	-6.7%
DTH	9.1	8.3	-8.8%	18.5	16.7	-9.7%
Other revenue(2)	20.7	20.1	-2.9%	46.1	34.9	-24.3%
Total	**163.8**	**170.3**	**4.0%**	**328.7**	**333.4**	**1.4%**
Hungary						
Cable TV	11.7	12.1	3.4%	23.2	24.3	4.7%
Fixed internet and data	10.1	10.0	-1.0%	19.9	20.0	0.5%
Mobile telecommunication services(3)	0.3	0.2	-33.3%	0.6	0.5	-16.7%
Fixed-line telephony	1.6	1.6	0.0%	3.4	3.3	-2.9%
DTH	8.4	8.1	-3.6%	16.8	16.2	-3.6%
Other revenue(2)	5.2	4.6	-11.5%	11.0	9.6	-12.7%
Total	**37.3**	**36.6**	**-1.9%**	**74.8**	**73.9**	**-1.2%**
Spain						
Mobile telecommunication services(1)	21.4	30.2	41.1%	42.2	57.0	35.1%
Other revenue(2)	0.1	0.0	-100.0%	0.2	0.0	-100.0%
Total	**21.5**	**30.2**	**40.5%**	**42.3**	**57.1**	**35.0%**
Other(4)						
Mobile telecommunication services(1)	4.6	5.9	28.3%	8.1	11.3	39.5%
Other revenue(2)	0.0	0.0	-	0.1	0.1	0.0%
Total	**4.7**	**5.9**	**25.5%**	**8.2**	**11.4**	**39.0%**
Total	**227.3**	**243.0**	**6.9%**	**454.0**	**475.8**	**4.8%**

(1) Revenues reported under our mobile telecommunication services business line are reported under the caption "Telephony Revenues" in Note 9 *of the Interim Financial Statements. The remaining revenue that is reported under that caption in the Interim Financial Statements is presented in this Report as fixed-line telephony revenue.*
(2) Includes sales of CPE (primarily mobile handsets and satellite signal receivers and decoders), advertising revenue from own TV and radio channels.
(3) Includes mobile internet and data revenue.
(4) Includes revenue from operations in Italy.

The following table shows Invitel's distribution of revenue by business line, according to Hungarian GAAP, for the one month period ended June 30, 2018:

According to Hungarian GAAP(1)	
	For one month ended June 30, 2018
(€ millions)	
Invitel	
Cable TV	0.8
Fixed internet and data	2.7
Fixed-line telephony	1.6
IP TV	1.0
DVB-T	0.1
Other revenue	0.9
Total	**7.0**

(1) Revenues presented above for Invitel are an excerpt from Invitel's accounting records according to the Hungarian GAAP. At June 30, 2018 the analysis of the purchase price allocation ("PPA"), the restatement of Hungarian GAAP accounts to IFRS EU accounts as well as the harmonization of Invitel's accounting policies to the Group policies, are in early stages. Therefore, Invitel's results were not consolidated as at June 30, 2018. In terms of revenues, the restatement of Hungarian GAAP accounts to IFRS EU accounts may lead to numerous adjustments. For details, please see Note 12 Acquisition of Subsidiary from the Interim Consolidated Financial Statements as at 30 June 2018.

Revenue in Romania for the three month period ended June 30, 2018 was €170.3 million compared with €163.8 million for the three month period ended June 30, 2017, an increase of 4.0%. Revenue growth in Romania was primarily driven by an increase in our mobile telecommunication services ARPU, fixed internet and cable TV and data RGUs. Mobile telecommunication services RGUs decreased from approximately 3,381 thousand as at June 30, 2017 to approximately 3,367 thousand as at June 30, 2018, a decrease of approximately 0.4%. Mobile telecommunication services ARPU increased to an average €4.4/month for the three month period ended June 30, 2018, compared to an average €4.0/month for the three month period ended June 30, 2017, an increase of approximately 10.0% primarily as a result of certain changes in the mix of subscription packages, and overall traffic increases. Our cable TV RGUs increased from approximately 2,924 thousand as at June 30, 2017 to approximately 3,148 thousand as at June 30, 2018, an increase of approximately 7.7%, and our residential fixed internet and data RGUs increased from approximately 2,058 thousand as at June 30, 2017 to approximately 2,237 thousand as at June 30, 2018, an increase of approximately 8.7%. These increases were primarily due to our attractive fixed internet and data packages. Growth in our mobile telecommunication services, cable TV, fixed internet and data was partially offset by a decrease in revenue generated by our DTH and fixed-line telephony businesses as a result of decreases in RGUs in both business lines. DTH RGUs decreased from 618 thousand as at June 30, 2017 to 564 thousand as at June 30, 2018, a decrease of approximately 8.7%. 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 1,170 thousand as at June 30, 2017 to approximately 1,092 thousand as at June 30, 2018, a decrease of approximately 6.7%.

Revenue in Hungary (excluding Invitel) for the three month period ended June 30, 2018 was €36.6 million, compared with €37.3 million for the three month period ended June 30, 2017, a decrease of 1.9%. The decrease in revenue presented in EUR was principally due to the foreign exchange impact of the depreciation of the HUF related to EUR in the reported period (314.03 HUF/EUR average exchange rate at Q2 2018 compared 309.50 HUF/EUR average exchange rate at Q2 2017), and to a lower extent due to changes in offerings prices. Our cable TV RGUs increased from approximately 485 thousand as at June 30, 2017 to approximately 509 thousand as at June 30, 2018, an increase of approximately 4.9%, our fixed internet and data RGUs increased from approximately 447 thousand as at June 30, 2017 to approximately 482 thousand as at June 30, 2018, an increase of approximately 7.8%, and our fixed-line telephony RGUs increased from approximately 366 thousand as at June 30, 2017 to approximately 394 thousand as at June 30, 2018, an increase of approximately 7.7%. 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 advertising. Our DTH RGUs decreased from approximately 306 thousand as at June 30, 2017 to approximately 290 thousand as at June 30, 2018, a decrease of approximately 5.2%. 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 June 30, 2018 was €30.2 million, compared with €21.5 million for the three month period ended June 30, 2017, an increase of 40.5%. The increase in our Spain revenue was due to the increase in mobile telecommunication services RGUs from approximately 742 thousand as at June 30, 2017 to approximately 1,124 thousand as at June 30, 2018, an increase of approximately 51.5%, 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 June 31, 2018 was €5.9 million, compared with €4.7 million for the three month period ended June 30, 2017, an increase of 25.5%. The increase in our revenue in Italy was primarily due to the increase in mobile telecommunication services RGUs from approximately 139 thousand as at June 30, 2017 to approximately 209 thousand as at June 30, 2018, an increase of approximately 50.4%, 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 June 30, 2018 were €214.1 million, compared with €196.5 million for the three month period ended June 30, 2017, an increase of 9.0%, respectively.

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the six months ended June 30, 2018 were €416.5 million compared with €399.1 million for the six months ended June 30, 2017, an increase of 4.4%.

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

	As at and for the three months ended June 30,		**As at and for the six months ended June 30,**	
	2017	**2018**	**2017**	**2018**
(€ millions)				
Romania	105.1	105.6	221.5	205.0
Hungary	26.5	31.2	52.5	60.5
Spain	15.2	22.9	30.2	43.1
Other(1)	5.4	7.8	9.6	14.2
Depreciation, amortization and impairment of tangible and intangible assets	44.2	46.6	85.3	93.7
Total operating expenses	**196.5**	**214.1**	**399.1**	**416.5**

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

The following table shows Invitel's operating expenses, according to Hungarian GAAP, for the one month period ended June 30, 2018:

According to Hungarian GAAP(1)	
	For one month ended June 30, 2018
(€ millions)	
Invitel	
Total operating expenses	**6.8**

(1) Operating expenses presented above for Invitel are an excerpt from Invitel's accounting records according to the Hungarian GAAP. At June 30, 2018 the analysis of the purchase price allocation ("PPA"), the restatement of Hungarian GAAP accounts to IFRS EU accounts as well as the harmonization of Invitel's accounting policies to the Group policies, are in early stages. Therefore, Invitel's results were not consolidated as at June 30, 2018. In terms of operating expenses, the restatement of Hungarian GAAP accounts to IFRS EU accounts may lead to numerous adjustments. For details, please see Note 12 Acquisition of Subsidiary from the Interim Consolidated Financial Statements as at 30 June 2018.

Operating expenses in Romania for three month period ended June 30, 2018 were €105.6 million, compared with €105.1 million for the three month period ended June 30, 2017, an increase of 0.5%. This increase is mainly explained by salary expenses increase as a result of the expansion of the employees' base in Romania (mainly sales function) as well as rent expenses increase, due to larger numbers of mobile sites.

Operating expenses in Hungary for the three month period ended June 30, 2018 were €31.2 million, compared with €26.5 million for the three month period ended June 30, 2017, an increase of 17.7%. The increase was primarily due to the increase in salaries and the increase in rent expenses and mobile network building related expenses as a result of higher number of mobile sites.

In general increases of operating expenses are in line with the development of the business and the building stage of the mobile network.

Operating expenses in Spain for the three month period ended June 30, 2018 were €22.9 million, compared with €15.2 million for the three month period ended June 30, 2017, an increase of 50.7%.

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

Operating expenses in Other represented expenses of our operations in Italy and expenses of Digi and for the three month period ended June 30, 2018 were €7.8 million, compared with €5.4 million for the three month period ended June 30, 2017, an increase of 44.4%. The increase is mainly the result of higher RGUs and traffic in our subsidiary in Italy. Digi's operating expenses increased mainly because of the accrued expenses related to the share option plans approved in 2017 and 2018 in amount of €0.8 million in the three months period ended June 30, 2018.

Depreciation, amortization and impairment of tangible and intangible assets

The table below sets out information on depreciation, amortization and impairment of our tangible and intangible assets for the three and six month period ended June 30, 2017 and 2018, excluding Invitel's depreciation, amortization and impairment of tangible and intangible assets .

	As at and for the three months ended June 30,		As at and for the six months ended June 30	
	2017	**2018**	**2017**	**2018**
(€ millions)				
Depreciation of property, plant and equipment	23.4	26.2	46.9	51.8
Amortization of non-current intangible assets	8.9	10.8	14.8	20.8
Amortization of programme assets	10.6	9.2	21.3	20.1
Impairment of property, plant and equipment	1.3	0.4	2.2	1.0
Total	**44.2**	**46.6**	**85.3**	**93.7**

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was €26.2 million for the three month period ended June 30, 2018, compared with €23.4 million for the three month period ended June 30, 2017, an increase of 12.0%. This variation was primarily due to fixed assets additions related to the mobile network from Hungary.

Amortization of non-current intangible assets

Amortization of non-current intangible assets was €10.8 million for the three month period ended June 30, 2018, compared with €8.9 million for the three month period ended June 30, 2017, an increase of 21.3%. This was due to increase in subscriber acquisition cost amortization charge in the period.

Amortization of program assets

Amortization of program assets was €9.2 million for the three month period ended June 30, 2018, compared with €10.6 million for the three month period ended June 30, 2017, a decrease of 13.2%. The decrease is mainly caused by the foreign exchange rate EUR/RON variation in the reported period compared to prior period.

Other income/(expenses)(1)

We recorded €3.0 million of other income in the three month period ended June 30, 2018 compared with €2.8 million of other income in the three months ended June 30, 2017. For 2018 this reflected mark-to-market unrealized gain from fair value assessment of energy trading contracts. For 2017 this reflected an amount of €2.8 million which were recovered from the selling shareholders in the IPO from May 2017 (presented as Other income).

We recorded €5.8 million of other expense in the three month period ended June 30, 2018 compared with €5.7 million of other expense in the three months ended June 30, 2017 and For 2018, this reflected accrued expenses for the period in amount of €3.3 million related to the share option plan approved in 2017 and 2018 which are estimated to be one off events, as well as Invitel's acquisition related costs in amount of €2.5 million.
For 2017, this includes €2.8 million mark-to-market loss from from fair value assessment of energy trading contracts and €2.9 million IPO related costs recorded by Digi (presented as Other expenses).

Operating profit (1)

For the reasons set forth above, our operating profit was €26.0 million for the three month period ended June 30, 2018, compared with €27.9 million for the three month period ended June 30, 2017.

Net finance expense [1]

We recognized net finance expense of €20.2 million in the three month period ended June 30, 2018, compared with €8.9 million for the three month period ended June 30, 2017, an increase of 126.4%. Interest expenses increased in the current period mainly because of the 3 months ROBOR's fluctuations, as well as interest accrual related to the drawings of SFA 2018. On 25 May 2018, Digi KFT and RCS & RDS drew HUF 31,299.9 million, €45 million and RON 75 million out of the SFA 2018. The remaining undrawn portion is in amount of 79 million RON (approximately €17 million equivalent).
Additionally, the net loss from foreign exchange in amount of €7.8 million (compared to a foreign exchange gain of €3.2 million from previous period) has contributed to the increase of the net finance expense.

Profit before taxation [1]

For the reasons set forth above, our profit before taxation was €5.8 million in the three month period ended June 30, 2018, compared with profit of €18.9 million for the three month period ended June 30, 2017.

Income tax expense [1]

An income tax expense of €5.4 million was recognized in the three month period ended June 30, 2018, compared to a tax expense of €3.0 million recognized in the three month period ended June 30, 2017.

Net profit for the period [1]

For the reasons set forth above, our net profit was €0.5 million in the three month period ended June 30, 2018, compared with net profit of €16.0 million for the three month ended June 30, 2017.

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[1] Excluding Invitel's results. For details, please see Note 12 Acquisition of subsidiary from the Interim Consolidated Financial Statements as at 30 June 2018.

Liquidity and Capital Resources

Historically, our principal sources of liquidity have been our operating cash flows as well as debt financing. Going forward, we expect to fund our cash obligations and capital expenditures primarily out of our operating cash flows, credit facilities and letter of guarantee facilities. We believe that our operating cash flows will continue to allow us to maintain a flexible capital expenditure policy.
All of our businesses have historically produced positive operating cash flows that are relatively constant from month to month. Variations in our aggregate cash flow during the periods under review principally represented increased or decreased cash flow used in investing activities and cash flow from financing activities.
We have made and intend to continue to make significant investments in the growth of our businesses by expanding our mobile telecommunication network and our fixed fiber optic networks, acquiring new and renewing existing content rights, procuring CPE which we provide to our customers and exploring other investment opportunities on an opportunistic basis in line with our current business model. We believe that we will be able to continue to meet our cash flow needs by the acceleration or deceleration of our growth and expansion plans.

Historical cash flows

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

	As at and for the three months ended June 30,		As at and for the six months ended June 30,	
	2017	**2018**	**2017**	**2018**
(€ millions)				
Cash flows from operations before working capital changes	**69.4**	**71.9**	**142.6**	**152.0**
Cash flows from changes in working capital	13.4	9.4	13.6	5.9
Cash flows from operations	**82.9**	**81.3**	**156.2**	**157.9**
Interest paid	(9.8)	(15.2)	(14.1)	(20.1)
Income tax paid	(1.7)	(1.5)	(2.9)	(2.1)
Cash flow from operating activities	**71.4**	**64.6**	**139.2**	**135.6**
Cash flow used in investing activities	**(52.6)**	**(206.1)**	**(120.2)**	**(282.9)**
Cash flows from /(used in) financing activities	**(12.1)**	**138.8**	**(17.8)**	**143.3**
Net decrease in cash and cash equivalents	6.7	(2.7)	1.2	(4.0)
Cash and cash equivalents at the beginning of the period	8.9	14.8	14.6	16.1
Effect of exchange rate fluctuation on cash and cash equivalent held	0.3	(0.0)	0.0	0.0
Cash and cash equivalents at the closing of the period	**15.9**	**12.1**	**15.9**	**12.1**

Cash flows from operations before working capital changes were €71.9 million in the three month period ended June 30, 2018 and €69.4 million in the three month period ended June 30, 2017 for the reasons discussed in "—*Historical Results of Operations—Results of operations for the three month period ended June 30, 2018 and 2017*".

The following table shows changes in our working capital:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	**2018**	**2017**	**2018**
(€ millions)				
(Increase) in trade receivables and other assets	(0.8)	(14.8)	(13.9)	(22.6)
Decrease in inventories	(0.9)	(3.4)	(0.3)	(2.8)
Increase/(decrease) in trade payables and other current liabilities	18.7	26.7	22.7	17.9
Increase/(decrease) in contract liabilities	(3.5)	0.9	5.2	13.3
Total	**13.4**	**9.4**	**13.6**	**5.9**

We had a working capital surplus of €9.4 million in the three month period ended June 30, 2018 (compared with a working capital surplus of €13.4 million in the three month period ended June 30, 2017). This was primarily due to payments made to suppliers which led to decrease of trade payables and other current liabilities. The increase in contract liabilities (deferred revenue) is due to invoicing customers in advance.

Cash flows from operating activities were €64.6 million in the three month period ended June 30, 2018 and €71.4 million in the three month period ended June 30, 2017. Included in these amounts are deductions for interest paid and income tax paid. Income tax paid which were €1.5 million in the three months ended June 30, 2018 and €1.7 million in the three months ended June 30, 2017. Interest paid was €15.2 million in the three months ended June 30, 2018, compared with €9.8 million in the three months ended June 30, 2017. The increase in cash flows from operating activities in the three months ended June 30, 2018 was primarily due to changes in working capital discussed above.

Cash flows used for investing activities were €206.1 million in the three month period ended June 30, 2018 and €52.6 million in the three month period ended June 30, 2017.
Purchases of property, plant and equipment were €44.2 million in the three months ended June 30, 2018 and €40.4 million in the three months ended June 30, 2017.
Purchases of intangible assets were €17.3 million in the three months ended June 30, 2018 and €11.9 million in the three months ended June 30, 2017.
Payments for acquisition of subsidiaries were €50.0 million in the three months ended June 30, 2018 and €0.6 million in the three months ended June 30, 2017. The amount presented as Loan Invitel in the Cashflow includes Seller's debt, purchased as part of the Invitel transaction closed on 30 May 2018, in amount of €85 million equivalent and an intercompany loan granted to Invitel in amount of €9 million EUR equivalent.

Cash flows used in (from) financing activities were €138.8 million outflow for the three months period ended June 30, 2018, €12.1 million outflow for the three months ended June 30, 2017, mainly because of the SFA 2018 drawing from May 2018 for the closing of Invitel transaction.

Main variations of assets and liabilities as at June 30, 2018 [1]

Main variations for the consolidated financial position captions as at June 30, 2018 are presented below:

ASSETS

Available for sale financial assets (AFS)
The available for sale financial assets of €39.7 million as at June 30, 2018 (December 31, 2017: 42.1) comprise of shares in RCSM obtained a result of the Share swap contracts between the Company and minority shareholders in 2017. In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. Consequently, the fair value assessment at period end was made based on the quoted price/share as of the valuation date, which is a relevant method of estimating the market value of a minority ownership in its equity.

Programme assets
As at June 30, 2018 we recorded programme assets in amount of €14.2 million (December 31, 2017: €22.3 million). The decrease is mainly caused by less acquisitions in the period.

LIABILITIES

Interest bearing loans and borrowings
Short term interest bearing loans and borrowings as at June 30, 2018 are in amount of €98.3 million (December 31, 2017: €82.0 million). Long term interest bearing loans and borrowings as at June 30, 2018 are in amount of €780.0 million (December 31, 2017: €648.0 million)
The variation is mainly the result of the following loan agreements:

- **2016 Senior Facility Agreement ("SFA 2016")**
  On 30 April 2018 RCS & RDS repaid the instalment in amount of RON 57.4 million (€12.3 million equivalent). The SFA 2016 balance as at June 30, 2018 is €317 million.

- **2018 Senior Facility Agreement ("SFA 2018")**
  On 25 May 2018, Digi KFT and RCS & RDS drew HUF 31,299.9 million, €45 million and RON 75 million out of the SFA 2018. The remaining undrawn portion is in amount of 79 million RON (approximately €17 million equivalent). The SFA 2018 balance as at June 30, 2018 is €156.3 million.

- **Related parties borrowings**
  On May 12, 2017 RCSM granted a short-term loan to RCS & RDS in amount of €5 million. As at June 30, 2018 the balance was €3.5 million.

EQUITY

The share capital of the Company was €6.9 million as at June 30, 2018 (December 31, 2017: €6.9 million).As at 30 June 2018, the Company had 6.4 million treasury shares.

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[1] Excluding Invitel's results. For details, please see Note 12 Acquisition of subsidiary from the Interim Consolidated Financial Statements as at 30 June 2018.

Management Statement for the Interim Condensed Consolidated Financial Statements of Digi Communications NV Group for the six month period ended 30 June 2018

Management Statement for the Interim Condensed Consolidated Financial Statements of Digi Communications NV Group for the six month period ended 30 June 2018

The Board of Directors (the "Board") confirms that to the best of its knowledge, the Interim Condensed Consolidated Financial Statements of Digi Communications NV Group for the period ended 30 June 2018 prepared in accordance with IAS 34 "Interim financial reporting" give a true and fair view of the assets, liabilities, financial position, statement of comprehensive income for Digi Communications NV Group.

The Board declares that the Management Report (Director's report), issued as per Directive 2004/109/EC ("Transparency Directive") and in compliance with art 65 from Law 24/2017 and FSA Regulation no 5/2018 containing analysis of the results for the reported period reflects correct and complete information according to the reality regarding the results and development of Digi Communications NV Group.

Serghei Bulgac,
CEO

Valentin Popoviciu,
Executive Director,

14 August 2018

DIGI COMMUNICATIONS NV

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

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

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GENERAL INFORMATION

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GENERAL INFORMATION

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. ("Digi HU") our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement ("SPA") with Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers for the acquisition of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt ("Invitel").

In May 2018 the Regulatory Authority from Hungary approved, with certain conditions, the proposed transaction. The transaction was closed on 30 May 2018 for a total consideration of approximately 135.4 million EUR.

In accordance with the requirements of IFRS 3 "Business Combinations", we have started a Purchase Price Allocation ("PPA") analysis for the Invitel acquisition of shares in view of consolidating the Invitel's assets, liabilities and results. We expect the PPA to be finalized towards the end of the financial year. At present, the PPA analysis is in early stages.

Additionally, we have started the restatement of Invitel's statutory financial accounts, prepared in accordance with the Hungarian GAAP, to IFRS EU accounts, as well as the harmonization of Invitel's accounting policies to Digi Group's IFRS EU accounting policies, and we expect numerous adjustments to the Invitel's Hungarian GAAP financial statements as a result of this exercise, which is in early stages as well.

Consequently, given the short timing between the acquisition date and the preparation of the Interim Condensed Consolidated Financial Statements as at 30 June 2018 did not allow for the above described analysis to be in more advanced stages, we did not consolidate yet Invitel to Digi Group. As at 30 June 2018, the equity method was used to account for Invitel's investment, which will be consolidated once the above described analysis will be in more advanced stages. Please see Note 12 Acquisition of Subsidiary.

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

	Notes	30 June 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	939,071	900,691
Intangible assets	5	210,735	215,248
Available for sale financial assets (AFS)		39,707	42,146
Investments in associates		49,403	784
Long term receivables	12.2	93,747	2,018
Deferred tax asset		2,429	2,828
Total non-current assets		**1,335,092**	**1,163,715**
Current assets			
Inventories		12,837	10,063
Programme assets	5	14,236	22,250
Trade and other receivables		56,665	49,949*
Contract assets		31,810	32,523*
Income tax receivable		16	1,727
Other assets		16,015	11,046
Derivative financial assets	15	33,385	34,883
Cash and short term deposits		12,089	16,074
Total current assets		**177,053**	**178,515**
Total assets		**1,512,145**	**1,342,230**
EQUITY AND LIABILITIES	6		
Equity attributable to equity holders of the parent			
Share capital		6,918	6,918
Share premium		5,251	3,406
Treasury shares		(13,522)	(13,922)
Reserves		(10,371)	1,248
Retained earnings		153,935	138,869
Total equity attributable to equity holders of the parent		**142,211**	**136,519**
Non-controlling interest		6,459	6,029
Total equity		**148,670**	**142,548**
Non-current liabilities			
Interest-bearing loans and borrowings	7	779,954	648,040
Deferred tax liability		53,807	45,517
Decommissioning provision		5,486	5,409
Other long term liabilities		34,238	36,738
Total non-current liabilities		**873,485**	**735,704**
Current liabilities			
Trade payables and other payables		365,376	360,571
Interest-bearing loans and borrowings	7	98,344	82,009
Income tax payable		982	-
Derivative financial instruments	15	709	10,131
Contract liabilities		24,579	11,267
Total current liabilities		**489,990**	**463,978**
Total liabilities		**1,363,475**	**1,199,682**
Total equity and liabilities		**1,512,145**	**1,342,230**

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

The notes on pages 6 to 35 are an integral part of this condensed consolidated interim financial report.

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

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

	Notes	Three month period ended 30 June 2018	Three month period ended 30 June 2017
Revenues	9	242,963	227,284
Other income		2,991	2,782
Operating expenses	10	(214,104)	(196,473)
Other expenses		(5,846)	(5,739)
Operating Profit		**26,004**	**27,854**
Finance income	11	274	3,236
Finance expenses	11	(20,439)	(12,143)
Net finance costs		**(20,165)**	**(8,907)**
Profit before taxation		**5,839**	**18,947**
Income tax		(5,360)	(2,961)
Net profit for the period		**479**	**15,986**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		(6,253)	(1,478)
Available for sale financial asset, net change in fair value		(2,439)	41,177
Movements fair value reserves		(837)	-
Cash Flow hedge reserves		671	103
Other comprehensive income/(loss) for the period, net of income tax		**(8,858)**	**39,802**
Total comprehensive income/(loss) for the period		**(8,379)**	**55,788**

Profit attributable to:		
Equity holders of the parent	346	15,397
Non-controlling interest	133	589
Profit for the period	**479**	**15,986**
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	(8,150)	55,208
Non-controlling interest	(229)	580
Total comprehensive income/(loss) for the period	**(8,379)**	**55,788**

The notes on pages 6 to 35 are an integral part of this condensed consolidated interim financial report.

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

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

	Notes	Six month period ended 30 June 2018	Six month period ended 30 June 2017
Revenues	9	475,755	453,967
Other income		7,248	4,013
Operating expenses	10	(416,550)	(399,081)
Other expenses		(8,866)	(2,927)
Operating Profit		**57,587**	**55,972**
Finance income	11	290	3,609
Finance expenses	11	(31,464)	(23,263)
Net finance costs		**(31,174)**	**(19,654)**
Profit before taxation		**26,413**	**36,318**
Income tax		(11,122)	(4,490)
Net profit for the period		**15,291**	**31,828**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		(7,070)	(199)
Available for sale financial asset, net change in fair value		(2,439)	41,177
Cash Flow hedge reserves		478	(293)
Other comprehensive income/(loss) for the period, net of income tax		**(9,031)**	**40,685**
Total comprehensive income for the period		**6,260**	**72,513**

Profit attributable to:		
Equity holders of the parent	14,163	30,607
Non-controlling interest	1,128	1,221
Profit for the period	**15,291**	**31,828**
Total comprehensive income attributable to:		
Equity holders of the parent	5,552	71,267
Non-controlling interest	708	1,246
Total comprehensive income for the period	**6,260**	**72,513**

Basic earnings per share (EUR/share)	**0.2**	**0.3**
Diluted earnings per share (EUR/share)	**0.2**	**0.3**

The notes on pages 6 to 35 are an integral part of this condensed consolidated interim financial report.

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

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

	Notes	Six month period ended 30 June 2018	Six month period ended 30 June 2017
Cash flows from operating activities			
Profit before taxation		**26,413**	**36,318**
Adjustments for:			
Depreciation, amortization and impairment	10	93,747	85,254
Interest expense, net	11	21,428	17,387
Impairment of trade and other receivables	10	4,900	3,937
Equity settled share-based payments		7,768	-
Unrealised losses/ (gains) on derivative financial instruments	15	(6,613)	362
Unrealised foreign exchange loss / (gain)		4,419	(438)
Gain on sale of assets		(36)	(232)
Cash flows from operations before working capital changes		**152,026**	**142,588**
Changes in:			
Trade receivables, other assets and contract assets		(22,275)	(13,937)
Inventories		(3,099)	(305)
Trade payables and other current liabilities		17,930	22,656
Contract liabilities		13,311	5,183
Cash flows from operations		**157,893**	**156,185**
Interest paid		(20,136)	(14,065)
Income tax paid		(2,129)	(2,942)
Cash flows from operating activities		**135,628**	**139,178**
Cash flow used in investing activities			
Purchases of property, plant and equipment		(97,439)	(80,255)
Purchases of intangibles		(40,764)	(38,894)
Acquisition of subsidiaries, net of cash and NCI*		(50,097)	(1,349)
Invitel loan assignment*		(94,718)	-
Proceeds from sale of property, plant and equipment		151	310
Cash flows used in investing activities		**(282,867)**	**(120,188)**
Cash flows from financing activities			
Dividends paid to shareholders		(3,122)	(21,006)
Cash outflows from buying back equity shares		(190)	-
Proceeds from borrowings		173,375	20,387
Repayment of borrowings		(22,473)	(13,569)
Financing costs paid		(2,122)	-
Settlement of derivatives		(742)	(2,769)
Payment of finance lease obligations		(1,476)	(845)
Cash flows used in/from financing activities		**143,250**	**(17,802)**
Net increase / (decrease) in cash and cash equivalents		**(3,989)**	**1,188**
Cash and cash equivalents at the beginning of the period		16,074	14,625
Effect of exchange rate fluctuations of cash and cash equivalents held		4	39
Cash and cash equivalents at the end of the period		**12,089**	**15,852**

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

The notes on pages 6 to 35 are an integral part of this condensed consolidated interim financial report.

Cash and cash equivalents as at 30 June 2018 includes cash equivalents in amount of EUR 4,612.

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

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserves	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2018	**6,918**	**3,406**	**(13,922)**	**(29,957)**	**35,120**	**(3,667)**	**(248)**	**138,869**	**136,519**	**6,029**	**142,548**
Comprehensive income for the period											
Net profit for the period	-	-	-	-	-	-	-	14,163	**14,163**	1,128	**15,291**
Foreign currency translation differences	-	-	-	(6,619)	-	-	-	-	**(6,619)**	(451)	**(7,070)**
Movements fair value reserves	-	-	-	-	-	(2,439)	-	-	**(2,439)**	-	**(2,439)**
Cash Flow hedge reserves[1]	-	-	-	-	-	-	447	-	**447**	31	**478**
Transfer of revaluation reserve (depreciation)	-	-	-	-	(3,008)	-	-	3,008	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	**(6,619)**	**(3,008)**	**(2,439)**	**447**	**17,171**	**5,552**	**708**	**6,260**
Transactions with owners, recognized directly in equity											
Contributions by and distributions to owners											
Equity-settled share-based payment transactions	-	1,845	400	-	-	-	-	4,932	**7,177**	401	**7,578**
Dividends distributed	-	-	-	-	-	-	-	(7,037)	**(7,037)**	(679)	**(7,716)**
Total contributions by and distributions to owners	-	**1,845**	**400**	-	-	-	-	***(2,105)***	***140***	***(278)***	***(138)***
Changes in ownership interests in subsidiaries Payments while having full control	-	-	-	-	-	-	-	-	-	-	-
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	-	-	-	-
Total changes in ownership interests in subsidiaries											
Total transactions with owners	-	**1,845**	**400**	-	-	-	-	***(2,105)***	**140**	**(278)**	**(138)**
Balance at 30 June 2018	**6,918**	**5,251**	**(13,522)**	**(36,576)**	**32,112**	**(6,106)**	**199**	**153,935**	**142,211**	**6,459**	**148,670**

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

The notes on pages 6 to 35 are an integral part of this condensed consolidated interim financial report.

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

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserves	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2017	**51**	**8,247**	**(16,703)**	**(30,181)**	**42,996**		**(3,719)**	**40,474**	**41,165**	**1,438**	**42,603**
Comprehensive income for the period											
Net profit for the period	-	-	-	-	-		-	30,607	**30,607**	1,221	**31,828**
Foreign currency translation differences	-	-	-	(235)	-		-	-	**(235)**	36	**(199)**
Fair value of AFS	-	-	-	-	-	41,177	-	-	**41,177**	-	**41,177**
Cash Flow hedge reserves[(1)]	-	-	-	-	-	-	(282)	-	**(282)**	(11)	**(293)**
Transfer of revaluation reserve (depreciation)	-	-	-	-	(3,714)	-	-	3,714	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	**(235)**	**(3,714)**	**41,177**	**(282)**	**34,321**	**71,267**	**1,246**	**72,513**
Transactions with owners, recognized directly in equity											
Contributions by and distributions to owners											
Net change in share capital	6,867	(5,165)	-	-	-	-	-	(1,702)	-	-	-
Sale of Treasury Shares	-	-	2,777	-	-	-	-	-	**2,777**	-	**2,777**
Dividends distributed	-	-	-	-	-	-	-	(6,000)	**(6,000)**	(425)	**(6,425)**
Total contributions by and distributions to owners	**6,867**	**(5,165)**	**2,777**	-	-	-	-	***(7,702)***	***(3,223)***	***(425)***	***(3,648)***
Changes in ownership interests in subsidiaries											
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	(3,505)	**(3,505)**	1,439	**(2,066)**
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	***(3,505)***	***(3,505)***	***1,439***	***(2,066)***
Total transactions with owners	**6,867**	**(5,165)**	**2,777**	-	-	-	-	***(11,207)***	**(6,728)**	**1,014**	**(5,714)**
Balance at 30 June 2017	**6,918**	**3,082**	**(13,926)**	**(30,416)**	**39,282**	**41,177**	**(4,001)**	**63,588**	**105,704**	**3,698**	**109,402**

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

1. CORPORATE INFORMATION

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

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

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. ("Digi HU") our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement ("SPA") with Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers for the acquisition of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt ("Invitel").
In May 2018 the Regulatory Authority from Hungary approved, with certain conditions, the proposed transaction.
The transaction was closed on 30 May 2018 for a total consideration of approximately 135.4 million EUR.

The present Condensed Consolidated Interim Financial Report of Digi Group as at 30 June 2018, does not include yet the consolidation of Invitel Távközlési Zrt ("Invitel") assets, liabilites and one month results. For details, please see Note 12 Acquisition of Subsidiary.

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

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

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

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

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

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

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

The consolidated financial statements were authorized for issue on 14 August 2018.

2.1 BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Judgements and estimates

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

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

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

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

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

Currency	2018			2017		
	Jan – 1	Average for the 6 months	June – 30	Jan – 1	Average for the 6 months	June – 30
RON per 1EUR	4.6597	4.6537	4.6611	4.5411	4.5362	4.5539
HUF per 1EUR	310.14	314.03	328.60	311.02	309.50	308.87
USD per 1EUR	1.1643	1.2106	1.1974	1.0510	1.0968	1.1426

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

2.2. GOING CONCERN

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **IFRS 16: Leases**

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

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

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

3. SEGMENT REPORTING

Three months ended 30 June 2018	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	170,333	36,557	30,181	5,892	-	-	**242,963**
Inter-segment revenues	882	-	221	164	(1,267)	-	**-**
Segment operating expenses	(105,998)	(31,166)	(23,543)	(8,061)	1,267	-	**(167,501)**
Adjusted EBITDA	**65,217**	**5,391**	**6,859**	**(2,005)**	**-**	**-**	**75,462**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(46,603)	**(46,603)**
Other income (Note 18)	2,991	-	-	-	-	-	**2,991**
Other expenses (Note 18)	(3,327)	(2,519)	-	-	-	-	**(5,846)**
Operating profit	-	-	-	-	**-**	**-**	**26,004**
Additions to tangible non-current assets	39,551	8,042	1,816	20	-	-	**49,429**
Additions to intangible non-current assets	5,210	255	2,103	496	-	-	**8,064**
Carrying amount of:							
Property, plant and equipment	783,636	149,388	5,781	266	-	-	**939,071**
Non-current intangible assets	173,618	27,296	7,382	2,439	-	-	**210,735**
Investments in associates	52,632	-	-	39,707	-	-	**92,339**

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

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

3. SEGMENT REPORTING (continued)

Three months ended 30 June 2017	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	163,811	37,311	21,490	4,672	-	-	**227,284**
Inter-segment revenues	523	-	(228)	160	(455)	-	**-**
Segment operating expenses	(105,586)	(26,529)	(15,521)	(5,092)	455	-	**(152,273)**
Adjusted EBITDA	**58,748**	**10,782**	**5,741**	**(260)**	**-**	**-**	**75,011**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(44,200)	**(44,200)**
Other income (Note 18)	-	-	-	2,782	-	-	**2,782**
Other expenses (Note 18)	(2,812)	-	-	(2,927)	-	-	**(5,739)**
Operating profit							**27,854**
Additions to tangible non-current assets	37,002	8,477	133	(38)	-	-	**45,574**
Additions to intangible non-current assets	7,176	130	1,434	416	-	-	**9,156**
Carrying amount of:							
Property, plant and equipment	736,059	124,930	1,521	260	-	-	**862,770**
Non-current intangible assets	178,504	30,596	4,104	1,930	-	-	**215,134**
Investments in associates	986	-	-	44,414	-	-	**45,400**

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

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

3. SEGMENT REPORTING (continued)

Six months ended 30 June 2018	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	333,432	73,857	57,072	11,394	-	-	**475,755**
Inter-segment revenues	1,752	-	403	305	(2,460)	-	**-**
Segment operating expenses	(205,737)	(60,536)	(44,248)	(14,741)	2,460	-	**(322,802)**
Adjusted EBITDA	**129,447**	**13,321**	**13,227**	**(3,042)**	**-**	**-**	**152,953**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(93,748)	**(93,748)**
Other income (Note 18)	7,248	-	-	-	-	-	**7,248**
Other expenses (Note 18)	(6,347)	(2,519)	-	-	-	-	**(8,866)**
Operating profit							**57,587**
Additions to tangible non-current assets	78,149	19,323	2,801	33	-	-	**100,306**
Additions to intangible non-current assets	13,755	467	4,000	990	-	-	**19,212**
Carrying amount of:							
Property, plant and equipment	783,636	149,388	5,781	266	-	-	**939,071**
Non-current intangible assets	173,618	27,296	7,382	2,439	-	-	**210,735**
Investments in associates	52,632	-	-	39,707	-	-	**92,339**

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

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

3. SEGMENT REPORTING (continued)

Six months ended 30 June 2017	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	328,699	74,777	42,311	8,180	-	-	**453,967**
Inter-segment revenues	981	-	639	296	(1,916)	-	**-**
Segment operating expenses	(222,402)	(52,533)	(30,838)	(9,970)	1,916	-	**(313,827)**
Adjusted EBITDA	**107,278**	**22,244**	**12,112**	**(1,494)**	**-**	**-**	**140,140**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(85,254)	**(85,254)**
Other income (Note 18)	1,231	-	-	2,782	-	-	**4,013**
Other expenses (Note 18)	-	-	-	(2,927)	-	-	**(2,927)**
Operating profit							**55,972**
Additions to tangible non-current assets	73,781	19,332	228	159	-	-	**93,500**
Additions to intangible non-current assets	19,106	811	2,106	1,253	-	-	**23,276**
Carrying amount of:							
Property, plant and equipment	736,059	124,930	1,521	260	-	-	**862,770**
Non-current intangible assets	178,504	30,596	4,104	1,930	-	-	**215,134**
Investments in associates	986	-	-	44,414	-	-	**45,400**

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

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

4. PROPERTY, PLANT AND EQUIPMENT (PPE)

Acquisitions and disposals

During the six month period ended 30 June 2018, the Group acquired property, plant and equipment with a cost of EUR 100,306 (six months ended 30 June 2017: EUR 93,500). The acquisitions related mainly to networks EUR 41,338 (six months ended 30 June 2017: EUR 47,718), customer premises equipment of EUR 16,628 (six months ended 30 June 2017: EUR 17,784), equipment and devices of EUR 27,986 (six months ended 30 June 2017: EUR 19,974) and buildings and structures of EUR 6,760 (six months ended 30 June 2017: EUR 4,127).
Costs to fulfil the performance obligations under the contracts with customers in amount of EUR 11,957 were capitalized during the six months period ended at 30 June 2018 (six months ended 30 June 2017: EUR 11,311).

5. NON-CURRENT INTANGIBLE ASSETS AND PROGRAMME ASSETS

Acquisitions

Non-current intangible assets
During the six-month period ended 30 June 2018, the Group acquired non-current intangible assets with a cost of EUR 19,212 (30 June 2017: EUR 23,276) as follows:

- Software and licences in amount of EUR 4,641 (30 June 2017: EUR 11,459);
- Customer relationships by acquiring control in other companies in amount of EUR 1,704 (30 June 2017: EUR 1,301);
- Costs to obtain contracts with customers (Subscriber Acquisition Costs “SAC”) in amount of EUR 12,867 (30 June 2017: EUR 10,516); SAC represents third party costs for acquiring and connecting customers of the Group;
- Goodwill didn’t increase through new additions in the first six months of 2018 (30 June 2017: EUR 0).

Programme assets
During the six month period ended 30 June 2018, additions of programme assets in the amount of 12,127 EUR (30 June 2017: EUR 3,142) represent broadcasting rights for sports competitions for 2018/2019 season and related advance payments for future seasons, and also rights for movies and documentaries.

Goodwill

(i) Reconciliation of carrying amount

Cost	
Balance at 1 January 2017	**77,178**
Additions	-
Effect of movement in exchange rates	(15)
Balance at 30 June 2017	**77,163**
Balance at 1 January 2018	**76,089**
Additions	-
Effect of movement in exchange rates	(1,207)
Balance at 30 June 2018	**74,882**

(ii) Impairment testing of goodwill
Goodwill is not amortized but is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying values may be impaired. There were no impairment indicators for the cash generating units to which goodwill was allocated as of 30 June 2018.

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

6. EQUITY

The issued and paid-up capital as at 30 June 2018 is in amount of EUR 6,918, divided into 100,000,000 shares (out of which (i) 65,756,028 class A shares with a nominal value of ten eurocents (€ 0.10) each and (ii) 34,243,972 class B shares, with a nominal value of one eurocent (€ 0.01) each).
Class B Shares are listed on the Romanian Stock Exchange ("BVB") starting from 16 May 2017.

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

In June 2018, the Board of Directors of the Company decided upon the initiation of the class B shares buy-back program in accordance with the resolutions of the general shareholders meeting of the Company from 2 May 2018 (the GSM), to be used for the purpose of the several stock option programs. Up to 30 June 2018, a total of 26,393 class B shares were repurchased through the buy-back program.

Consequently, as at 30 June 2018, the Company had 6.4 million treasury shares.

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

7. INTEREST-BEARING LOANS AND BORROWINGS

Included in Long term interest-bearing loans and borrowings are bonds EUR 349,437 (December 2017: EUR 349,384), bank loans EUR 428,094 (December 2017: EUR 296,261) and leasing EUR 2,423 (December 2017: EUR 2,395).

Included in Short term interest-bearing loans and borrowing are bank loans EUR 37,294 (December 2017: EUR 33,151), short portion of long term interest-bearing loans EUR 50,596 (December 2017: EUR 40,656), leasing obligations amounting to EUR 3,512 (December 2017: EUR 1,814), other short-term debts of EUR 10 (December 2017: EUR 16) and interest payable amounting to EUR 6,932 (December 2017: EUR 6,372).

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

	Carrying amount
Balance as of 1 January 2018	**730,049**
New drawings	
Proceeds from bank borrowings	173,375
Interest expense for the period	19,765
Repayment	
Payment of lease obligations	(1,567)
Repayment of borrowings	(22,473)
Current year interest paid	(18,473)
Additional financing costs	(1,772)
Effect of movements in exchange rates	(606)
Balance as of 30 June 2018	**878,298**

On 25 May 2018, Digi KFT and RCS & RDS drew 31,299,850 HUF, 45,000 EUR and 75,000 RON out of the SFA 2018. The remaining undrawn portion is in amount of 79,000 RON (approximately 17,000 EUR equivalent).

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

8. RELATED PARTY DISCLOSURES

		30 June 2018	31 December 2017
Receivables from Related Parties			
Ager Imobiliare S.R.L.	(ii)	731	718
Other		10	61
Total		**741**	**779**

		30 June 2018	31 December 2017
Payables to Related Parties			
RCS-Management	(i)	8,097	3,825
Other		874	591
Total		**8,971**	**4,416**

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

On 12 May 2017, RCS&RDS entered into a short term loan with RCS Management, for a principal amount of EUR 5,000. The loan bears a 5.5% per annum interest rate, the repayment date was extended to May 2019. As at 30 June 2018 the outstanding amount is EUR 3,517.

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

		30 June 2018
Transactions of the Company with group entities		
Revenues		
RCS&RDS SA	(iii)	1,787
RCS&RDS SA	(iv)	9,802
RCS&RDS SA	(v)	10,122
Total		**21,711**

(iii) Cost recovery
(iv) Interest
(v) Dividend

		30 June 2018
Transactions of the Company with group entities		
Expenses		
RCS&RDS SA	(vi)	40
Total		**40**

(vi) Costs reinvoiced

Compensation of key management personnel of the Group

	Three months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017
Short term employee benefits – salaries	1,168	417	1,992	1,056

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

For details, please see Note 14.

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

9. REVENUES

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

	Three months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017
Cable TV				
Romania	47,220	45,248	93,731	90,128
Hungary	12,086	11,731	24,283	23,201
	59,306	**56,979**	**118,014**	**113,329**
Internet and data				
Romania	44,833	42,704	88,964	84,901
Hungary	9,957	10,065	19,986	19,905
	54,790	**52,769**	**108,950**	**104,806**
Telephony				
Romania	49,907	46,055	99,153	89,054
Hungary	1,815	1,906	3,715	3,929
Spain	30,165	21,427	57,037	42,154
Italy	5,866	4,649	11,344	8,128
	87,753	**74,037**	**171,249**	**143,265**
DTH				
Romania	8,276	9,148	16,727	18,473
Hungary	8,064	8,413	16,245	16,777
	16,340	**17,561**	**32,972**	**35,250**
Other revenues				
Romania	20,084	20,653	34,857	46,142
Hungary	4,648	5,198	9,628	10,965
Spain	17	64	35	158
Italy	25	23	50	52
	24,774	**25,938**	**44,570**	**57,317**
Total revenues	**242,963**	**227,284**	**475,755**	**453,967**

The timing of transfer of goods to the customers at a point in time are in amount of EUR 14,824 for the six months period ended 30 June 2018 (for the six months period ended 30 June 2017: EUR 26,251). The rest of the services provided to customers are transferred over time and revenue is recognized accordingly.

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

10. OPERATING EXPENSES

	Three months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017
Depreciation of property, plant and equipment	26,166	23,385	51,767	46,875
Amortization of programme assets	9,237	10,623	20,143	21,335
Amortization of non-current intangible assets	10,834	8,923	20,842	14,842
Salaries and related taxes	43,782	36,247	84,925	70,303
Contribution to pension related fund	1,186	4,173	2,241	8,612
Programming expenses	21,042	20,313	41,933	41,223
Telephony expenses	40,479	37,942	81,470	72,724
Cost of goods sold	8,746	7,669	13,766	23,535
Rentals	15,290	14,179	30,347	28,001
Invoicing and collection expenses	4,499	3,689	8,847	7,387
Taxes and penalties	3,739	3,677	6,139	6,520
Utilities	4,420	4,039	8,806	8,645
Copyrights	2,329	2,255	4,716	4,491
Internet connection and related services	855	958	1,700	1,991
Impairment of receivables, net of reversals	2,134	2,325	4,900	3,937
Impairment of property, plant and equipment	366	1,269	991	2,202
Impairment of non-current intangible assets	-	-	5	-
Taxes to authorities	2,382	2,622	4,777	4,694
Other materials and subcontractors	2,845	2,166	5,454	4,334
Other services	8,404	5,662	13,928	10,235
Other expenses	5,369	4,358	8,853	17,195
Total operating expenses	**214,104**	**196,473**	**416,550**	**399,081**

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

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

“Other expenses” decreased in the six months ended 30 June 2018, mainly due to not significant impact of operational loss of the energy business in the period, compared to prior period when we generated a negative gross margin in amount of EUR 7.6 million.

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

11. NET FINANCE COSTS

	Three months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017
Financial revenues				
Interest from banks	274	28	290	32
Other financial revenues	-	-	-	1
Foreign exchange differences (net)	-	3,208	-	3,576
	274	**3,236**	**290**	**3,609**
Financial expenses				
Interest expense and amortization of borrowing cost	(11,541)	(9,036)	(21,428)	(17,387)
Net gain/(loss) on derivative financial instruments	(245)	(568)	(625)	(1,956)
Foreign exchange differences (net)	(7,768)	-	(5,548)	-
Other financial expenses	(885)	(2,539)	(3,863)	(3,920)
	(20,439)	**(12,143)**	**(31,464)**	**(23,263)**
Net Financial Cost	**(20,165)**	**(8,907)**	**(31,174)**	**(19,654)**

12. ACQUISITION OF SUBSIDIARY

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. ("Digi HU") our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement ("SPA") with Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers for the acquisition of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt ("Invitel").
In May 2018 the Regulatory Authority from Hungary approved, with certain conditions, the proposed transaction. The transaction was closed on 30 May 2018 for a total consideration of approximately 135.4 million EUR.

In accordance with the requirements of IFRS 3 "Business Combinations", we have started a Purchase Price Allocation ("PPA") analysis for the Invitel acquisition of shares in view of consolidating the Invitel's assets, liabilities and results. We expect the PPA to be finalized towards the end of the financial year. At present, the PPA analysis is in early stages.

Additionally, we have started the restatement of Invitel's statutory financial accounts, prepared in accordance with the Hungarian GAAP, to IFRS EU accounts, as well as the harmonization of Invitel's accounting policies to Digi Group's IFRS EU accounting policies, and we expect numerous adjustments to the Invitel's Hungarian GAAP financial statements as a result of this exercise, which is in early stages as well.

Consequently, given the short timing between the acquisition date and the preparation of the Interim Condensed Consolidated Financial Statements as at 30 June 2018 did not allow for the above described analysis to be in more advanced stages, we did not consolidate yet Invitel's assets, liabilities, revenues and expenses for one month (1-30 June 2018) to Digi Group's assets, liabilities, revenues and expenses. As at 30 June 2018, the equity method was used to account for Invitel's investment, which will be consolidated once the above described analysis will be in more advanced stages.

Alternatively, in order to provide a view of Invitel's assets, liabilities and results, we disclose below the stand-alone statutory Statement of financial position as at 30 June 2018 and stand-alone statutory Profit and Loss account for the month ended 30 June 2018, as extracted from the statutory financial accounts prepared in accordance with the the Hungarian GAAP.

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

12. ACQUISITION OF SUBSIDIARY (CONTINUED)

Invitel Stand-alone Statement of Financial Position as at 30 June 2018
Hungarian GAAP

	Notes	30 June 2018
ASSETS		
Non-current assets		
Property, plant and equipment		127,994
Intangible assets		5,507
Long term receivables		41
Total non-current assets		**133,542**
Current assets		
Inventories		119
Trade and other receivables		6,176
Other assets		413
Cash and short term deposits		8,873
Total current assets		**15,581**
Total assets		**149,123**
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital		36,526
Reserves		(5,085)
Retained earnings		(6,478)
Total equity		**24,963**
Non-current liabilities		
Long term leasing liabilities		548
Intercompany Loan Payables - long term	12.2	92,040
Total non-current liabilities		**92,588**
Current liabilities		
Trade payables and other payables		30,002
Short term leasing liabilities		91
Deferred revenue	12.3	1,234
Intercompany Payables - short term	12.2	245
Total current liabilities		**31,572**
Total liabilities		**124,160**
Total equity and liabilities		**149,123**

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

12. ACQUISITION OF SUBSIDIARY (CONTINUED)

Invitel Stand-Alone Profit and Loss Account for one month ended 30 June 2018
Hungarian GAAP

	Notes	One month period ended 30 June 2018
Revenues	12.4	7,035
Operating expenses	12.4	(6,831)
Operating Profit		**204**
Finance income		16
Intercompany Finance expenses	12.2	(248)
Finance expenses		(186)
Net finance costs	12.5	**(418)**
Profit before taxation		**(214)**
Income tax		-
Net profit for the period		**(214)**

<u>Invitel Summary of Explanatory Notes</u>

12.1 Employee Ownership Plan ("ESOP")

In 2016, Invitel's shareholders at the time decided to launch an Employee Ownership Plan ("ESOP"), as an incentive for management employees of Invitel. The plan is rolled out through a separate organization Munkavállalói Résztulajdonosi Program Szervezet ("MRP"). As part of the plan, Invitel has issued Bonds to the ESOP organization. At vesting date, in accordance with certain performance criteria or/and service criteria the participating management employees in the MRP receive remuneration in exchange for their bonds. The last issuance of Bonds mature on 31 May 2019.
In the statutory accounts, according to the provisions of the local law, Invitel records the issuance of bonds, interest expenses and makes a provision for the related ESOP.

As at 30 June 2018, Invitel's related debt to MRP was 257,829 HUF (785 EUR equivalent), related receivables from MRP was 185,470 HUF (564 EUR equivalent) and the net P&L impact for one month ended 30 June 2018 was 4,581 HUF (14.2 EUR equivalent).

12.2 Intercompany & related parties transactions

		30 June 2018
Receivables from Related Parties		
MRP	(i)	564
DIGI Távközlési és Szolgáltató Kft.		2
Total		**566**

		30 June 2018
Payables to Related Parties		
DIGI Távközlési és Szolgáltató Kft.	(ii)	92,336
MRP	(i)	471
Total		**92,807**

(i) As part of ESOP. For details, please see explanations from 12.1
(ii) Intergroup loans. Please see explanation below

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

12. ACQUISITION OF SUBSIDIARY (CONTINUED)

		One month ended 30 June 2018
Transactions with Invitel's group entities		
Expenses		
DIGI Távközlési és Szolgáltató Kft.	(iii)	300
MRP-RES		1
Total		**301**

(iii) Interest expenses related to the Intergroup loans and service fee

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

As per the SPA concluded between Digi HU acting as Purchaser and Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers on 21 July 2017, at the completion date of the transaction from 30 May 2018, the Sellers Debt due to Ilford Holding Kft, in amount of 27,281 HUF, was part of the purchase consideration settled by Digi HU. As a consequence, Digi HU has become the creditor for Invitel's loan for a period of 5 years, with interest of 2.65% plus BUBOR per annum.

Since the consolidation of Invitel's accounts as of 30 June 2018 was not yet included in the Group's assets, liabilities and results, these loans are presented as "Long term receivables" in the Consolidated Statement of Financial Position as at 30 June 2018.

12.3 GINOP non-refundable funds

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

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

12.4 Revenues & Operating expenses

Revenues are generated by services provided to residential and small business clients.

Invitel's main sources of revenue from services are:

- Revenue from the provision of cable TV ("CATV"), IP TV, subscription services;
- Revenues from the provision of Digital Video Broadcasting-Terrestrial services;
- Revenue from the provision of internet and data communication subscription services (fixed);
- Revenue from the provision of fixed-line subscription and voice traffic services;
- Revenues from resale of mobile broadband from Telenor.

Operating expenses are incurred in relation to the rendering of services presented above. According to local legislation, ESOP expenses are also included in Operating expenses. For details, please see 12.1 above.

As at 30 June 2018, the company has recorded provisions expenses with bad debts, future liabilities and penalties.

12.5 Net Finance Cost

In Net Finance Cost are included the finance expenses regarding to the intergroup loans between Digi Hu and Invitel. For details, please see note 12.2.

12. ACQUISITION OF SUBSIDIARY (CONTINUED)

12.6 EBITDA (this in not a Hungarian GAAP financial statements metric)

EBITDA Invitel, as extracted from the stand-alone statutory financial statements prepared in accordance with the Hungarian GAAP for one month ended 30 June 2018 is 2 million EUR.

13. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from the use of financial instruments:
- credit risk
- liquidity risk
- market risk (including currency risk and interest rate risk).

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

(a) Credit risk

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

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

(b) Liquidity risk

At 30 June 2018, the Group had net current liabilities of EUR 312,937 (31 December 2017: EUR 285,462). As a result of the volume and nature of the telecommunication business current liabilities exceed current assets. A large part of the current liabilities is generated by investment activities.
The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due and to keep the Group's leverage optimized. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and working capital, whilst considering future cash flows from operations. Management believes that there is no significant risk that the Group will encounter liquidity problems in the foreseeable future.

(c) Currency risk

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

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

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

14. SHARE-BASED PAYMENT

On 14 May 2017 the General Shareholders' Meeting adopted the terms and conditions of the stock option plan for Class B Shares, applicable to the executive Board members of the Company. A total number of 280,000 class B shares were granted as part of the stock option plan, with vesting date in one year's time. On 15 May 2018, this stock option plan vested and Mr. Serghei Bulgac, Chief Executive Officer and Executive Director of the Company and Mr. Valentin Popoviciu, Executive Director of the Company, have exercised their stock options. In accordance with this stock option plan, Mr. Serghei Bulgac was granted 220,000 shares, while Mr. Valentin Popoviciu was granted 60,000 shares.

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

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

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

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

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

For the six month period ended 30 June 2018, the related share option expense of EUR 7,722 (six month period ended 30 June 2017: nil), out of which EUR 1,376 is included in the Consolidated statement of profit or loss and other comprehensive income included under the line item Operating expenses, within salaries and related taxes. (Note 10), and the amount of EUR 6,347 is excluded from EBITDA because the related share option plans are estimated to be one time events.

15. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2018 the Group had derivative financial assets in amount of EUR 33,385 (31 December 2017: EUR 34,883), which included:

- Embedded derivatives of EUR 33,265 related to the bond (the Bonds include several call options as well as one put option (31 December 2017: EUR 33,264).

- Electricity trading assets (term contracts) of EUR 35 being mark to market gain from fair valuation of electricity trading contracts (31 December 2017: EUR 1,619).

- Interest rate swaps asset in amount of EUR 85 (31 December 2017: EUR 601 liability): On May 22, 2015 RCS & RDS concluded an interest rate SWAP for the entire term loan facility (which is currently part of the Senior Facility Agreement from 2016) through which the company hedges against the volatility of cash flows on its floating rate borrowings due to modification of market interest rates (i.e.: ROBOR). For this purpose the company uses interest rate swaps, paying fixed and receiving variable cash flows on the same dates on which is settles the interest on its hedged borrowings. Hedged cash flows occur periodically, on the settlement of the interest on hedged loans, and

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

impact profit or loss throughout the life of the loan, through accrual. Given that critical terms of the hedging instrument match the critical terms of the hedged cash flows, there is no significant ineffectiveness.

As at 30 June 2018 the Group had derivative financial liabilities in amount of EUR 709 (31 December 2017: EUR 10,131), which included:

• Electricity trading liabilities (term contracts) of EUR 709 being mark to market loss from fair valuation of electricity trading contracts (31 December 2017: EUR 9,530).

Fair value hierarchy

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

	Level 1	Level 2	Level 3	Total
30 June 2018				
Available for sale financial assets			39,707	39,707
Interest rate swaps			-	-
Embedded derivatives			33,350	33,350
Electricity trading assets (term contracts)			35	35
Electricity trading liabilities (term contracts)			(709)	(709)
Total			**72,383**	**72,383**
31 December 2017				
Available for sale financial assets			42,146	42,146
Interest rate swaps			(601)	(601)
Embedded derivatives			33,264	33,264
Electricity trading assets (term contracts)			1,619	1,619
Electricity trading liabilities (term contracts)			(9,530)	(9,530)
Total			**66,898**	**66,898**

16. GENERAL COMMITMENTS AND CONTINGENCIES

(a) Contractual commitments

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

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

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

As at 30 June 2018, contractual commitments for capital expenditure amounted to approximately EUR 57,173 (31 December 2017: EUR 54,052) and contractual operating commitments amounted to approximately EUR 217,004 (31 December 2017: EUR 214,880), including operating leases.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

In addition to the above, there are approximately another 400 operating lease contracts signed for a period of over 5 years, with an automatic renewal clause or for an indefinite term. The annual rent for these contracts is EUR 2,728 (31 December 2017: EUR 1,879).

(b) Letters of guarantee

As of 30 June 2018, there were bank letters of guarantee and letters of credit issued in amount of 8,443 EUR mostly in favour of content and satellite suppliers and for participation to tenders (31 December 2017: EUR 20,237).

We have cash collateral agreements for issuance of letters of counter guarantees. As at June 30, 2018 we had letters of guarantee issued in amount of EUR 0.5 million (31 December 2017: EUR 0.5 million). These agreements are secured with moveable mortgage over cash collateral accounts.

(c) Legal proceedings

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

Intact Media Group Litigations, which ceased under a Settlement Agreement

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

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

a) The must carry related litigations

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

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

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

(although all of them are carrying the must carry channels, including Antena 1, in packages similar to the ones offered by us).

On 28 June 2018, Bucharest Tribunal admitted the joint request submitted by RCS & RDS and Antena Group as per the Settlement Agreement, ceasing the first instance judgment in the first dispute. This solution will become final after the court decision is drafted and communicated to the parties, if neither party files an appeal. However, given the terms of the Settlement Agreement, the success of an appeal is not likely.

The €65 million monetary damages were reiterated, in 2012, by First Quality Debt Recovery in a different lawsuit (on the grounds of the Assignment Agreement which was later annulled by the courts at RCS & RDS request), which was stayed. RCS & RDS requested the court to resume the trial in this file to acknowledge the case of the judgment as a result of both the liquidation and the deregistration of First Quality Debt Recovery from the Trade Registry on 10th November 2017, as well on the grounds of the Settlement Agreement concluded with Antena Group. The court established that this request will be heard on 5 September 2018.

Separately, Antena Group has filed in 2012 two lawsuits claiming (i) monetary damages of approximately €35 million allegedly caused by our temporary refusal to carry the tv channels GSP TV and Antena 2 which allegedly breached, among other things, the must carry rules; and (ii) injunctive relief that would require us to provide the disputed channels to our customers in compliance with the highest technical standards. 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 the end of 2014, Antena Group initiated two new lawsuits requesting damages in relation to the carriage of GSP TV and Antena 2. The claims are almost identical to the ones regarding the same channels and assigned to First Quality Debt Recovery in 2012, except for the much lower amounts requested, specifically RON 500,000 in relation to GSP TV and RON 250,000 in relation to Antena 2.

Following the Settlement Agreement, RCS & RDS and Antena Group filed joint requests to settle the litigation having as object the monetary damages for the retransmission of the TV stations GSP TV and Antena 2. The Bucharest Court ceased the proceedings in first instance in the disputes concerning claims for retransmission of Antena 2 on 26 June and July 10, 2018. The court also acknowledged on 2 July 2018 the cease of one of the two disputes regarding the claims related to retransmitting GSP TV station and established that the parties' request to cease the second dispute will be heard on 5 September 2018. The court decisions ceasing the litigations will become final if the parties will not appeal them after the reasoning of the decisions is communicated. However, given the terms of the Settlement Agreement, the success of an appeal is not likely.

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

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

On 17 July 2018, The Fifth District Court admitted the joint request filed by the parties to the dispute under the Settlement Agreement, ceasing the first instance judgement. The decision will become final at the expiry of the appeal term if the parties do not file an appeal after the reasoning of the decision is communicated. However, given the terms of the Settlement Agreement, the success of an appeal is not likely.

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

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

by RCS&RDS, from June 2011 until June 2014, without Antena Group's consent and in the absence of an agreement on the fees for the use of its copyright.

On 21 June 2018, the Bucharest Tribunal admitted the joint request filed by the parties to the dispute as per the Settlement Agreement, ceasing the first instance judgment. The decision will become final at the expiry of the appeal term if the parties do not file an appeal after the decision is communicated. However, given the terms of the Settlement Agreement, the success of an appeal is not likely.

d) Litigation regarding the outcome of the GSP investigation

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

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

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

e) Other reciprocal claims with the Intact Media Group

Compensation of damage to reputation

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

On 22 June 2018, the parties filed a joint request to cease the dispute as per the Settlement Agreement. The High Court of Cassation and Justice has set the first hearing date for 18 October 2018.

Violation of certain contracts

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

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

In the first dispute, the court ceased the judgement on 26 June 2018, the solution will become final at the expiry of the appeal term if the parties will not file an appeal after the reasoning of the decision is communicated. However, given the terms of the Settlement Agreement, the success of an appeal is not likely.

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

Pecuniary claim filed by the National Cinematography Centre

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

Under the law, the National Cinematography Centre is entitled, amongst others, to collecting 1% of the monthly aggregate income gained from the cable and satellite carriage of TV channels, as well as from the digital

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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. On 7 May 2018, the court admitted the National Cinematography Centre's claim in part by granting to the claimant 3.9 million lei. This decision is not final and we will challenge it to the superior court as soon as the written arguments are issued by the Bucharest Tribunal.

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

Litigation with Electrica Distribuţie Transilvania Nord in relation to a concession agreement between 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.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

On 8 February 2018, the US Court granted the Defendants' motion to vacate and dismissed the entire lawsuit for lack of subject matter jurisdiction. The US Court also vacated all prior orders entered in the case (the "**US Court's Decision**"). The Plaintiffs filed an appeal against the US Court's Decision with the United States Court of Appeals for the Fourth Circuit (the "**Appellate Court**"). The Defendants also filed a conditional cross-appeal on multiple grounds that need only be considered if the Appellate Court reverses the US Court's Decision. The Appellate Court has issued a scheduling order for the exchange of written arguments (phase completed on 6 August 2018), while a date for an eventual hearing has not yet been scheduled.

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

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

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

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

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

The offences of bribery, of receiving bribes and the accessories to such offenses under investigation are alleged to have been committed through the 2009 joint-venture between RCS&RDS and Bodu SRL with respect to the events

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

hall in Bucharest in relation to agreements between RCS&RDS and LPF with regard to the broadcasting rights for Liga 1 football matches, while the offences of money laundering and accessory to money laundering are alleged to have been perpetrated through RCS&RDS's acquisition of the Bodu S.R.L. events hall in 2016.

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

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

INTEGRASOFT S.R.L., RCS&RDS, and their officers have also submitted other preliminary requests and objections against the allegations brought by the DNA in court. On 16 November 2017, the Bucharest Tribunal rejected all these requests and objections. On 2 March 2018, the Bucharest Court of Appeal rejected the appeal filed by INTEGRASOFT S.R.L., RCS&RDS's and their officers.

The file was returned to the Bucharest Tribunal (as the initially invested court) for judgment on the merits of the case. Until the present, the court admitted a request submitted by several defendants and decided that as at the date of the indictment the statute of limitation for prosecuting the alleged giving of bribe has lapsed with respect to RCS&RDS and the individuals subject of the giving of bribe accusations and accessories thereof. The court is currently administering the case file evidence. The next hearing in front on the Bucharest Tribunal is scheduled for 4 September 2018.

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

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

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

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

In its claim in front of the VIAC, Yolt Services s.r.o. requests RCS&RDS to pay approximately € 4,5 million together with the accrued default interest as indemnity under the SPA for tax and copyright claims (the latter in favor of a Czech collective rights management body), as well as indemnity for breach of the seller's warranties and

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

for other losses. We deem that the claimant lacks legal standing, and these claims as ungrounded and abusive, while some of them are either statute barred or do not meet the conditions for indemnification under the SPA.

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

RCS&RDS has appointed its arbitrator and has submitted to the VIAC its arguments in defense and will continue to defend its position against Yolt Services s.r.o.

The Arbitral Tribunal was constituted and started the work on the file. The parties are currently communicating with the Arbitral Tribunal to agree on arbitration timetable and on the timing and procedures for submitting the additional requests, defenses and evidence.

Competition Council GSP Tv Investigation

RCS&RDS has been until the date of this report subject to one infringement investigation by the Competition Council which has been finalized in 2015. To the best of our knowledge, no other infringement investigation is pending against RCS&RDS.

GSP investigation

In May 2011, Antena TV Group S.A., a leading media group in Romania, made a complaint to the RCC based on our refusal to retransmit one of its channels, GSP TV. The RCC opened an investigation against us in relation to this matter in August 2011.

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

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

The RCC’s decision was subjected to judicial review. Antena TV Group S.A.’s challenge against the RCC’s decision was rejected as ungrounded by the Bucharest Court of Appeal, but Antena TV Group S.A. filed a higher appeal against the first court’s award. The trial will be settled as per the Settlement Agreement (the details of this case are explained in a dedicated section above: “Litigation regarding the outcome of the GSP investigation”).

17. SUBSEQUENT EVENTS

No significant subsequent events occurred after the reporting period end.

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

18. EBITDA

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

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

	Three month ended 30 June 2018	**Three month ended 30 June 2017**	**Six months ended 30 June 2018**	**Six months ended 30 June 2017**
Revenues and other income	**242,963**	**227,284**	**475,755**	**453,967**
EBITDA				
Operating profit	26,004	27,854	57,587	55,972
Depreciation, amortization and impairment	46,603	44,200	93,748	85,254
EBITDA	**72,607**	**72,054**	**151,335**	**141,226**
Other income	(2,991)	(2,782)	(7,248)	(4,013)
Other expenses	5,846	5,739	8,866	2,927
Adjusted EBITDA	**75,462**	**75,011**	**152,953**	**140,140**
Adjusted EBITDA (%)	*31.06%*	*33.00%*	*32.15%*	*30.87%*

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

For the six months ended 30 June 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 1,231 which are excluded from adjusted EBITDA. As of 30 June 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.

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

19. FINANCIAL INDICATORS

Financial Indicator	**Value as at 30 June 2018**
Current ratio	
Current assets/Current liabilities	0.36
Debt to equity ratio	
Long term debt/Equity x 100 (where Long term debt = Borrowings over 1 year)	548%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	85%
Trade receivables turnover	
Average receivables/Revenues x 190	32.34 days
Non-current assets turnover	
(Revenues/Non-current assets)	0.71

Serghei Bulgac,

CEO,

____

Valentin Popoviciu

Executive Director,

____