

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, 2017**

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1. IMPORTANT INFORMATION

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

OPERATING AND MARKET DATA

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

More specifically:

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

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

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

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

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

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

NON-GAAP FINANCIAL MEASURES

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

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

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

ROUNDING

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

2. RISKS FACTORS

Main Risks and Uncertainties during the remainder of 2017

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 undertake acquisitions on an opportunistic basis, such as the Invitel acquisition, 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 unfavorable verdict by a court of law, may affect some of our assets, may materially adversely, business, financial condition and prospects. The investigation is ongoing. We will continue to fully cooperate with the investigation and believe that RCS&RDS, its subsidiary, and its current and former officers have acted appropriately and in compliance with the law.

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, 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.

3. 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, 2017.

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

OVERVIEW

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

For the three months ended June 30, 2017, we had revenues of €227.3 million, net profit of €16.0 million and Adjusted EBITDA of €75.0 million.

RECENT DEVELOPMENTS

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

The Target is part of the Invitel Group and is one of the key operators on the Hungarian telecommunications market with over 20 years' experience. The Target offers an extensive portfolio of services to residential and small business customers, including a variety of multimedia and entertainment services such as interactive, digital and HD television, fast internet offerings and fixed telephony services across its regional networks and is positioned as second-largest incumbent fixed line telecommunications and broadband internet services provider in the residential and small business customers segment in Hungary. The Proposed Transaction, once completed, will consolidate Digi HU's and, respectively, the Company's group position on the Hungarian telecommunications market, allowing it to expand its customer reach and experience, and creating better operational synergies. Invitech Solutions, the Invitel Group's B2B and wholesale unit, is not part of the Proposed Transaction.

Pursuant to the SPA, the total consideration to be paid by Digi HU to the Sellers for the acquisition of shares in the Target is EUR 140 million, this amount being subject to further price adjustments, as customary for transactions of this size in the telecommunications industry. The completion of the Proposed Transaction is subject to fulfilment of various conditions, including (i) the approval of the Proposed Transaction by the Hungarian Competition Authority (in Hungarian: "*Gazdasági Versenyhivatal*"); and (ii) execution between Digi HU and the Target on the one hand and Invitech Solutions on the other hand of reciprocal services and cooperation agreements, so as to allow them a successful integration of the Target in the Company's group, development of the respective businesses of both Digi HU and the Sellers in Hungary, as well as implementation of synergistic operational processes at the parties' level.

The completion of the Proposed Transaction is currently contemplated by 14 March 2018 (Digi HU and the Sellers may subsequently agree on another date). The reciprocal services agreements with Invitech Solutions will be concluded for a total period of at least ten (10) full calendar years following completion of the Proposed Transaction and for a minimum aggregate value of services in the amount of HUF 28 billion (approximately EUR 91.6 million), in Digi HU's case HUF 5 billion (approximately EUR 16.4 million), in Invitech Solutions' case. Going forward, the Company will keep its shareholders updated in connection with further developments in the process of implementation and completion of the Proposed Transaction.

On 8 August 2017, the Company's Senior Secured Notes due 2023 aggregate principal amount of EUR 350,000,000 5.0% (the "Notes"), issued on 26 October 2016, were admitted to trading on the Main Securities Market of the Irish Stock Exchange. As a result of this admission, the Notes moved from the Global Exchange Market to the Main Securities Market of the Irish Stock Exchange. In connection with this listing, DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság (the Hungarian subsidiary of RCS & RDS S.A., the Company's subsidiary) acceded as an additional guarantor under to the Indenture and the Intercreditor Agreement dated 26 October 2016 relating to the Notes, as well as under the Senior Facility Agreement dated 7 October 2016.

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

BASIS OF FINANCIAL PRESENTATION

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

Functional Currencies and Presentation Currency

Each Group entity prepares individual financial statements in its functional currency, which is the currency of the primary economic environment in which such entity operates. As our operations in Romania and Hungary generated approximately 72% and 16%, respectively, of our consolidated revenue for the three months ended June 30, 2017 our principal functional currencies are the Romanian leu and the Hungarian forint.

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

Presentation of Revenue and Operating Expenses

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

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

Exchange rates

In the three month period ended June 30, 2017 the Romanian leu and the Hungarian forint have remained stable relative to the euro compared to the three month period ended June 30, 2016: the Romanian leu has depreciated with approximately 1.2% and the Hungarian forint has appreciated with approximately 1.1%.

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

	As at and for the three months ended June 30		As at and for the six months ended June 30	
	2016	2017	2016	2017
Value of one euro in the relevant currency				
Romanian leu (RON)⁽¹⁾				
Period end rate	4.52	4.55	4.52	4.55
Average rate	4.50	4.55	4.50	4.54
Hungarian forint (HUF)⁽²⁾				
Period end rate	316.16	308.87	316.16	308.87
Average rate	313.32	309.90	312.68	309.50
United States Dollar (USD)⁽¹⁾				
Period end rate	1.11	1.12	1.11	1.12
Average rate	1.13	1.14	1.12	1.13

(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, 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 three months ended June 30, 2016, we had a net foreign exchange loss (which is recognized in net finance expenses on our statement of comprehensive income) of €5.7 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. In the six months ended June 30, 2016, we had a net foreign exchange gain (which is recognized in net finance income on our statement of comprehensive income) of €1.2 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, 2016 and 2017:

RGUs (thousand)/ARPU (€/month)	As at and for the three months ended June 30,		% change
	2016	2017	
Romania			
<i>Cable TV</i>			
RGUs	2,782	2,924	5.1%
ARPU	5.3	5.2	(1.9)%
<i>Fixed internet and data</i>			
RGUs			
Residential.....	1,930	2,058	6.6%
Business	109	122	11.9%
ARPU			
Residential.....	5.0	5.0	0.0%
Business	36.3	33.3	(8.3)%
<i>Mobile telecommunication services</i>			
RGUs	2,950	3,381	14.6%
ARPU	3.2	4.0	25.0%
<i>Fixed-line telephony</i>			
RGUs			
Residential.....	1,252	1,170	(6.5)%
Business	127	131	3.1%
ARPU			
Residential.....	1.30	1.30	0.0%
Business	3.7	3.5	(5.4)%
<i>DTH</i>			
RGUs	657	618	(5.9)%
ARPU	4.9	4.9	0.0%
Hungary			
<i>Cable TV</i>			
RGUs	460	485	5.4%
ARPU	7.2	8.1	12.5%
<i>Fixed internet and data</i>			
RGUs	407	447	9.8%
ARPU	7.7	7.6	(1.3)%
<i>Mobile telecommunication services⁽¹⁾</i>			
RGUs	15	13	(13.3)%
ARPU	6.8	7.1	4.4%
<i>Fixed-line telephony</i>			
RGUs	340	366	7.6%
ARPU	1.6	1.5	(6.3)%
<i>DTH</i>			
RGUs	322	306	(5.0)%
ARPU	8.0	9.2	15.0%

Spain*Mobile telecommunication services⁽²⁾*

RGUs	601	742	23.5%
ARPU	11.9	10.4	(12.6)%

Other⁽³⁾*Mobile telecommunication services⁽²⁾*

RGUs	67	139	107.5%
ARPU	11.3	10.9	(3.5)%

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

(2) As an MVNO.

(3) Includes Italy.

HISTORICAL RESULTS OF OPERATIONS

Results of Operations for the three and six months ended June 30, 2016 and 2017

	Three months ended June 30,		Six months ended June 30,	
	2016	2017	2016	2017
	(€in millions)		(€in millions)	
Revenues				
Romania	149.0	164.3	294.0	329.7
Hungary	33.3	37.3	66.2	74.8
Spain	21.8	21.3	42.3	43.0
Other	2.3	4.8	4.4	8.5
Elimination of intersegment revenues	(0.9)	(0.5)	(1.6)	(1.9)
Total revenues	205.3	227.3	405.2	454.0
Other income	-	2.8	2.7	4.0
Other expenses	(0.6)	(5.7)	-	(2.9)
Operating expenses				
Romania	(99.3)	(105.6)	(196.0)	(222.4)
Hungary	(19.9)	(26.5)	(39.5)	(52.5)
Spain	(17.4)	(15.5)	(34.5)	(30.8)
Other	(4.0)	(5.1)	(7.1)	(10.0)
Elimination of intersegment expenses	0.9	0.5	1.6	1.9
Depreciation, amortization and impairment of tangible and intangible assets	(50.0)	(44.2)	(95.7)	(85.3)
Total operating expenses	(189.7)	(196.5)	(371.2)	(399.1)
Operating profit	15.1	27.9	36.7	56.0
Finance income	4.8	3.2	6.0	3.6
Finance expense	(20.0)	(12.1)	(28.5)	(23.3)
Net finance costs	(15.1)	(8.9)	(22.5)	(19.7)
Profit/(loss) before taxation	(0.0)	18.9	14.3	36.3
Income tax expense	(6.5)	(3.0)	(7.7)	(4.5)
Profit/(loss) for the period	(6.5)	16.0	6.5	31.8

Revenue

Our revenue (excluding intersegment revenue and other income) for the three month period ended June 30, 2017 was €227.3 million, compared with €205.3 million for the three month period ended June 30, 2016, an increase of 10.7%.

Our revenue (excluding intersegment revenue and other income) for the six month period ended June 30, 2017 was €454.0 million, compared with €405.2 million for the three month period ended June 30, 2016, an increase of 12.0%.

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

	Three months ended June 30,			Six months ended June 30,		
	2016	2017	% change	2016	2017	% change
	(€ millions)			(€ millions)		
Romania						
Cable TV	43.9	45.2	3.0%	86.9	90.1	3.7%
Fixed internet and data	40.6	42.7	5.2%	80.7	84.9	5.2%
Mobile telecommunication services	28.1	40.2	43.1%	55.7	77.2	38.6%
Fixed-line telephony	6.3	5.9	(6.3)%	12.7	11.9	(6.3)%
DTH	9.7	9.1	(6.2)%	19.5	18.5	(5.1)%
Other revenue ⁽¹⁾	19.9	20.7	4.0%	37.7	46.1	22.3%
Total	148.5	163.8	10.3%	293.1	328.7	12.1%
Hungary						
Cable TV	9.9	11.7	18.2%	19.6	23.2	18.4%
Fixed internet and data	9.3	10.1	8.6%	18.3	19.9	8.7%
Mobile telecommunication services ⁽²⁾	0.3	0.3	0.0%	0.6	0.6	0.0%
Fixed-line telephony	1.7	1.6	(5.9)%	3.4	3.4	0.0%
DTH	7.7	8.4	9.1%	15.3	16.8	9.8%
Other revenue ⁽¹⁾	4.4	5.2	18.2%	9.0	11.0	22.2%
Total	33.3	37.3	12.0%	66.2	74.8	13.0%
Spain						
Mobile telecommunication services	21.2	21.4	0.9%	41.4	42.2	1.9%
Other revenue ⁽¹⁾	0.1	0.1	0.0%	0.1	0.2	100.0%
Total	21.3	21.5	0.9%	41.5	42.3	1.9%
Other⁽³⁾						
Mobile telecommunication services	2.2	4.6	109.1%	4.3	8.1	88.4%
Other revenue ⁽¹⁾	0.1	0.0	(100.0)%	0.1	0.1	0.0%
Total	2.3	4.7	104.3%	4.4	8.2	86.4%
Total	205.3	227.3	10.7%	405.2	454.0	12.0%

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

(2) Includes mobile internet and data revenue.

(3) Includes revenue from operations in Italy.

Revenue in Romania for the three month period ended June 30, 2017 was €63.8 million compared with €48.5 million for the three month period ended June 30, 2016, an increase of 10.3%. Revenue growth in Romania was primarily driven by an increase in our mobile telecommunication services RGUs and ARPU, cable TV and fixed internet and data RGUs. Mobile telecommunication services RGUs increased from approximately 2,950 thousand as at June 30, 2016 to approximately 3,381 thousand as at June 30, 2017, an increase of approximately 14.6%. Mobile telecommunication services ARPU increased to an average €4.0/month for the three month period ended June 30, 2017, compared to an average €3.2 /month for the three month period ended June 30, 2016, an increase of approximately 25.0% primarily as a result of certain changes in the mix of subscription packages, customers upgrading to higher-value services and overall traffic increases. Our cable TV RGUs increased from approximately 2,782 thousand as at June 30, 2016 to approximately 2,924 thousand as at June 30, 2017, an increase of approximately 5.1%, and our residential fixed internet and data RGUs increased from approximately 1,930 thousand as at June 30, 2016 to approximately 2,058 thousand as at June 30, 2017, an increase of approximately 6.6%. These increases were primarily due to our attractive fixed internet and data packages. Growth in our mobile telecommunication services, cable TV, fixed internet and data and other revenue was partially offset by a decrease in revenue generated by our DTH and fixed-line telephony businesses as a result of decreases in RGUs in both business lines. DTH RGUs decreased from 657 thousand as at June 30, 2016 to 618 thousand as at June 30, 2017, a decrease of approximately 5.9%. This decrease was primarily driven by a number of DTH subscribers terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services. Residential fixed-line telephony RGUs decreased from approximately 1,252 thousand as at June 30, 2016 to approximately 1,170 thousand as at June 30, 2017, a decrease of approximately 6.5%.

Revenue in Hungary for the three month period ended June 30, 2017 was €37.3 million, compared with €33.3 million for the three month period ended June 30, 2016, an increase of 12.0%. The increase in revenue in Hungary was principally due to an increase in our fixed internet and data, cable TV RGUs and an increase in other revenues, as well as the increase in the prices of the cable TV packages starting with Q4 2016. Our cable TV RGUs increased from approximately 460 thousand as at June 30, 2016 to approximately 485 thousand as at June 30, 2017, an increase of approximately 5.4%, our fixed internet and data RGUs increased from approximately 407 thousand as at June 30, 2016 to approximately 447 thousand as at June 30, 2017, an increase of approximately 9.8%, and our fixed-line telephony RGUs increased from approximately 340 thousand as at June 30, 2016 to approximately 366 thousand as at June 30, 2017, an increase of approximately 7.6%. 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 322 thousand as at June 30, 2016 to approximately 306 thousand as at June 30, 2017, a decrease of approximately 5.0%. A number of DTH subscribers terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services.

Revenue in Spain for the three month period ended June 30, 2017 was €21.5 million, compared with €21.3 million for the three month period ended June 30, 2016, an increase of 0.9%. The increase in our Spain revenue was due to the increase in mobile telecommunication services RGUs from approximately 601 thousand as at June 30, 2016 to approximately 742 thousand as at June 30, 2017, an increase of approximately 23.5%, 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, 2017 was €4.7 million, compared with €2.3 million for the three month period ended June 30, 2016, an increase of 104.3%. The increase in our revenue in Italy was primarily due to the increase in mobile telecommunication services RGUs from approximately 67 thousand as at June 30, 2016 to approximately 139 thousand as at June 30, 2017, an increase of approximately 107.5%, primarily due to new customer acquisitions as a result of more attractive mobile and data offerings.

Total operating expenses

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the three period ended June 30, 2017 were €196.5 million, compared with €189.7 million for the three month period ended June 30, 2016, an increase of 3.6%, respectively.

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the six months ended June 30, 2017 were €399.1 million compared with €371.2 million for the six months ended June 30, 2016, an increase of 7.5%.

	Three months ended June 30,		Six months ended June 30,	
	2016	2017	2016	2017
Romania	98.9	105.1	195.3	221.5
Hungary	19.9	26.5	39.5	52.5
Spain	17.1	15.2	34.0	30.2
Other ⁽¹⁾	3.7	5.4	6.7	9.6
Depreciation, amortization and impairment of tangible and intangible assets	50.0	44.2	95.7	85.3
Total operating expenses	189.7	196.5	371.2	399.1

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

Operating expenses in Romania for three month period ended June 30, 2017 were €105.1 million, compared with €98.9 million for the three month period ended June 30, 2016, an increase of 6.3%. The main increase in the period reported were due to telephony interconnection expenses in line with the development of the mobile business, the increases in salary expenses and rent expenses due to higher numbers of mobile sites and stores compared to previous period. These were partially offset by the decrease of cost of goods sold as a result of changes in the offerings for handsets in instalments starting from the end of Q1 2017.

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

Operating expenses in Hungary for the three month period ended June 30, 2017 were €26.5 million, compared with €19.9 million for the three month period ended June 30, 2016, an increase of 33.2%. The increase was primarily due to the increase in programming expenses, rent and network development expenses as a result of the increased number of mobile sites compared to previous period and salaries.

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

Operating expenses in Spain for the three month period ended June 30, 2017 were €15.2 million, compared with €17.1 million for the three month period ended June 30, 2016, a decrease of 11.1%. This decrease is mainly the result of lower mobile expenses due to economy of scale which were obtained as a consequence of the RGU base development and traffic increase.

Operating expenses in Other represented expenses of our operations in Italy and certain minor expenses of Digi and for the three month period ended June 30, 2017 were €5.4 million, compared with €3.7 million for the three month period ended June 30, 2016, an increase of 45.9%. The increase is the result of higher RGUs and traffic in our subsidiary in Italy.

Depreciation, amortization and impairment of tangible and intangible assets

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2017	2016	2017
		(€ millions)		(€ millions)
Depreciation of property, plant and equipment	26.9	23.4	53.8	46.9
Amortization of non-current intangible assets	9.4	8.9	17.3	14.8
Amortization of programme assets	13.4	10.6	24.4	21.3
Impairment of property, plant and equipment	0.2	1.3	0.2	2.2
Total	50.0	44.2	95.7	85.3

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was €23.4 million for the three month period ended June 30, 2017, compared with €26.9 million for the three month period ended June 30, 2016, a decrease of 13.0%. This variation was primarily due to changes in estimated useful lives for certain categories of property, plant and equipment which occurred at the year ended 31 December 2016. For details regarding the impact of the change in useful lives, please see paragraph *Estimated useful lives* below.

Amortization of non-current intangible assets

Amortization of non-current intangible assets was €8.9 million for the three month period ended June 30, 2017, compared with €9.4 million for the three month period ended June 30, 2016, a decrease of 5.3%. This was due to the effect of the change in estimated useful lives of certain mobile licence which occurred at year ended 31 December 2016. For details regarding the impact of the change in useful lives, please see paragraph *Estimated useful lives* below.

Amortization of program assets

Amortization of program assets was €10.6 million for the three month period ended June 30, 2017, compared with €13.4 million for the three month period ended June 30, 2016, a decrease of 20.9%. At the end of 2016, certain sport rights for several football and motorcycle races competitions expired and were not renewed. Consequently, in the period ended June 30, 2017 amortization decreased compared to previous period from 2016.

Estimated useful lives

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

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

	Depreciation charge for three months ended 30 June 2016 (€millions)		
	Prior estimated useful lives	Revised estimated useful lives	Difference arising from change in estimated useful lives
Buildings	0.7	0.7	-
Network	10.4	9.5	(1.0)
Customer premises equipment	6.0	3.3	(2.7)
Equipment and devices	8.1	6.3	(1.8)
Vehicles	0.8	0.8	-
Furniture and office equipment	0.8	0.8	-
Total	26.9	21.5	(5.5)

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

	Amortization charge for three months ended 30 June 2016 (€millions)		
	Prior estimated useful lives	Revised estimated useful lives	Difference arising from change in estimated useful lives
Licenses	3.9	3.7	(0.2)

Other income/(expense)

We recorded €5.7 million of other expense in the three month period ended June 30, 2017 compared with €0.6 million of other expense in the three months ended June 30, 2016. This includes €2.8 million mark-to-market loss from fair value assessment of energy trading contracts. As of June 30, 2017 Digi recorded €2.9 million IPO related costs (presented as Other expenses) out of which €2.8 million were recovered from the selling shareholders in the IPO from May 2017 (presented as Other income).

Operating profit

For the reasons set forth above, our operating profit was €27.9 million for the three month period ended June 30, 2017, compared with €15.1 million for the three month period ended June 30, 2016.

Net finance income/(expense)

We recognized net finance expense of €8.9 million in the three month period ended June 30, 2017, compared with €5.1 million for the three month period ended June 30, 2016, a decrease of 41.1%. This was primarily the result of decrease of interest expenses as a result of the refinancing of our debt from 2016, as well as the recording of net gain from foreign exchange differences compared to previous period.

Profit before taxation

For the reasons set forth above, our profit before taxation was €18.9 million in the three month period ended June 30, 2017, compared with loss of €0.02 million for the three month period ended June 30, 2016.

Income tax credit/(expense)

An income tax expense of €3.0 million was recognized in the three month period ended June 30, 2017, compared to a tax expense of €6.5 million recognized in the three month period ended June 30, 2016.

Net profit for the period

For the reasons set forth above, our net profit was €16.0 million in the three month period ended June 30, 2017, compared with net loss of €6.5 million for the three month ended June 30, 2016.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

Historical cash flows

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2017	2016	2017
	(€millions)		(€millions)	
Cash flows from operations before working capital changes	65.6	69.4	132.4	142.6
Cash flows from changes in working capital	(5.2)	13.4	(11.2)	13.6
Cash flows from operations	60.4	82.9	121.2	156.2
Interest paid	(18.8)	(9.8)	(22.0)	(14.1)
Income tax paid	(1.0)	(1.7)	(1.8)	(2.9)
Cash flow from operating activities	40.5	71.4	97.3	139.2
Cash flow used in investing activities	(48.4)	(52.6)	(108.3)	(120.2)
Cash flows used financing activities	(24.6)	(12.1)	(22.1)	(17.8)
Net increase/ (decrease) in cash and cash equivalents	(32.6)	6.7	(33.1)	1.2
Cash and cash equivalents at the beginning of the period	48.6	8.9	49.7	14.6
Effect of exchange rate fluctuation on cash and cash equivalent held	(0.0)	0.3	(0.6)	0.0
Cash and cash equivalents at the closing of the period	16.0	15.9	16.0	15.9

Cash flows from operations before working capital changes were €69.4 million in the three month period ended June 30, 2017 and €65.6 million in the three month period ended June 30, 2016 for the reasons discussed in “—Historical Results of Operations—Results of operations for the three month period ended June 30, 2017 and 2016”.

The following table shows changes in our working capital:

	Three months ended June 30,		Six months ended June 30,	
	2016	2017	2016	2017
	(€millions)		(€millions)	
Changes in:				
(Increase)/decrease in trade receivables and other assets	(4.1)	(0.8)	(24.7)	(13.9)
(Increase)/Decrease in inventories	(4.8)	(0.9)	(4.3)	(0.3)
Increase/(decrease) in trade and other payables	9.6	18.7	18.9	22.7
Increase/(decrease) in deferred revenue	(5.9)	(3.5)	(1.1)	5.2
Total	(5.2)	13.4	(11.2)	13.6

We had a working capital surplus of €13.4 million in the three month period ended June 30, 2017 (compared with a working capital requirement of €5.2 million in the three month period ended June 30, 2016). This was primarily due to the following movement: the movement of inventories balance compared to December 31, 2016 is explained by increased usage in the period; increase of trade payables and other payables mainly due to the increase of balances of the handsets suppliers at the end of the reported period. Decreased in deferred revenues is the result of lower subscriptions invoiced in advance to our customers. The increase in trade receivables and other assets is mainly the result of the increase in prepayments.

Cash flows from operating activities were €71.4 million in the three month period ended June 30, 2017 and €40.5 million in the three month period ended June 30, 2016. Included in these amounts are deductions for interest paid and income tax paid. Income tax paid which were €1.7 million in the three months ended June 30, 2017 and €1.0 million in the three months ended June 30, 2016. Interest paid was €9.8 million in the three months ended June 30, 2017, compared with €18.8 million in the three months ended June 30, 2016. The increase in cash flows from operating activities in the three months ended June 30, 2017 was primarily due to changes in working capital discussed above.

Cash flows used for investing activities were €52.6 million in the three month period ended June 30, 2017 and €48.4 million in the three month period ended June 30, 2016.

Purchases of property, plant and equipment were €40.4 million in the three months ended June 30, 2017 and €28 million in the three months ended June 30, 2016.

Purchases of intangible assets were €1.9 million in the three months ended June 30, 2017 and €9.9 million in the three months ended June 30, 2016.

Payments for acquisition of subsidiaries were €0.6 million in the three months ended June 30, 2017 and €0.6 million in the three months ended June 30, 2016.

Cash flows used in (from) financing activities were €2.1 million outflow for the three months period ended June 30, 2017, €4.6 million outflow for the three months ended June 30, 2016.

MAIN VARIATIONS OF ASSETS AND LIABILITIES AS AT JUNE 30, 2017

Main variations for the consolidated financial position captions as at June 30, 2017 are presented below:

ASSETS

Available for sale financial assets (AFS)

The available for sale financial assets of €44.4 million as at June 30, 2017 (December 31, 2016: nil) comprise of shares in RSCM obtained a result of the Share swap contracts between the Company and minority shareholders which were enforced during the reported period. The market value of the shares is determined based on a

discounted cash flow method and comparable enterprise/equity values of other entities in the telecom industry. For details, please see Note 8 from the Interim Consolidated Financial Statements as at June 30, 2017.

Programme assets

As at June 30, 2017 we recorded programme assets in amount of €12.1 million (December 31, 2016: €30.3 million). The variation is mainly the result of the amortization of football rights for the Romanian, Spanish and Italian competitions.

LIABILITIES

Interest bearing loans and borrowings

Short term interest bearing loans and borrowings as at June 30, 2017 are in amount of €58.3 million (December 31, 2016 €44.0 million). Long term interest bearing loans and borrowings as at June 30, 2017 are in amount of €58.1 million (December 31, 2016 €65.5 million)

The variation is mainly the result of the following loan agreements:

- **2016 Senior Facility Agreement**

On 28 April 2017 RCS & RDS repaid the first instalment in amount of RON 57.4 million (€2.6 million equivalent).

During the period ended June 30, 2017 RCS & RDS drew from Facility B (RCF) a total amount of RON 70.0 million (€5.4 million equivalent). In July 2017 RCS & RDS drew from Facility B an additional amount of RON 60.0 million (€3.2 million equivalent).

- **OTP Bank Hungary Loan Agreement**

In December 2016, Digi Hungary entered into a short term loan of HUF1,300 million (€4.2 million equivalent) with OTP Bank plc in Hungary. Out of this loan, as at December 31, 2016, HUF500 million (€1.6 million equivalent as at December 31, 2016) was drawn. The remaining amount was drawn in January 2017. As at June 30, 2017 the balance was €4.2 million.

- **ING agreement**

On February 3, 2017, RCS & RDS contracted a short-term loan from ING Bank N.V., Bucharest branch, for financing working capital needs in the amount of RON7 million (€1.5 million equivalent). As at June 30, 2017 the balance was €1.4 million.

Related parties borrowing

On May 12, 2017 RCSM granted a short-term loan to RCS & RDS in amount of €5 million. As at June 30, 2017 the balance was €3.7 million.

EQUITY

The share capital of the Company was €6.9 million as at June 30, 2017 (December 31, 2016: €0.1 million)

In April 2017 the Board of DIGI was authorized to issue a number of 99,494,060 class A shares at a total nominal value of €9,949,406 through incorporation of share premium and reserves (bonus issuance, based on the shareholders resolutions from February 2017).

The issued and paid-up capital as at 30 June 2017 in amount of €6,918,043, divided into 100,000,000 shares (out of which (i) 65,756,028 class A shares with a nominal value of ten eurocents (€0.10) each and (ii) 34,243,972 class B shares, with a nominal value of one eurocent (€0.01) each).

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

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

4. Management Statement for the Interim Condensed Consolidated Financial Statements of Digi Communications NV Group for the six month period ended 30 June 2017

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 2017 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 Annex 31 from CNVM Regulation nr 1/2006 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,

16 August 2017

DIGI COMMUNICATIONS N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**PREPARED IN ACCORDANCE WITH
IAS 34 INTERIM FINANCIAL REPORTING**
for the six month period ended 30 June 2017

DIGI Communications N.V.
Interim Condensed Consolidated Financial Statements
Prepared in accordance with IAS 34 Interim Financial Reporting
for the six month period ended 30 June 2017

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GENERAL INFORMATION

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Bucuresti, Romania

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

	Notes	Unaudited 30 June 2017	Audited 31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	4	862,770	825,989
Intangible assets	5	215,134	206,812
Available for sale financial assets (AFS)	8	44,414	-
Investment in associates		986	995
Long term receivables		3,759	3,927
Deferred tax assets		2,732	3,126
Total non-current assets		1,129,795	1,040,849
Current assets			
Inventories		10,290	18,552
Programme assets	5	12,106	30,312
Trade and other receivables		105,469	108,965
Income tax receivable		65	2,804
Other assets		13,394	6,321
Derivative financial assets	16	20,305	17,049
Cash and cash equivalents		15,852	14,625
Total current assets		177,481	198,628
Total assets		1,307,276	1,239,477
EQUITY AND LIABILITIES			
Equity			
Share capital	6	6,918	51
Share premium		3,082	8,247
Treasury shares		(13,926)	(16,703)
Reserves		46,042	9,096
Retained earnings		63,588	40,474
Total equity attributable to equity holders of the parent		105,704	41,165
Non-controlling interest		3,698	1,438
Total equity		109,402	42,603
Non-current liabilities			
Interest-bearing loans and borrowings, including bonds	7	658,080	665,540
Deferred tax liabilities		33,688	34,812
Long term trade payables and other long term liabilities		42,849	46,076
Total non-current liabilities		734,617	746,428
Current liabilities			
Trade and other payables		364,485	373,969
Interest-bearing loans and borrowings	7	58,322	44,047
Income tax payable		3,339	1,390
Derivative financial liabilities	16	17,244	16,356
Deferred revenue		19,867	14,684
Total current liabilities		463,257	450,446
Total liabilities		1,197,874	1,196,874
Total equity and liabilities		1,307,276	1,239,477

The notes on pages 7 to 35 are an integral part of these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Board of Directors on 16 August 2017 represented by:

Serghei Bulgac,

CEO,

Valentin Popoviciu

Executive Director,

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

	Notes	Unaudited Three month period ended 30 June 2017	Unaudited Three month period ended 30 June 2016
Revenues	10	227,284	205,333
Other income	19	2,782	-
Other expense	19	(5,739)	(555)
Operating expenses	11	(196,473)	(189,668)
Operating Profit		27,854	15,110
Finance income	12	3,236	4,837
Finance expenses	12	(12,143)	(19,966)
Net finance costs		(8,907)	(15,129)
Profit/ (loss) before taxation		18,947	(19)
Income tax		(2,961)	(6,469)
Net profit/(loss) for the period		15,986	(6,488)
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign operations – foreign currency translation differences		(1,478)	168
Available for sale financial asset, net change in fair value		41,177	1,034
Cash Flow hedge reserves		103	153
Other comprehensive income/(loss) for the period, net of income tax		39,802	1,355
Total comprehensive income/(loss) for the period		55,788	(5,133)
Profit attributable to:			
Equity holders of the parent		15,397	(6,195)
Non-controlling interest		589	(293)
Profit/(loss) for the period		15,986	(6,488)
Total comprehensive income attributable to:			
Equity holders of the parent		55,208	(4,850)
Non-controlling interest		580	(283)
Total comprehensive income/(loss) for the period		55,788	(5,133)
Basic and diluted earnings per share (EUR/share)		0.2	(0.1)

The notes on pages 7 to 35 are an integral part of these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Board of Directors on 16 August 2017 represented by:

Serghei Bulgac,

CEO,

Valentin Popoviciu

Executive Director,

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

	Notes	Unaudited Six month period ended 30 June 2017	Unaudited Six month period ended 30 June 2016
Revenues	10	453,967	405,169
Other income	19	4,013	2,729
Other expense	19	(2,927)	-
Operating expenses	11	(399,081)	(371,157)
Operating Profit		55,972	36,741
Finance income	12	3,609	6,042
Finance expenses	12	(23,263)	(28,526)
Net finance costs		(19,654)	(22,484)
Profit before taxation		36,318	14,257
Income tax		(4,490)	(7,721)
Net profit for the period		31,828	6,536
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign operations – foreign currency translation differences		(199)	(847)
Available for sale financial asset, net change in fair value		41,177	2,366
Cash Flow hedge reserves		(293)	(31)
Other comprehensive income for the period, net of income tax		40,685	1,488
Total comprehensive income for the period		72,513	8,024
Profit attributable to:			
Equity holders of the parent		30,607	6,326
Non-controlling interest		1,221	210
Profit for the period		31,828	6,536
Total comprehensive income attributable to:			
Equity holders of the parent		71,267	7,855
Non-controlling interest		1,246	169
Total comprehensive income for the period		72,513	8,024
Basic and diluted earnings per share (EUR/share)		0.3	0.1

Serghei Bulgac,
CEO,

Valentin Popoviciu
Executive Director,

DIGI Communications N.V.
Interim Condensed Consolidated Statement of Cash Flows
for the six month period ended 30 June 2017
(all amounts are in thousand Euro, unless specified otherwise)

	Notes	Unaudited Six month period ended 30 June 2017	Unaudited Six month period ended 30 June 2016
Cash flows from operating activities			
Profit before taxation		36,318	14,257
Adjustments for:			
Depreciation, amortization and impairment	11	85,254	95,677
Interest expense, net	7	17,387	23,444
Impairment of current assets	11	3,937	4,827
Impairment of Investments in associates		-	-
Unrealised (gains) / losses on derivative financial instruments	16	362	(5,025)
Equity settled share-based payments	15	-	-
Unrealised foreign exchange (gain) / loss		(438)	(305)
Gain on sale of assets		(232)	(513)
Gain on disposal of subsidiary		-	-
Cash flows from operations before working capital changes		142,588	132,362
(Increase) in trade receivables and other assets		(13,937)	(24,734)
Decrease/(increase) in inventories		(305)	(4,274)
Increase in trade payables and other current liabilities		22,656	18,904
(Decrease) / Increase in deferred revenue		5,183	(1,056)
Cash flows from operations		156,185	121,202
Interest paid		(14,065)	(22,044)
Income tax paid		(2,942)	(1,833)
Cash flows from operating activities		139,178	97,325
Cash flow used in investing activities			
Purchases of property, plant and equipment		(80,255)	(66,231)
Purchases of intangibles		(38,894)	(40,295)
Acquisition of subsidiaries, net of cash and NCI		(1,349)	(1,390)
Acquisition of AFS		-	(470)
Proceeds from sale of property, plant and equipment		310	61
Cash flows used in investing activities		(120,188)	(108,325)
Cash flows from financing activities			
Dividends paid to shareholders		(21,006)	(315)
Proceeds from borrowings	7	20,387	8,821
Repayment of borrowings	7	(13,569)	(27,016)
Financing costs paid	7	-	-
Settlement of derivatives		(2,769)	(2,667)
Payment of finance lease obligations		(845)	(954)
Cash flows used in financing activities		(17,802)	(22,131)
Net increase/(decrease) in cash and cash equivalents		1,188	(33,131)
Cash and cash equivalents at the beginning of the period		14,625	49,662
Effect of exchange rate fluctuations of cash and cash equivalents held		39	(556)
Cash and cash equivalents at the end of the period		15,852	15,975

The notes on pages 7 to 35 are an integral part of these interim condensed consolidated financial statements.

DIGI Communications N.V.
Interim Condensed Consolidated Statement of Changes in Equity
for the six month period ended 30 June 2017
(all amounts are in thousand Euro, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2017 (audited)	51	8,247	(16,703)	(30,181)	42,996	-	(3,719)	40,474	41,165	1,438	42,603
Comprehensive income for the period											
Net profit for the period	-	-	-	-	-	-	-	30,607	30,607	1,221	31,828
Foreign currency translation differences	-	-	-	(235)	-	-	-	-	(235)	36	(199)
Fair value for AFS	-	-	-	-	-	41,177	-	-	41,177	-	41,177
Sale of T-Shares	-	-	-	-	-	-	-	-	-	-	-
Cash Flow hedge reserves(*)	-	-	-	-	-	-	(282)	-	(282)	(11)	(293)
Transfer of revaluation reserve (depreciation)	-	-	-	-	(3,714)	-	-	3,714	-	-	-
Total other comprehensive income/loss	-	-	-	(235)	(3,714)	41,177	(282)	3,714	40,660	25	40,685
Total comprehensive income for the period	-	-	-	(235)	(3,714)	41,177	(282)	34,321	71,267	1,246	72,513
Transactions with owners, recognized directly in equity											
<i>Contributions by and distributions to owners</i>											
<i>Net change in share capital</i>	6,867	(5,165)	-	-	-	-	-	(1,702)	-	-	-
Sales of T-Shares	-	-	2,777	-	-	-	-	-	2,777	-	2,777
Dividends distributed	-	-	-	-	-	-	-	(6,000)	(6,000)	(425)	(6,425)
Total contributions by and distributions to owners	6,867	(5,165)	2,777	-	-	-	-	(7,702)	(3,223)	(425)	(3,648)
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	(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 (unaudited)	6,918	3,082	(13,926)	(30,416)	39,282	41,177	(4,001)	63,588	105,704	3,698	109,402

The notes on pages 7 to 35 are an integral part of these interim condensed consolidated financial statements.

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

DIGI Communications N.V.
Interim Condensed Consolidated Statement of Changes in Equity
for the six month period ended 30 June 2017
(all amounts are in thousand Euro, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2016 (audited)	51	8,247	(16,703)	(31,726)	36,314	31,355	(4,346)	77,462	100,654	2,160	102,814
Comprehensive income for the period											
Net profit for the period	-	-	-	-	-	-	-	6,326	6,326	210	6,536
Foreign currency translation differences	-	-	-	(807)	-	-	-	-	(807)	(40)	(847)
Fair value for AFS	-	-	-	-	-	2,366	-	-	2,366	-	2,366
Cash Flow hedge reserves	-	-	-	-	-	-	(30)	-	(30)	(1)	(31)
Transfer of revaluation reserve (depreciation)	-	-	-	-	(5,128)	-	-	5,128	-	-	-
Total other comprehensive income/loss	-	-	-	(807)	(5,128)	2,366	(30)	5,128	1,529	(41)	1,488
Total comprehensive income for the period/loss	-	-	-	(807)	(5,128)	2,366	(30)	11,454	7,855	169	8,024
Transactions with owners, recognized directly in equity											
<i>Contributions by and distributions to owners</i>	-	-	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	(376)	(376)
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	(376)	(376)
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	(459)	(459)	(31)	(490)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(459)	(459)	(31)	(490)
Total transactions with owners	-	-	-	-	-	-	-	(459)	(459)	(407)	(866)
Balance at 30 June 2016 (unaudited)	51	8,247	(16,703)	(32,533)	31,186	33,721	(4,376)	88,457	108,050	1,922	109,972

The notes on pages 7 to 35 are an integral part of these interim condensed consolidated financial statements.

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors of DIGI on 16 August 2017.

2.1 BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2016. These interim condensed consolidated financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

(b) Basis of measurement

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

DIGI Communications N.V.
Notes to the Interim Condensed Consolidated Financial Statements
for the six month period ended 30 June 2017
(all amounts are in thousand Euro, unless specified otherwise)

(c) Going concern assumption

Management believes that the Group will continue as a going concern for the foreseeable future.

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

(d) Judgements and estimates

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

In preparing these interim condensed consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

(e) Functional and presentation currency

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

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

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

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

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

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

Currency	2017			2016		
	Apr – 1	Average for the 3 months	June – 30	Apr – 1	Average for the 3 months	June – 30
RON per 1EUR	4.5511	4.5518	4.5539	4.4738	4.4980	4.5210
HUF per 1EUR	308.70	309.90	308.87	314.16	313.31	316.16
USD per 1EUR	1.0653	1.0103	1.1426	1.1380	1.1243	1.1106

DIGI Communications N.V.
Notes to the Interim Condensed Consolidated Financial Statements
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(all amounts are in thousand Euro, unless specified otherwise)

Currency	2017			2016		
	Jan – 1	Average for the 6 months	June – 30	Jan – 1	Average for the 6 months	June – 30
RON per 1EUR	4.5411	4.5362	4.5539	4.5245	4.4953	4.5210
HUF per 1EUR	311.02	309.50	308.87	313.12	312.68	316.16
USD per 1EUR	1.0510	1.0968	1.1426	1.0887	1.1146	1.1106

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

2.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

DIGI Communications N.V.
Notes to the Interim Condensed Consolidated Financial Statements
for the three month period ended 30 June 2017
(all amounts are in thousand Euro, unless specified otherwise)

3. SEGMENT REPORTING

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				2,782			2,782
Other expenses	(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
<i>Carrying amount of:</i>							
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 and AFS	986	-	-	44,414	-	-	45,400

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

DIGI Communications N.V.
Notes to the Interim Condensed Consolidated Financial Statements
for the three month period ended 30 June 2017
(all amounts are in thousand Euro, unless specified otherwise)

3. SEGMENT REPORTING (continued)

Three months ended 30 June 2016	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	148,499	33,268	21,314	2,252	-	-	205,333
Inter-segment revenues	454	-	496	-	(950)	-	-
Segment operating expenses	(99,346)	(19,919)	(17,405)	(3,962)	950	-	(139,682)
Adjusted EBITDA	49,607	13,349	4,405	(1,710)	-	-	65,651
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(49,986)	(49,986)
Other expense	(555)	-	-	-	-	-	(555)
Operating profit						-	15,110
Additions to tangible non-current assets	45,695	5,578	305	30	-	-	51,608
Additions to intangible non-current assets	9,987	939	737	208	-	-	11,872
<i>Carrying amount of:</i>							
Property, plant and equipment	620,458	102,914	1,130	155	-	-	724,657
Non-current intangible assets	171,780	30,938	3,543	976	-	-	207,237
Investments in associates and AFS	999	-	-	47,392	-	-	48,391

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

DIGI Communications N.V.
Notes to the Interim Condensed Consolidated Financial Statements
for the six month period ended 30 June 2017
(all amounts are in thousand Euro, 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 (Note 19)	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 19)	1,231	-	-	2,782	-	-	4,013
Other expenses	-	-	-	(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
<i>Carrying amount of:</i>							
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 and AFS	986			44,414	-	-	45,400

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

DIGI Communications N.V.
Notes to the Interim Condensed Consolidated Financial Statements
for the six month period ended 30 June 2017
(all amounts are in thousand Euro, unless specified otherwise)

3. SEGMENT REPORTING (continued)

Six months ended 30 June 2016	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	293,117	66,153	41,516	4,383	-	-	405,169
Inter-segment revenues	841	-	780	-	(1,621)	-	-
Segment operating expenses	(195,991)	(39,529)	(34,528)	(7,054)	1,621	-	(275,481)
Adjusted EBITDA (Note 19)	97,967	26,624	7,768	(2,671)	-	-	129,688
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(95,676)	(95,676)
Other income (Note 19)	2,729	-	-	-	-	-	2,729
Operating profit						-	36,741
Additions to tangible non-current assets	87,715	14,319	402	122	-	-	102,558
Additions to intangible non-current assets	16,918	1,112	1,415	401	-	-	19,846
<i>Carrying amount of:</i>							
Property, plant and equipment	620,458	102,914	1,130	155	-	-	724,657
Non-current intangible assets	171,780	30,938	3,543	976	-	-	207,237
Investments in associates and AFS	999			47,392	-	-	48,391

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

4. PROPERTY, PLANT AND EQUIPMENT (PPE)

Acquisitions

During the six month period ended 30 June 2017, the Group acquired property, plant and equipment with a cost of EUR 93,500 (six months ended 30 June 2016: EUR 102,558). The acquisitions related mainly to cable plant EUR 47,718 (six months ended 30 June 2016: EUR 29,824), customer premises equipment of EUR 17,784 (six months ended 30 June 2016: EUR 17,326), equipment and devices of EUR 19,974 (six months ended 30 June 2016: EUR 32,836), buildings and structures of EUR 4,127 (six months ended 30 June 2016: EUR 6,781). The overall decrease in total acquisitions is also impacted by the land purchases of EUR 82 during the current period (six months ended 30 June 2016: EUR 7,063).

Estimated useful lives

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

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

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

	Depreciation charge for three months ended 30 June 2016		
	Prior estimated useful lives	Revised estimated useful lives	Difference arising from change in estimated useful lives
Buildings	715	715	-
Network	10,437	9,479	(958)
Customer premises equipment	6,003	3,296	(2,707)
Equipment and devices	8,139	6,339	(1,800)
Vehicles	792	792	-
Furniture and office equipment	833	833	-
Total	26,919	21,454	(5,465)

	Depreciation charge for six months ended 30 June 2016		
	Prior estimated useful lives	Revised estimated useful lives	Difference arising from change in estimated useful lives
Buildings	1,437	1,437	-
Network	20,824	18,930	(1,894)
Customer premises equipment	12,073	6,704	(5,369)
Equipment and devices	16,311	12,743	(3,568)
Vehicles	1,548	1,548	-
Furniture and office equipment	1,611	1,611	-
Total	53,804	42,973	(10,831)

5. NON-CURRENT INTANGIBLE ASSETS AND PROGRAMME ASSETS

Acquisitions

Non-current intangible assets

During the six month period ended 30 June 2017, the Group acquired non-current intangible assets with a cost of EUR 23,276 (six months ended 30 June 2016: EUR 19,846) as follows:

- Software and licences in amount of EUR 11,459 (six months ended 30 June 2016: EUR 13,695);
- Customer relationships in amount of EUR 1,301 (six months ended 30 June 2016: EUR 315);
- Subscriber acquisition costs (“SAC”) in amount of EUR 10,516 (six months ended 30 June 2016: EUR 5,836); SAC represents third party costs for acquiring and connecting customers of the Group.

Estimated useful lives

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

	Amortization charge for three months ended 30 June 2016		
	Prior estimated useful lives	Revised estimated useful lives	Difference arising from change in estimated useful lives
Licenses	3,925	3,744	(181)

	Amortization charge for six months ended 30 June 2016		
	Prior estimated useful lives	Revised estimated useful lives	Difference arising from change in estimated useful lives
Licenses	8,061	7,700	(361)

Programme assets

During the six month period ended 30 June 2017, additions of programme assets in of EUR 3,142 (six months ended 30 June 2016: EUR 16,084) represent broadcasting rights for sports competitions for 2017/2018 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 2016	77,240
Additions	-
Effect of movement in exchange rates	(165)
Balance at 30 June 2016	77,075
Balance at 1 January 2017	77,178
Additions	-
Effect of movement in exchange rates	(15)
Balance at 30 June 2017	77,163

(ii) Impairment testing of goodwill

Goodwill is not amortized, but is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying values may be impaired. The key assumptions used to determine the recoverable amount for the different cash generating units as of last December were disclosed in the annual consolidated financial statements for the year ended 31 December 2016. There were no impairment indicators for the cash generating units to which goodwill was allocated as of 30 June 2017.

6. EQUITY

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

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

These resolutions took effect 11 April 2017.

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

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

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

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

7. INTEREST-BEARING LOANS AND BORROWINGS

Included in Long term interest-bearing loans and borrowings are bonds of EUR 349,404 (December 2016: EUR 349,638), bank loans EUR 305,619 (December 2016: EUR 311,912) and leasing EUR 3,058 (December 2016: EUR 3,990).

Included in Short term interest-bearing loans and borrowings are bank loans of EUR 16,142 (December 2016: EUR 11,478), short portion of long term interest-bearing loans of EUR 33,142 (December 2016: EUR 25,584), leasing obligations amounting to EUR 1,814 (December 2016: EUR 1,782), other short term debts of EUR 10 (December 2016: EUR 12) and interest payable amounting to EUR 7,214 (December 2016: EUR 5,191).

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

	Carrying amount
Balance as of 1 January 2017	709,587
<i>New drawings</i>	
Proceeds from bank borrowings	20,387
Interest expense and amortization of borrowing cost for the period	17,387
<i>Repayment</i>	
Payment of lease obligations	(845)
Repayment of borrowings	(13,569)
Current year interest paid	(14,065)
Additional financing costs	(746)
<i>Effect of movements in exchange rates</i>	(1,734)
Balance as of 30 June 2017	716,402

In April 2017 RCS&RDS repaid the first instalment of the *2016 Senior Facilities Agreement* in amount of thousand RON 57,375 (EUR 12,599 equivalent).

During the period ended 30 June 2017 RCS & RDS drew from Facility B (RCF) a total amount of thousand RON 70,000 (EUR 15,371 equivalent). In July 2017 RCS & RDS drew from Facility B an additional amount of thousand RON 60,000 (EUR 13,176 equivalent).

8. AVAILABLE FOR SALE FINANCIAL ASSETS (AFS)

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

The above available for sale financial assets comprise shares in RCSM. As at 30 June 2017 the percentage of ownership of DIGI in RCSM is 10% (31 December 2016: nil). For additional disclosures on the fair values of the AFS refer to Note 23 (iv) from the 2016 Annual Report.

In March 2017 share swaps agreements were concluded between the Company and several minority shareholders, through which the minority shareholders of RCSM exchanged 18,360 shares of RCSM for 17,367,832 shares in RCS&RDS and 255 shares of the Company, which became effective in April 2017.

9. RELATED PARTY DISCLOSURES

		<u>30 June 2017</u>	<u>31 December 2016</u>
Receivables from Related Parties			
Ager Immobiliare S.R.L.	(ii)	710	698
Digi Serbia	(ii)	201	218
Music Channel S.R.L.	(ii)	52	52
RCS Management S.A.	(i)	38	37
Other		390	9
Total		1,391	1,014

		<u>30 June 2017</u>	<u>31 December 2016</u>
Payables to Related Parties			
Related parties-share options	(ii)	2,459	1,082
RCS Management S.A.	(i)	3,763	5,711
Digi Serbia	(ii)	108	117
Mr. Teszari Zoltan	(iii)	8	648
Other		739	9,081
Total		7,077	16,639

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

Short-term loans from converted dividends payable

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

On 12 May 2017, RCS&RDS entered into a short term loan with RCS Management, for a principal amount of EUR 5,000. The loan bears a 5.5% per annum interest rate, the repayment date being set for 10 May 2018. In May 2017, the Company withdrew EUR 3,780. At 30 June 30 2017 the remaining amount to be paid is EUR 3,736.

		<u>30 June 2017</u>
Transactions with related parties		
Revenues		
Selling shareholders IPO	(iv)	2,782
Total		2,782

		<u>30 June 2017</u>
Transactions with related parties		
Expenses		
Other	(v)	174
Total		174
(v) Interest		

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		<u>30 June 2017</u>
Transactions of the Company with group entities		
Revenues		
RCS&RDS SA	(vi)	10,340
RCS&RDS SA	(vii)	9,254
RCS&RDS SA	(viii)	<u>1,071</u>
Total		20,664
(vi) Dividend		
(vii) Interest		
(viii) Cost recovery		

		<u>30 June 2017</u>
Transactions of the Company with group entities		
Expenses		
RCS&RDS SA	(ix)	<u>457</u>
Total		457

(ix) Costs reinvoiced

Compensation of key management personnel of the Group

	Three months ended <u>30 June 2017</u>	Three months ended <u>30 June 2016</u>	Six months ended <u>30 June 2017</u>	Six months ended <u>30 June 2016</u>
Short term employee benefits – salaries	417	401	1,056	722

There was no share option plan in force during the period ended 30 June 2016.

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

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10. REVENUES

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

	Three months ended 30 June 2017	Three months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Cable TV				
Romania	45,248	43,885	90,128	86,871
Hungary	11,731	9,899	23,201	19,558
	56,979	53,784	113,329	106,429
Internet and data				
Romania	42,704	40,611	84,901	80,691
Hungary	10,065	9,292	19,905	18,307
	52,769	49,903	104,806	98,998
Telephony				
Romania	46,055	34,401	89,054	68,405
Hungary	1,906	1,960	3,929	4,000
Spain	21,427	21,231	42,154	41,401
Italy	4,649	2,200	8,128	4,275
	74,037	59,792	143,265	118,081
DTH				
Romania	9,148	9,702	18,473	19,492
Hungary	8,413	7,707	16,777	15,297
	17,561	17,409	35,250	34,789
Other revenues				
Romania	20,653	19,900	46,142	37,658
Hungary	5,198	4,409	10,965	8,990
Spain	64	83	158	116
Italy	23	53	52	108
	25,938	24,445	57,317	46,872
Total revenues	227,284	205,333	453,967	405,169

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

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11. OPERATING EXPENSES

	Three months ended 30 June 2017	Three months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Depreciation of property, plant and equipment	23,385	26,919	46,875	53,804
Amortization of programme assets	10,623	13,448	21,335	24,391
Amortization of non-current intangible assets	8,923	9,396	14,842	17,296
Salaries and related taxes	36,247	29,242	70,303	57,933
Contribution to pension related fund	4,173	3,979	8,612	8,427
Programming expenses	20,313	17,407	41,223	34,729
Telephony expenses	37,942	32,575	72,724	61,043
Cost of goods sold	7,669	12,430	23,535	24,445
Rentals	14,179	11,969	28,001	23,705
Invoicing and collection expenses	3,689	3,380	7,387	6,937
Taxes and penalties	3,677	2,962	6,520	6,514
Utilities	4,039	3,358	8,645	6,779
Copyrights	2,255	2,223	4,491	4,376
Internet connection and related services	958	4,477	1,991	9,027
Impairment of receivables, net of reversals	2,325	2,658	3,937	4,827
Impairment of property, plant and equipment	1,269	225	2,202	186
Other expenses	14,807	13,020	36,458	26,738
Total operating expenses	196,473	189,668	399,081	371,157

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

The main increase in the period reported is mainly due to salary expenses and rent expenses increases as a result of higher numbers of mobile sites and stores compared to previous period. The decrease of cost of goods sold is a result of changes of the offerings for handsets in instalments starting from the end of Q1 2017.

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12. NET FINANCE COSTS

	Three months ended 30 June 2017	Three months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
<i>Financial revenues</i>				
Interest from banks	28	3	32	26
Other financial revenues	-	4,834	1	4,835
	28	4,837	33	4,861
<i>Financial expenses</i>				
Interest expense and amortization of borrowing cost	(9,036)	(11,842)	(17,387)	(23,444)
Net gain/(loss) on derivative financial instruments	(568)	150	(1,956)	(1,480)
Other financial expenses	(2,539)	(2,602)	(3,920)	(3,602)
	(12,143)	(14,294)	(23,263)	(28,526)
Foreign exchange differences (net)	3,208	(5,672)	3,576	1,181
Net Financial Cost	(8,907)	(15,129)	(19,654)	(22,484)

13. ACQUISITIONS OF SUBSIDIARY

During the six months period ended 30 June 2017 there were no acquisitions of entities.

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

14. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s trade receivables from customers.

The carrying amount of trade and other receivables, net of impairment adjustment, and cash and cash equivalents represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

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

(b) Liquidity risk

At 30 June 2017, the Group had net current liabilities of EUR 285,776 (31 December 2016: EUR 251,818). As a result of the volume and nature of the telecommunication business, current liabilities exceed current assets. A large part of the current liabilities is generated by investment activities. Management considers that the Group will generate sufficient funds to cover the current liabilities from future revenues.

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due and to keep the Group's leverage optimized. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and working capital, whilst considering future cash flows from operations. Management believes that there is no significant risk that the Group will encounter liquidity problems in the foreseeable future.

(c) Currency risk

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

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

(d) Interest rate risk

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

15. SHARE-BASED PAYMENT

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

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2017 the Group had derivative financial assets in amount of EUR 20,305 (31 December 2016: EUR 17,049), which included:

- Embedded derivatives of EUR 13,832 related to the bond (the Bonds include several call options as well as one put option which are measured at fair value at each year end) (31 December 2016: EUR 13,908).
- Electricity trading assets (term contracts) of EUR 6,473 being mark to market gain from fair valuation of electricity trading contracts (31 December 2016: EUR 3,141).

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As at 30 June 2017 the Group had derivative financial liabilities in amount of EUR 17,244 (31 December 2016: EUR 16,356), which included:

- Interest rate swaps in amount of EUR 4,126 (31 December 2016: EUR 5,318): On 22 May 2015 RCS & RDS concluded an interest rate SWAP for the entire term loan facility through which the company hedges against the volatility of cash flows on its floating rate borrowings due to modification of market interest rates (i.e.: ROBOR). For this purpose the company uses interest rate swaps, paying fixed and receiving variable cash flows on the same dates on which is settles the interest on its hedged borrowings. Hedged cash flows occur periodically, on the settlement of the interest on hedged loans, and impact profit or loss throughout the life of the loan, through accrual. Given that critical terms of the hedging instrument match the critical terms of the hedged cash flows, there is no significant ineffectiveness.
- Electricity trading liabilities (term contracts) of EUR 13,118 being mark to market loss from fair valuation of electricity trading contracts (31 December 2016: EUR 11,038).

	Available for sale	Cross currency swaps	Embedded derivatives	Interest rate swaps	Trading assets	Trading liabilities
1 January 2017	-	-	13,908	(5,318)	3,141	(11,038)
Gains or (losses) recognised in profit or loss for the year		-	-	(1,212)	3,341	(2,111)
Gains or (losses) recognised in other comprehensive income	41,177	-	(76)	(366)	(9)	31
Purchases	3,236	-	-	-	-	-
Sales	-	-	-	-	-	-
Settlements	-	-	-	2,769	-	-
30 June 2017	44,414	-	13,832	(4,126)	6,474	(13,118)

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

* Net effect of gain on 2013 Bond embedded derivative in 2016 of EUR 4,956, expense of EUR 14,211 upon exercising the call option on 2013 Bond and recognition of fair value gain on 2016 Bond embedded derivative of EUR 5,433 after taking into consideration fair value of the embedded derivative asset at inception of EUR 8,474.

**As of 31 December 2016 the AFS assets were derecognized and the entire fair value gain accumulated in fair value reserve, amounting to EUR 33,722, was reclassified to Profit or Loss and accordingly reclassified from OCI (EUR 33,722).

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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 2017				
Interest rate swaps			(4,126)	(4,126)
Embedded derivatives	-	-	13,832	13,832
Electricity trading assets (term contracts)	-	-	6,473	6,473
Electricity trading liabilities (term contracts)	-	-	(13,118)	(13,118)
Total	-	-	3,061	3,061

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

17. GENERAL COMMITMENTS AND CONTINGENCIES

(a) Contractual commitments

Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR/EURIBOR/ROBOR + 5.7% p.a.

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

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

As at 30 June 2017, contractual commitments for capital expenditure amounted to approximately EUR 109,806 (31 December 2016: EUR 85,642) and contractual operating commitments amounted to approximately EUR 216,243 (31 December 2016: EUR 161,183), including operating leases.

In addition to the above, there are approximately another 500 operating lease contracts signed for a period of over 5 years, with an automatic renewal clause or for an indefinite term. The annual rent for these contracts is EUR 1,822 (31 December 2016: EUR 1,396).

(b) Letters of guarantee

As of 30 June 2017, there were bank letters of guarantee and letters of credit issued in amount of EUR 10,299 mostly in favour of content and satellite suppliers and for participation to tenders (31 December 2016: EUR 11,375).

We have cash collateral agreements for issuance of letters of counter guarantees. As at 30 June 2017 we had a letter of guarantee issued in amount of EUR 212, which was secured with moveable mortgage over cash collateral accounts. In July 2017 a letter of guarantee in amount of EUR 13,000 was issued.

(c) Legal proceedings

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

Intact Media Group Litigation

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

a) The must carry related litigations

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

In the first proceeding, Antena Group claims that we are bound by the must carry rules to provide Antena 1, the Intact Media Group's lead channel, free of charge to our subscribers in a package that only contains must carry channels. Antena Group has requested injunctive relief which would require us to offer such a package to our subscribers (neither we nor any other Romanian distributor currently offers to its customers such a package) and has sought damages amounting to EUR 65 million for our alleged breach of the must carry rules. The initial court case was split into two proceedings as Antena Group assigned its monetary claims related to this lawsuit to First Quality Debt Recovery.

The claim regarding the EUR 65 million monetary damages was suspended until settlement of both the claim for injunctive relief and a lawsuit we initiated challenging the effects of an arrangement regarding the assignment of receivables from Antena Group to First Quality Debt Recovery. On 15 April 2015, the Bucharest Tribunal partially admitted RCS&RDS' claim and annulled the assignment of receivables from Antena Group to First Quality Debt Recovery. We expect this decision to have a significant positive impact on RCS&RDS' defence against Antena Group's claim regarding the EUR 65 million monetary damages. Antena Group challenged the ruling of the Bucharest Tribunal, but the Bucharest Court of Appeals rejected the appeal in its entirety and upheld the decisions issued by the first court. Antena Group can submit a final higher appeal against this decision within 15 days after the full written decision will be communicated to the parties.

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

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

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

The case regarding the injunctive relief sought in respect to Antena 2 was settled in March 2014 by the Bucharest Tribunal in our favour; Antena Group's claims were rejected in their entirety. Antena Group appealed the decision, but only with regards to the judicial expenses. Initially, the appeal was rejected in October 2014, but following a retrial ordered by the High Court of Cassation and Justice, the court of appeals modified in part the first court's decision, by granting approx. EUR 2 (two) as judicial expenses to Antena Group. This decision was upheld by the Bucharest Court of Appeal. Given the financial immateriality of the case file, we have decided not to challenge this decision. However, Antena Group filed a higher appeal and the first hearing before the High Court of Cassation and Justice was scheduled for 20 September 2017.

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

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

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

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

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

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

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

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

c) The copyright related litigation

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

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

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

After the annulment decision of the Bucharest Court of Appeal, the case file returned to the Bucharest Tribunal. In front of the Bucharest Tribunal, RCS&RDS requested the court to bring into this claim RCS&RDS' competitors on the retransmission market in Romania. This request was dismissed by the court. At this stage in the judicial file, the judge is currently hearing the parties with respect to the evidence. The next hearing of this case by the Bucharest Tribunal is scheduled for 7 September 2017.

d) Litigation regarding the outcome of the GSP investigation

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

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

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

e) Reciprocal contractual claims with the Intact Media Group

Compensation of damage to reputation

In November 2012, we initiated proceedings against Antena Group and other Intact Media Group entities for compensation in respect of the damage to our business reputation inflicted by a media campaign conducted via media

assets of Intact Media Group that we consider defamatory. We requested: (i) a declaration that the adversary media campaign was being conducted in abuse of Intact Media Group's rights; (ii) an order obliging Intact Media Group to publish such declaration via its TV and newspaper network; and (iii) monetary compensation in the aggregate amount of approximately EUR 1.2 million for damage to our business reputation.

On 7 March 2016, the Bucharest Court of Appeal ruled in our favor on most counts and required Antena Group to pay us EUR 780 in moral damages. Antena Group filed a higher appeal to the Romanian Supreme Court against the decision of the appeal court. On 24 November 2016, the Romanian Supreme Court admitted the higher appeal and sent the case for retrial to the Bucharest Court of Appeal. The first hearing in the retrial is scheduled for 18 September 2017.

Violation of certain contracts

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

In the first proceedings, we sought a refund of certain retransmission fees we had paid to Antena Group until 2010 in relation to two of its channels (Antena 3 and Antena 4). In turn, Antena Group sought further retransmission fees from us for 2010 and 2011. On November 2, 2015, the first instance court dismissed our claim and granted Antena Group's counterclaim in part, ordering us to pay approximately EUR 1.9 million to Antena Group in retransmission fees and legal expenses. Both parties have appealed that decision. On 16 March 2017, the Bucharest Court of Appeal partially admitted both appeals and consequently awarded approx. EUR 315 to us and approx. EUR 900 to Antena Group. Both parties have filed a higher appeal against this decision, the next hearing before the Romanian Supreme Court being scheduled for 27 September 2017.

In the second proceedings, the court of the first instance fully dismissed both our claim and Antena Group's counterclaim, but both parties appealed the first court's decisions. On 3 May 2017, the Court of Appeal issued its ruling and rejected Antena Group's appeal and admitted RCS&RDS claim in its entirety consisting in the aggregate of EUR 500. The court issued its written reasoning on 29 June 2017 and Antena Group appealed the decision in its entirety, while RCS&RDS appealed limited aspects in connection to its reasoning, only in view of preserving its rights for the event Antena Group's challenge is successful. The Romanian Supreme Court did not yet set the date for the first hearing in this 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) filed against RCS&RDS a payment injunction amounting to at least EUR 1.6 million, including principal amount and penalties for late payment.

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

While 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 EUR 1.2 million, including principal and accessories. In connection with this second case file, the next hearing is set for 11 September 2017.

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

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

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

Based on our request, the trial was suspended pending final settlement of (i) our challenge regarding the failure by the claimant to pay required stamp duties and (ii) 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. (now 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: 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 alleged 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 Defendant entities or engaging in any corporate transactions without the consent of the Plaintiffs, an extension of an order entered by the US Court on October 2, 2006 requiring the same.

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

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 or in the U.S. (other than a U.S. garnishment action filed against Laszlo Borsy). Nor did they seek to enforce the Default Judgment against any of the Defendants in Hungary, Romania, or the Netherlands.

We deem the Motion, which requests payment from Laszlo Borsy, 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 i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company, the Plaintiffs’ passivity for more than ten years, the lack of jurisdiction of the US Court over i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, S.A., RCS Management S.A., or the Company, as well as the fact that the Motion, if granted, would go against mandatory legal provisions of any of the jurisdictions where i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company operate.

On 30 June 2017, at the hearing before the US Court attended by RCS&RDS, RCS Management S.A. and the Company, through counsel, the US Court denied the Motion without prejudice, but also issued a scheduling order, including discovery, in anticipation of a hearing on the merits of a renewed Motion by the Plaintiffs once discovery is completed, and ordered that RCS&RDS, RCS Management S.A., the Company, and the Plaintiffs enter into a discovery process.

Discovery is ongoing. The US Court has not determined yet whether it may exercise jurisdiction over i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, S.A., RCS Management S.A. and the Company.

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

Investigation by the Romanian National Anti-Corruption Agency

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

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

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

Also, on 25 July 2017, the DNA confirmed that it attached two real estate assets pertaining to RCS&RDS to secure an amount of up to Lei 13,714,414 (approximately EUR 3 million).

Pursuant to the ongoing investigation conducted by the DNA, the prosecutors will ultimately decide whether there are grounds to bring the case to court, in whole or with respect to some offences, whether to change the legal basis of the investigation, or whether to pass-on the file to another criminal investigation authority.

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.

Competition Council Investigations

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

Telecom market interconnection investigation

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

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

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

GSP investigation

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

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

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

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

18. SUBSEQUENT EVENTS

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

The Target is part of the Invitel Group and is one of the key operators on the Hungarian telecommunications market with over 20 years’ experience. The Target offers an extensive portfolio of services to residential and small business customers, including a variety of multimedia and entertainment services such as interactive, digital and HD television, fast internet offerings and fixed telephony services across its regional networks and is positioned as second-largest incumbent fixed line telecommunications and broadband internet services provider in the residential and small business customers segment in Hungary. For the year 2016, the Target had a revenue of HUF 26 billion (approximately EUR 85 million) and EBITDA of HUF 7.1 billion (approximately EUR 23.2 million) on a pro-forma basis (the Target went through a demerger mid-year 2016). At 31 May 2017, the Target had 691,664 RGUs in cable TV, broadband internet and fixed telephony. The Proposed Transaction, once completed, will consolidate Digi HU’s and, respectively, the Company’s group position on the Hungarian telecommunications market, allowing it to expand its customer reach and experience, and creating better operational synergies. Invitech Solutions, the Invitel Group’s B2B and wholesale unit, is not part of the Proposed Transaction.

Pursuant to the SPA, the total consideration to be paid by Digi HU to the Sellers for the acquisition of shares in the Target is EUR 140 million, this amount being subject to further price adjustments, as customary for transactions of this size in the telecommunications industry. The completion of the Proposed Transaction is subject to fulfilment of various conditions, including (i) the approval of the Proposed Transaction by the Hungarian Competition Authority (in Hungarian: “*Gazdasági Versenyhivatal*”); and (ii) execution between Digi HU and the Target on the one hand and Invitech Solutions on the other hand of reciprocal services and cooperation agreements, so as to allow them a successful integration of the Target in the Company’s group, development of the respective businesses of both Digi HU and the Sellers in Hungary, as well as implementation of synergistic operational processes at the parties’ level. The completion of the Proposed Transaction is currently contemplated by 14 March 2018 (Digi HU and the Sellers may subsequently agree on another date). The reciprocal services agreements with Invitech Solutions will be concluded for a total period of at least ten (10) full calendar years following completion of the Proposed Transaction and for a minimum aggregate value of services in the amount of HUF 28 billion (approximately EUR 91.6 million), in Digi HU’s case HUF 5 billion (approximately EUR 16.4 million), in Invitech Solutions’ case. Going forward, the Company will keep its shareholders updated in connection with further developments in the process of implementation and completion of the Proposed Transaction.

On 8 August 2017, the Company’s Senior Secured Notes due 2023 aggregate principal amount of EUR 350,000,000 5.0% (the “**Notes**”), issued on 26 October 2016, were admitted to trading on the Main Securities Market of the Irish Stock Exchange. As a result of this admission, the Notes moved from the Global Exchange Market to the Main Securities Market of the Irish Stock Exchange. In connection with this listing, DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság (the Hungarian subsidiary of RCS & RDS S.A., the Company’s subsidiary) acceded as an additional guarantor under the Indenture and the Intercreditor Agreement dated 26 October 2016 relating to the Notes, as well as under the Senior Facility Agreement dated 7 October 2016.

DIGI Communications N.V.
Notes to the Interim Condensed Consolidated Financial Statements
for the six month period ended 30 June 2017
(all amounts are in thousand Euro, unless specified otherwise)

19. EBITDA

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

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

	Three month ended 30 June 2017	Three month ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Revenues and other income	227,284	205,333	453,967	405,169
EBITDA				
Operating profit	27,854	15,110	55,972	36,741
Depreciation, amortization and impairment	44,200	49,986	85,254	95,676
EBITDA	72,054	65,096	141,226	132,417
Other income	(2,782)	-	(4,013)	(2,729)
Other expenses	5,739	555	2,927	-
Adjusted EBITDA	75,011	65,651	140,140	129,688
<i>Adjusted EBITDA (%)</i>	<i>33.00%</i>	<i>31.97%</i>	<i>30.87%</i>	<i>32.01%</i>

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.

For the six months ended 30 June 2016 EBITDA was adjusted to exclude Other expense of EUR 2,729 representing mark to market gain from fair valuation of energy trading contracts.

20. FINANCIAL INDICATORS

Financial Indicator	Six months ended 30 June 2017
Current ratio	
Current assets/Current liabilities	0.38
Debt to equity ratio	
Long term debt/Equity x 100 (where Long term debt = Borrowings over 1 year)	641%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	86%
Trade receivables turnover	
Average receivables/Revenues x 180	42.51 days
Non-current assets turnover	
(Revenues/Non-current assets x 2)	0.80

Serghei Bulgac,

CEO,

Valentin Popoviciu

Executive Director,
