3RD QUARTER 2019 – FINANCIAL REPORT

for the three month period ended September 30, 2019

DIGI COMMUNICATIONS N.V. (“Digi”)

(the “COMPANY”)

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

FINANCIAL REPORT (the “REPORT”)
for the three month period ended September 30, 2019

This Unaudited Condensed Consolidated Interim Financial Report for the period ended 30 September 2019 refers to the Unaudited Condensed Consolidated Interim Financial Statements prepared in accordance with IAS 34 “Interim Financial Reporting”.

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Important Information

Cautionary Note Regarding Forward-Looking Statements

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

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

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

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

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

Operating and Market Data

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

More specifically:

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

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

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

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

Non-Gaap Financial Measures

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

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

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

Rounding

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

Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of the Group should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Group as of September 30, 2019.
The following discussion includes forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including but not limited to those described in sections captioned “Forward-Looking Statements” of this Report.

Overview

We are a leading provider of telecommunication services in Romania and Hungary. Our offerings in both countries include cable and DTH television services, fixed internet and data and fixed-line telephony. Our fixed telecommunication and entertainment services are offered through our technologically advanced fiber optic network. Our cable and DTH television subscribers enjoy access to custom-made channels and pay-to-view services, which carry premium movies and sports content, as well as various third-party products. We also operate our own mobile network in Romania, which shares the backbone of our fixed fiber optic infrastructure. In addition, we provide mobile telecommunication services as an MVNO in Spain and Italy and starting from September 2018, fixed internet and telephony services as resale products in Spain.

For the three months ended September 30, 2019, we had revenues of €299.4 million, net profit of €20.8 million and Adjusted EBITDA of €127.5 million (€105.2 million excluding the impact of applying lease accounting as per IFRS 16).

In connection with the Company’s decision to issue in February 2019 an additional €200 million senior secured notes due 2023, the Company was required to re-issue financial information for the nine months period ended 30 September 2018. As a result of this, the Company made certain changes compared to the original financial statements.

Recent Developments

For details regarding the up-date of the litigations, please see Note 16 (c) from the Interim Consolidated Condensed Financial Statements as at September, 30 2019.

Basis of Financial Presentation

The Group prepared its Interim Financial Statements as of September 30, 2019 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 63% and 18%, respectively, of our consolidated revenue for the three months ended September 30, 2019 our principal functional currencies are the Romanian leu and the Hungarian forint.
The Group presents its consolidated Interim Financial Statements in euros. The Group uses the euro as the presentation currency of its consolidated Interim Financial Statements because management analysis and reporting is prepared in euros, as the euro is the most used reference currency in the telecommunication industry in the European Union.

Presentation of Revenue and Operating Expenses

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

Exchange rates

In the three month period ended September 30, 2019 the Romanian leu has depreciated with approximately 1.8% and the Hungarian forint has appreciated with approximately 1.2%.
The following table sets out, where applicable, the period end and average exchange rates for the periods under review of the euro against each of our principal functional currencies and the U.S. dollar, in each case as reported by the relevant central bank on its website (unless otherwise stated):

Value of one euro in the relevant currency	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2018	**2019**	**2018**	**2019**
Romanian leu (RON) (1)				
Period end rate	4.66	4.75	4.66	4.75
Average rate	4.65	4.73	4.65	4.74
Hungarian forint (HUF)(2)				
Period end rate	323.78	334.65	323.78	334.65
Average rate	324.17	328.21	317.41	323.09
U.S. dollar (USD)(1)				
Period end rate	1.16	1.09	1.16	1.09
Average rate	1.16	1.11	1.19	1.12

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

In the three months ended September 30, 2019, we had a net foreign exchange loss (which is recognized in net finance result on our statement of comprehensive income) of €11.1 million. In the three months ended September 30, 2018 we had a net foreign exchange gain of €0.9 million.

In the nine months ended September 30, 2019, we had a net foreign exchange loss (which is recognized in net finance results on our statement of comprehensive income) of €19.3 million. In the nine months ended September 30, 2018 we had a net foreign exchange loss of €4.7 million.

Growth in Business, RGUs and ARPU

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

The following table shows our RGUs (thousand) and monthly ARPU (€/month) by geographic segment and business line as at and for the three month period ended September 30, 2018 and 2019:

RGUs (thousand)/ARPU (€/month)	As at and for the three months ended September 30,		% change
	2018	2019	
Romania			
Cable TV			
RGUs	3,234	3,523	8.9%
ARPU	5.0	5.3	6.0%
Fixed internet and data			
RGUs			
Residential	2,305	2,528	9.7%
Business	154	173	12.3%
ARPU			
Residential	4.8	4.8	0.0%
Business	27.7	25.8	(6.9%)
Mobile telecommunication services(1)			
RGUs	3,379	3,396	0.5%
ARPU	4.4	4.9	11.4%
Fixed-line telephony			
RGUs			
Residential	1,075	979	(8.9%)
Business	132	133	0.8%
ARPU			
Residential	1.3	1.3	0.0%
Business	3.3	3.3	0.0%
DTH			
RGUs	544	510	(6.3%)
ARPU	4.8	5.1	6.3%
Hungary(5)			
Cable TV			
RGUs	685	704	2.8%
ARPU	8.3	7.8	(6.0%)
Fixed internet and data			
RGUs	741	757	2.2%
ARPU	7.9	8.4	6.3%
Mobile telecommunication services(2)			
RGUs	16	72	350.0%
ARPU	5.6	n/m(2)	-
Fixed-line telephony			
RGUs	697	691	(0.9%)
ARPU	2.8	2.2	(21.4%)
DTH			
RGUs	288	275	(4.5%)
ARPU	8.9	8.6	(3.4%)

RGUs (thousand)/ARPU (€/month)	As at and for the three months ended September 30,		% change
Spain			
Fixed internet and data			
RGUs	-	49	100%
ARPU	-	24.1	100%
Mobile telecommunication services(1)(3)			
RGUs	1,213	1,728	42.5%
ARPU	9.4	9.4	0.0%
Fixed-line telephony			
RGUs	-	19.0	100%
ARPU	-	3.5	100%
Other(4)			
Mobile telecommunication services(1)(3)			
RGUs	202	227	12.4%
ARPU	9.4	8.7	(7.4%)

(1) Includes mobile telephony and mobile internet and data RGUs.
(2) For three month period ended September 30, 2018 RGUs and ARPU includes mobile internet and data services offered as a reseller through the Telenor network under our "Digi" brand.
From the beginning of Q3 2019 the resale of Telenor products ended. Our own Hungarian mobile network is still in testing phase, therefore ARPU as at September 30, 2019 is not material.
(3) As an MVNO through Telefónica's network in Spain and TIM's network in Italy.
(4) Includes Italy.
(5) RGUs and ARPUs for Hungary include the consolidated RGUs and ARPUs for Digi Hungary and Invitel..

Historical Results of Operations

Results of Operations for the three and nine months ended September 30, 2018 and 2019

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2018	**2019**	**2018**	**2019**
(€ millions)				
Revenues				
Romania[1]	177.5	190.9	516.8	559.7
Hungary[2]	54.6	53.1	135.0	163.6
Spain	33.1	50.6	90.6	137.9
Other	5.9	5.9	17.6	16.9
Elimination of intersegment revenues	(1.2)	(1.1)	(3.7)	(3.4)
Total revenues	**269.9**	**299.4**	**756.4**	**874.6**
Other income	**2.5**	**0.01**	**9.7**	**-**
Other expenses	**(8.5)**	**-**	**(17.3)**	**(2.5)**
Operating expenses				
Romania	(114.4)	(90.8)	(320.1)	(303.6)
Hungary	(43.5)	(37.0)	(108.7)	(121.7)
Spain	(24.9)	(38.7)	(69.2)	(107.7)
Other	(6.4)	(6.5)	(21.2)	(18.2)
Elimination of intersegment expenses	1.2	1.1	3.7	3.4
Depreciation, amortization and impairment of tangible and intangible assets	(50.7)	(75.2)	(152.7)	(218.9)
Total operating expenses	**(238.8)**	**(247.1)**	**(668.2)**	**(766.6)**
Operating profit	**25.2**	**52.3**	**80.6**	**105.6**
Finance income	3.8	8.2	3.8	15.0
Finance expense	(13.5)	(29.3)	(45.0)	(77.6)
Net finance costs	**(9.8)**	**(21.1)**	**(41.2)**	**(62.6)**
Profit before taxation	**15.4**	**31.2**	**39.4**	**43.0**
Income tax expense	(7.3)	(10.4)	(18.5)	(19.0)
Profit for the period	**8.0**	**20.8**	**20.9**	**24.0**

(1) *The Company restated the 6 months period ending 30 June 2018 to account for deferred green certificates , with an impact in revenues of €4.2 million*

Revenue

Our revenue (excluding intersegment revenue and other income) for the three month period ended September 30, 2019 was €299.4 million, compared with €269.9 million for the three month period ended September 30, 2018, an increase of 10.9%.
Our revenue (excluding intersegment revenue and other income) for the nine month period ended September 30, 2019 was €874.6 million, compared with €756.4 million for the nine month period ended September 30, 2018, an increase of 15.6%.

The following table shows the distribution of revenue by geographic segment and business line for the three and nine month period ended September 30, 2018 and 2019:

	As at and for the three months ended September 30,			As at and for the nine months ended September 30,		
	2018	2019	% change	2018	2019	% change
(€ millions)						
Romania						
Cable TV	48.0	55.5	15.6%	141.7	161.1	13.7%
Fixed internet and data	45.3	49.4	9.1%	134.3	144.5	7.6%
Mobile telecommunication services(2)	44.8	49.8	11.2%	132.8	145.6	9.6%
Fixed-line telephony	5.4	5.2	(3.7%)	16.5	15.8	(4.2%)
DTH	8.0	7.8	(2.5%)	24.8	23.3	(6.0%)
Other revenue(1)(7)	25.1	22.3	(11.2%)	64.1	67.0	4.5%
Total	**176.6**	**190.0**	**7.6%**	**514.2**	**557.2**	**8.4%**
Hungary(6)						
Cable TV	17.1	16.5	(3.5%)	43.2	50.1	16.0%
Fixed internet and data	17.4	19.0	9.2%	39.9	57.9	45.1%
Mobile telecommunication services(3)	0.3	0.1	(66.7%)	0.7	0.6	(14.3%)
Fixed-line telephony	6.0	4.6	(23.3%)	10.8	15.0	38.9%
DTH	7.9	7.1	(10.1%)	24.1	22.1	(8.3%)
Other revenue(1)	5.9	5.8	(1.7%)	16.1	17.9	11.2%
Total	**54.6**	**53.1**	**(2.7%)**	**135.0**	**163.6**	**21.2%**
Spain						
Fixed internet and data	-	2.9	100.0%	-	5.8	100.0%
Mobile telecommunication services(2)(4)	32.9	47.3	43.8%	89.9	131.0	45.7%
Fixed-line telephony	-	0.2	100.0%	-	0.3	100.0%
Other revenue(1)	0.0	0.1	100.0%	0.1	0.3	200.0%
Total	**32.9**	**50.5**	**53.5%**	**90.0**	**137.4**	**52.7%**
Other(5)						
Mobile telecommunication services(2)(4)	5.8	5.7	(1.7%)	17.1	16.4	(4.1%)
Other revenue(1)	0.0	0.0	-	0.1	0.0	(100.0%)
Total	**5.8**	**5.7**	**(1.7%)**	**17.2**	**16.4**	**(4.7%)**
Total	**269.9**	**299.4**	**10.9%**	**756.4**	**874.6**	**15.6%**

(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 telephony and mobile internet and data revenue.
(3) For the nine month period ended September 30, 2018 represents mobile internet and data revenue generated as a reseller through Telenor's local network. For the nine month period ended September 30, 2019 represents mobile internet and data revenue generated as a reseller through Telenor's local network. and mobile internet data and mobile telephony revenue generated through our network. For the three month period ended September 30, 2019 it includes mobile internet data and mobile telephony revenue generated through our network.
(4) Represents mobile telephony and internet and data revenue from our MVNO operations (Telefónica's network in Spain and TIM's network in Italy).
(5) Includes revenue from operations in Italy.
(6) Invitel's results are consolidated into the Group's results.
(7) The Company restated the 6 months period ending 30 June 2018 to account for deferred green certificates, with an impact in revenues of €4.2 million

Revenue in Romania for the three month period ended September 30, 2019 was €190.0 million compared with €176.6 million for the three month period ended September 30, 2018, an increase of 7.6%. Revenue growth in Romania was primarily driven by an increase in our fixed internet and data and cable TV RGUs, as well as increase in our mobile telecommunication services and cable TV ARPUs. Our cable TV RGUs increased from approximately 3,234 thousand as at September 30, 2018 to approximately 3,523 thousand as at September 30, 2019, an increase of approximately 8.9%, and our residential fixed internet and data RGUs increased from approximately 2,305 thousand as at September 30, 2018 to approximately 2,528 thousand as at September 30, 2019, an increase of approximately 9.7%. These increases were primarily due to our attractive fixed internet and data packages. Mobile telecommunication services RGUs increased from approximately 3,379 thousand as at September 30, 2018 to approximately 3,396 thousand as at September 30, 2019, an increase of approximately 0.5%. Mobile telecommunication services ARPU increased to an average €4.9/month for the three month period ended September 30, 2019, compared to an average €4.4 /month for the three month period ended September 30, 2018, an increase of approximately 11.4% primarily as a result of prices increase and customers generating more voice and internet and data traffic. Growth in our mobile telecommunication services, cable TV, fixed internet and data was partially offset by a decrease in revenue generated by our DTH and fixed-line telephony businesses as a result of decreases in RGUs in both business lines. DTH RGUs decreased from 544 thousand as at September 30, 2018 to 510 thousand as at September 30, 2019, a decrease of approximately 6.3%. 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 1,075 thousand as at September 30, 2018 to approximately 979 thousand as at September 30, 2019, a decrease of approximately 8.9%.

Revenue in Hungary for the three month period ended September 30, 2019 was €53.1 million, compared with €54.6 million for the three month period ended September 30, 2018, a decrease of 2.7%. Revenues in Hungary include consolidated revenues from Digi Hungary and Invitel. The decrease in revenue presented in EUR, was principally due the decrease in ARPU and to the foreign exchange impact of the depreciation of the HUF related to EUR in the reported period (328.21 HUF/EUR average exchange rate at Q3 2019 compared 324.17 HUF/EUR average exchange rate at Q3 2018). Our cable TV RGUs increased from approximately 685 thousand as at September 30, 2018 to approximately 704 thousand as at September 30, 2019, an increase of approximately 2.8%, our fixed internet and data RGUs increased from approximately 741 thousand as at September 30, 2018 to approximately 757 thousand as at September 30, 2019, an increase of approximately 2.2%, and our fixed-line telephony RGUs decreased from approximately 697 thousand as at September 30, 2018 to approximately 691 thousand as at September 30, 2019, an decrease of approximately 0.9%. We continued to investment in expanding and upgrading our fixed fiber optic network in Hungary. Our DTH RGUs decreased from approximately 288 thousand as at September 30, 2018 to approximately 275 thousand as at September 30, 2019, a decrease of approximately 4.5%. A number of DTH subscribers terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services.

Revenue in Spain for the three month period ended September 30, 2019 was €50.5 million, compared with €32.9 million for the three month period ended September 30, 2018, an increase of 53.5%. The increase in our Spain revenue was due to the increase in mobile telecommunication services RGUs from approximately 1,213 thousand as at September 30, 2018 to approximately 1,728 thousand as at September 30, 2019, an increase of approximately 42.5%, primarily due to new customer acquisitions as a result of more attractive and affordable mobile and data offerings. Fixed internet and fixed telephony services were launched by Digi Spain towards the end of September 2018, as a resale product on Telefonica’s network. As at September 30, 2019 we had 49 thousand fixed internet and data RGUs and 19 thousand fixed line telephony RGUs.

Revenue in Other represented revenue from our operations in Italy and for the three month period ended September 30, 2019 was €5.7 million, compared with €5.8 million for the three month period ended September 30, 2018, a slight variation of 1.7%. Our mobile telecommunication services RGUs increased from approximately 202 thousand as at September 30, 2018 to approximately 227 thousand as at September 30, 2019, an increase of approximately 12.4%, primarily due to new customer acquisitions as a result of more attractive mobile and data offerings.

Total operating expenses

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the three period ended September 30, 2019 were €247.1 million, compared with €238.8 million for the three month period ended September 30, 2018, an increase of 3.5%, respectively.

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the nine months ended September 30, 2019 were €766.6 million compared with €668.2 million for the nine months ended September 30, 2018, an increase of 14.7%.

The following table shows the distribution of operating expenses by geographic segment for the three and nine month period ended September 30, 2018 and 2019:

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2018	**2019**	**2018**	**2019**
(€ millions)				
Romania	114.0	90.6	319.0	302.7
Hungary[2]	43.5	37.0	108.7	121.7
Spain	24.3	38.1	67.4	105.9
Other[1]	6.2	6.3	20.4	17.5
Depreciation, amortization and impairment of tangible and intangible assets[2]	50.7	75.2	152.7	218.9
Total operating expenses	**238.8**	**247.1**	**668.2**	**766.6**

(1) *Includes operating expenses of operations in Italy and operating expenses of Digi.*
(2) *Invitel's results are consolidated into the Group's results.*

Operating expenses in Romania for three month period ended September 30, 2019 were €90.6 million, compared with €114.0 million for the three month period ended September 30, 2018, a decrease of 20.5%. Rental expenses decreased as a result of adoption IFRS 16. This decrease was partially netted of by the increase in network, interconnection and programming expenses.

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

Operating expenses in Hungary for the three month period ended September 30, 2019 were €37.0 million, compared with €43.5 million for the three month period ended September 30, 2018, a decrease of 14.9%. Rental expenses decreased as a result of adoption IFRS 16. The decrease was partially netted of by the increase in salaries, network and programming expenses.

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

Operating expenses in Spain for the three month period ended September 30, 2019 were €38.1 million, compared with €24.3 million for the three month period ended September 30, 2018, an increase of 56.8%. The large increase refers mainly to costs of fixed telephony, internet and data and mobile interconnection expenses. Starting from September 2018, Digi Spain provided fixed internet and telephony services as resale products. Salaries expenses increased as a result of a larger employee's base.

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

Operating expenses in Other represented expenses of our operations in Italy and expenses of Digi and for the three month period ended September 30, 2019 were €6.3 million, compared with €6.2 million for the three month period ended September 30, 2018, an increase of 1.6%.

Depreciation, amortization and impairment of tangible and intangible assets

The table below sets out information on depreciation, amortization and impairment of our tangible and intangible assets for the three and nine month period ended September 30, 2018 and 2019.

	As at and for the three months ended September 30,		As at and for the nine months ended September 30	
	2018[1]	**2019**	**2018**	**2019**
(€ millions)				
Depreciation of property, plant and equipment	32.5	32.9	92.3	102.6
Amortization of non-current intangible assets	9.6	11.8	30.7	38.7
Amortisation of programme assets	8.3	9.5	28.5	30.7
Amortization of right of use assets	-	20.2	-	44.6
Impairment of property, plant and equipment	0.3	0.8	1.3	2.2
Total	**50.7**	**75.2**	**152.7**	**218.9**

(1) *Invitel's results are consolidated into the Group's results.*

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was €32.9 million for the three month period ended September 30, 2019, compared with €32.5 million for the three month period ended September 30, 2018, an slight increase of 1.2%. This variation is the result our continuing development of networks.

Amortization of non-current intangible assets

Amortization of non-current intangible assets was €11.8 million for the three month period ended September 30, 2019, compared with €9.6 million for the three month period ended September 30, 2018, an increase of 22.9%. This was due to increase in subscriber acquisition cost and additional mobile equipment licenses amortization charge in the period.

Amortization of right of use

The Group has adopted IFRS 16 Leases from January 1, 2019. In accordance with the new leases standard requirements, the impact of adoption on our depreciation, amortisation and impairment of tangible and intangible assets for the three months period ended September 30, 2019 was €20.2 million.

Amortization of program assets

Amortization of program assets was €9.5 million for the three month period ended September 30, 2019, compared with €8.3 million for the three month period ended September 30, 2018, an increase of 14.5% due to the start of amortisation for several broadcasting competitions sport rights in Q3 2019.

Other income/(expenses)

For the period of three months ended September 30, 2019 we recorded other income of €0.01 million related to the share option plan approved in 2018 which are estimated to be one off events.

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

We recorded €8.5 million of other expense in the three month period ended September 30, 2018, mainly representing accrued expenses for the period related to the share option plan approved in 2017 and 2018 which are estimated to be one off events, Invitel’s acquisition related costs and additional provision for litigation.

Operating profit

For the reasons set forth above, our operating profit was €52.3 million for the three month period ended September 30, 2019, compared with €25.2 million for the three month period ended September 30, 2018.

Net finance expense

We recognized net finance expense of €21.1 million in the three month period ended September 30, 2019, compared with €9.8 million for the three month period ended September 30, 2018, a significant increase of 115.7%.

The net loss from foreign exchange in amount of €11.1 million in the three months period ended September 30, 2019 (compared to a foreign exchange gain of €0.9 million from previous period) has contributed to the increase of the net finance loss.

Interest expenses increased in the current period mainly because of the additional issue of the EUR 200 million Bonds from February 2019, but this is partially offset by the decrease in interest for Senior Facilities from 2016 and 2018 due to the partial repayment in February 2019.

The adoption of IFRS 16 also had an impact of €2.2 million in the interest expense from lease liability for the three months period ended September 30, 2019.

In the three month period ended September 30, 2019 we recognised financial revenue of €8.2 million representing fair value gain from the valuation of the embedded derivative asset in connection of the EUR 550 million Senior Secured Notes.

Profit before taxation

For the reasons set forth above, our profit before taxation was €31.2 million in the three month period ended September 30, 2019, compared with profit before taxation of €15.4 million for the three month period ended September 30, 2018.

Income tax expense

An income tax expense of €10.4 million was recognized in the three month period ended September 30, 2019, compared to a tax expense of €7.3 million recognized in the three month period ended September 30, 2018.

Net profit for the period

For the reasons set forth above, our net profit was €20.8 million in the three month period ended September 30, 2019, compared with net profit of €8.0 million for the three month ended September 30, 2018.

Liquidity and Capital Resources

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

Historical cash flows

The following table sets forth our consolidated cash flows from operating activities for the three and nine month period ended September 30, 2018 and 2019, cash flows used in investing activities and cash flows from/(used in) financing activities.

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2018	**2019**	**2018**	**2019**
(€ millions)				
Cash flows from operations before working capital changes	**86.4**	**104.6**	**241.2**	**286.0**
Cash flows from changes in working capital	(19.8)	(16.6)	(11.2)	(23.3)
Cash flows from operations	**66.6**	**88.0**	**230.0**	**262.7**
Interest paid	(6.7)	(5.5)	(26.8)	(30.9)
Income tax paid	(0.4)	(2.0)	(2.6)	(5.4)
Cash flow from operating activities	**59.4**	**80.5**	**200.6**	**226.4**
Cash flow used in investing activities	**(71.1)**	**(81.8)**	**(341.2)**	**(241.9)**
Cash flows from /(used in) financing activities	**7.6**	**2.4**	**141.6**	**19.7**
Net decrease in cash and cash equivalents	(4.0)	1.1	1.0	4.1
Cash and cash equivalents at the beginning of the period	(14.8)	13.8	16.1	13.8
Effect of exchange rate fluctuation on cash and cash equivalent held	(0.0)	0.0	0.0	0.0
Cash and cash equivalents at the closing of the period	**(18.9)**	**14.9**	**17.1**	**18.0**

Cash flows from operations before working capital changes were €104.6 million in the three month period ended September 30, 2019 and €86.4 million in the three month period ended September 30, 2018 for the reasons discussed in "*—Historical Results of Operations—Results of operations for the three month period ended September 30, 2019 and 2018*".

The following table shows changes in our working capital:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018(1)	**2019**	**2018**	**2019**
(€ millions)				
(Increase) in trade receivables and other assets	(2.2)	(11.1)	(28.3)	(40.9)
Decrease/(increase) in inventories	(1.1)	5.8	(4.2)	4.8
Increase/(decrease) in trade payables and other current liabilities	(15.5)	(13.8)	8.9	5.7
Increase/(decrease) in contract liabilities	(1.0)	2.4	12.4	7.0
Total	**(19.8)**	**(16.6)**	**(11.2)**	**(23.3)**

We had a working capital requirement of €16.6 million in the three month period ended September 30, 2019 (compared with a working capital requirement of €19.8 million in the three month period ended September 30, 2018).

Cash flows from operating activities were €80.5 million in the three month period ended September 30, 2019 and €59.4 million in the three month period ended September 30, 2018. Included in these amounts are deductions for interest paid and income tax paid. Income tax paid which were €2.0 million in the three months ended September 30, 2019 and €0.4 million in the three months ended September 30, 2018. Interest paid was €5.5 million in the three months ended September 30, 2019, compared with €6.7 million in the three months ended September 30, 2018. The increase in cash flows from operating activities in the three months ended September 30, 2019 was primarily due to changes in working capital discussed above.

Cash flows used for investing activities were €81.8 million in the three month period ended September 30, 2019 and €71.1 million in the three month period ended September 30, 2018.
Purchases of property, plant and equipment were €62.5 million in the three months ended September 30, 2019 and €49.8 million in the three months ended September 30, 2018.
Purchases of intangible assets were €19.1 million in the three months ended September 30, 2019 and €12.0 million in the three months ended September 30, 2018.
Payments for acquisition of subsidiaries were not significant for in the three months ended September 30, 2019 and for the three months ended September 30, 2018.

Cash flows used for financing activities were €2.4 million outflow for the three months period ended September 30, 2019, €7.6 million inflow for the three months ended September 30, 2018.

DIGI COMMUNICATIONS NV

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
IAS 34 INTERIM FINANCIAL REPORTING
for the nine-month period ended 30 September 2019

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GENERAL INFORMATION

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(all amounts in EUR '000, unless specified otherwise)

	Notes	Unaudited 30 September 2019	Audited 31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,168,725	1,138,992
Intangible assets	5	261,938	245,852
Right of use assets		182,060	-
Financial assets at fair value through OCI		36,671	32,058
Investments in associates		968	970
Long term receivables		2,919	5,584
Other non-current assets		5,411	4,629
Deferred tax asset		2,681	2,659
Total non-current assets		**1,661,373**	**1,430,744**
Current assets			
Inventories		11,047	16,586
Programme assets	5	24,716	21,379
Trade and other receivables		80,315	60,002
Contract assets		45,393	44,076
Income tax receivable		8	547
Other assets		17,954	12,417
Derivative financial assets	15	41,908	33,287
Cash and short term deposits		17,965	13,832
Total current assets		**239,306**	**202,126**
Total assets		**1,900,679**	**1,632,870**
EQUITY AND LIABILITIES	6		
Equity attributable to equity holders of the parent			
Share capital		6,810	6,918
Share premium		3,406	3,406
Treasury shares		(14,197)	(14,527)
Reserves		(20,683)	(18,583)
Retained earnings		183,120	168,825
Total equity attributable to equity holders of the parent		**158,456**	**146,039**
Non-controlling interest		8,476	7,305
Total equity		**166,932**	**153,344**
Non-current liabilities			
Interest-bearing loans and borrowings, including bonds	7	818,883	716,193
Deferred tax liabilities		71,589	60,652
Lease liabilities		181,279	-
Decommissioning provision		7,076	6,082
Other long term liabilities		46,356	34,600
Total non-current liabilities		**1,125,183**	**817,527**
Current liabilities			
Trade payables and other payables		473,648	461,463
Interest-bearing loans and borrowings	7	95,285	168,625
Income tax payable		2,463	543
Derivative financial liabilities	15	34	1,106
Provisions		7,092	7,225
Contract liabilities		30,042	23,037
Total current liabilities		**608,564**	**661,999**
Total liabilities		**1,733,747**	**1,479,526**
Total equity and liabilities		**1,900,679**	**1,632,870**

The notes on pages 7 to 43 are an integral part of these interim condensed consolidated financial statements.
These unaudited interim condensed consolidated financial statements were issued on 14 November 2019.

(all amounts in EUR '000, unless specified otherwise)

	Notes	Unaudited Three month period ended 30 September 2019			Unaudited Three month period ended 30 September 2018		
		Continuing Operations	**Discontinued Operations**	**TOTAL**	**Continuing Operations**	**Discontinued Operations**	**TOTAL**
Continuing Operations							
Revenues	9	299,408	-	299,408	269,920	-	269,920
Other income		11	-	11	2,481	-	2,481
Operating expenses	10	(247,086)	-	(247,086)	(238,768)	-	(238,768)
Other expenses		-	-	-	(7,413)	(1,070)	(8,483)
Operating Profit		**52,333**	-	**52,333**	**26,220**	**(1,070)**	**25,150**
Finance income	11	8,199	-	8,199	4,654	-	4,654
Finance expenses	11	(29,285)	-	(29,285)	(14,430)	-	(14,430)
Net finance costs		**(21,086)**	-	**(21,086)**	**(9,776)**	**-**	**(9,776)**
Profit before taxation		**31,247**	-	**31,247**	**16,444**	**(1,070)**	**15,374**
Income tax		(10,433)	-	(10,433)	(7,332)	-	(7,332)
Net profit for the period		**20,814**	-	**20,814**	**9,112**	**(1,070)**	**8,042**
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Foreign operations – foreign currency translation differences		(2,134)	-	(2,134)	1,385	-	1,385
Cash Flow hedge reserves		(30)	-	(30)	40	-	40
Items that will not be reclassified to profit or loss							
Revaluation of equity instruments measured at fair value through OCI*		(1,765)	-	(1,765)	(3,747)	-	(3,747)
Other comprehensive income/(loss) for the period, net of income tax		**(3,929)**	**-**	**(3,929)**	**(2,322)**	**-**	**(2,322)**
Total comprehensive income for the period		**16,885**	**-**	**16,885**	**6,790**	**(1,070)**	**5,720**

(all amounts in EUR '000, unless specified otherwise)

Profit attributable to:						
Equity holders of the parent	21,862	-	21,862	6,148	-	6,148
Non-controlling interest	(1,048)	-	(1,048)	1,894	-	1,894
Profit for the period	**20,814**	**-**	**20,814**	**8,042**	**-**	**8,042**
Total comprehensive income attributable to:						
Equity holders of the parent	18,073	-	18,073	3,673	-	3,673
Non-controlling interest	(1,188)	-	(1,188)	2,046	-	2,046
Total comprehensive income for the period	**16,885**	**-**	**16,885**	**5,719**	**-**	**5,719**

The notes on pages 7 to 43 are an integral part of these interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements were issued on 14 November 2019.

(all amounts in EUR '000, unless specified otherwise)

	Notes	Unaudited Nine month period ended 30 September 2019			Unaudited Nine month period ended 30 September 2018		
		Continuing Operations	**Discontinued Operations**	**TOTAL**	**Continuing Operations**	**Discontinued Operations**	**TOTAL**
Continuing Operations							
Revenues	9	874,644	-	874,644	756,368	-	756,368
Other income		-	-	-	9,729	-	9,729
Operating expenses	10	(766,595)	-	(766,595)	(668,169)	-	(668,169)
Other expenses		(2,496)	-	(2,496)	(16,279)	(1,070)	(17,349)
Operating Profit		**105,553**	**-**	**105,553**	**81,649**	**(1,070)**	**80,579**
Finance income	11	15,033	-	15,033	3,819	-	3,819
Finance expenses	11	(77,615)	-	(77,615)	(45,007)	-	(45,007)
Net finance costs		**(62,582)**	**-**	**(62,582)**	**(41,188)**	**-**	**(41,188)**
Profit before taxation		**42,971**	**-**	**42,971**	**40,461**	**(1,070)**	**39,391**
Income tax		(18,995)	-	(18,995)	(18,465)	-	(18,465)
Net profit for the period		**23,976**	**-**	**23,976**	**21,996**	**(1,070)**	**20,926**
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Foreign operations – foreign currency translation differences		(2,690)	-	(2,690)	(5,044)	-	(5,044)
Cash Flow hedge reserves		(106)	-	(106)	518	-	518
Items that will not be reclassified to profit or loss							
Revaluation of equity instruments measured at fair value through OCI		4,613	-	4,613	(6,186)	-	(6,186)
Other comprehensive income/(loss) for the period, net of income tax		**1,817**	**-**	**1,817**	**(10,712)**	**-**	**(10,712)**
Total comprehensive income for the period		**25,793**	**-**	**25,793**	**11,284**	**(1,070)**	**10,214**

(all amounts in EUR '000, unless specified otherwise)

Profit attributable to:						
Equity holders of the parent	22,049	-	22,049	19,381	-	19,381
Non-controlling interest	1,927	-	1,927	1,545	-	1,545
Profit for the period	**23,976**	**-**	**23,976**	**20,926**	**-**	**20,926**
Total comprehensive income attributable to:						
Equity holders of the parent	24,047	-	24,047	8,948	-	8,948
Non-controlling interest	1,746	-	1,746	1,265	-	1,265
Total comprehensive income for the period	**25,793**	**-**	**25,793**	**10,213**	**-**	**10,213**
Basic earnings per share (EUR/share)	**0.2**	**-**	**0.2**	**0.2**	**-**	**0.2**
Diluted earnings per share (EUR/share)	**0.2**	**-**	**0.2**	**0.2**	**-**	**0.2**

The notes on pages 7 to 43 are an integral part of these interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements were issued on 14 November 2019.

(all amounts in EUR '000, unless specified otherwise)

	Notes	**Unaudited** **Nine month period ended 30 September 2019**	**Unaudited** **Nine month period ended 30 September 2018**
Cash flows from operating activities			
Profit before taxation		**42,971**	**39,391**
Adjustments for:			
Depreciation, amortization and impairment	10	218,860	152,684
IFRS 16 rent expense	10	(47,345)	-
Interest expense, net	11	48,705	33,546
Impairment of trade and other receivables	10	6,383	7,537
Share-based payment expense		2,043	12,404
Unrealised losses/ (gains) on derivative financial instruments		(7,165)	(12,587)
Unrealised foreign exchange loss / (gain)		21,445	3,464
Gain on sale of assets		140	(11)
Provisions		-	4,729
Cash flows from operations before working capital changes		**286,037**	**241,157**
Changes in:			
Trade receivables, other assets and contract assets (increase)		(40,911)	(28,267)
Inventories (increase)		4,822	(4,219)
Trade payables, other payables and contract liabilities (increase)		5,743	8,915
Contract liabilities (increase)		7,004	12,380
Cash flows from operations		**262,695**	**229,966**
Interest paid		(30,909)	(26,837)
Income tax paid		(5,365)	(2,574)
Cash flows from operating activities		**226,421**	**200,555**
Cash flow used in investing activities			
Purchases of property, plant and equipment		(149,428)	(146,972)
Purchases of intangibles		(92,387)	(52,770)
Acquisition of subsidiaries, net of cash acquired acquired*		(375)	(141,599)
Proceeds from sale of property, plant and equipment		241	184
Cash flows used in investing activities		**(241,949)**	**(341,157)**
Cash flows from financing activities			
Dividends paid to shareholders		(4,212)	(3,122)
Cash outflows from purchase of treasury shares		(3,574)	(703)
Proceeds from borrowings	7	230,996	174,827
Repayment of borrowings	7	(193,053)	(23,259)
Financing costs paid		(4,983)	(2,667)
Settlement of derivatives		-	(826)
Payment of finance lease obligations		(5,512)	(2,661)
Cash flows used in/from financing activities		19,662	**141,589**
Net increase / (decrease) in cash and cash equivalents		**4,134**	**987**
Cash and cash equivalents at the beginning of the period		**13,832**	16,074
Effect of exchange rate fluctuations of cash and cash equivalents held		-	2
Cash and cash equivalents at the end of the period		17,965	**17,063**

**Included is the consideration paid for acquisition of Invitel in amount of EUR 135,4 million paid by Digi Hu for the completion of transaction on 30 May 2018. For details, please see Note 12 Business Combinations.*

The notes on pages 7 to 43 are an integral part of these interim condensed consolidated financial statements.

(all amounts in EUR '000, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserves	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2019 (audited)	**6,918**	**3,406**	**(14,527)**	**(34,242)**	**29,320**	**(13,755)**	**94**	**168,824**	**146,038**	**7,306**	**153,344**
Comprehensive income for the period											
Net profit for the period	-	-	-	-	-	-	-	22,049	**22,049**	1,927	**23,976**
Foreign currency translation differences	-	-	-	(2,516)	-	-	-	-	**(2,516)**	(174)	**(2,690)**
Revaluation of equity instruments measured at fair value through OCI	-	-	-	-	-	4,613	-	-	**4,613**	-	**4,613**
Cash Flow hedge reserves[(1)]	-	-	-	-	-	-	(99)	-	**(99)**	(7)	**(106)**
Transfer of revaluation reserve (depreciation)	-	-	-	-	(4,098)	-	-	4,098	-	-	-
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(2,516)**	**(4,098)**	**4,613**	**(99)**	**26,147**	**24,047**	**1,746**	**25,793**
Transactions with owners, recognized directly in equity											
Contributions by and distributions to owners											
Conversion of class A shares to class B shares	(108)	-	-	-	-	-	-	108	-	-	-
Purchase of treasury shares (Note 6)	-	-	(3,574)	-	-	-	-	-	**(3,574)**	-	**(3,574)**
Equity-settled share-based payment transactions	-		3,904	-	-	-	-	(1,963)	**1,941**	102	**2,043**
Dividends distributed								(9,959)	**(9,959)**	(675)	**(10,634)**
Total contributions by and distributions to owners	**(108)**	**-**	**330**	**-**	**-**	**-**	**-**	**(11,814)**	**(11,592)**	**(573)**	**(12,165)**
Changes in ownership interests in subsidiaries Payments while having full control											
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	(37)	**(37)**	(3)	**(40)**
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***(37)***	***(37)***	***(3)***	***(40)***
Total transactions with owners	**(108)**	**-**	**330**	**-**	**-**	**-**	**-**	**(11,851)**	**(11,629)**	**(576)**	**(12,205)**
Balance at 30 September 2019 (unaudited)	**6,810**	**3,406**	**(14,197)**	**(36,758)**	**25,222**	**(9,142)**	**(5)**	**183,120**	**158,456**	**8,476**	**166,932**

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

The notes on pages 7 to 43 are an integral part of these interim condensed consolidated financial statements.

(all amounts in EUR '000, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserves	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2018 (audited)	**6,918**	**3,406**	**(13,922)**	**(29,957)**	**35,120**	**(3,667)**	**(248)**	**138,869**	**136,519**	**6,029**	**142,548**
Comprehensive income for the period											
Net profit for the period	-	-	-	-	-	-	-	19,381	**19,381**	1,545	**20,926**
Foreign currency translation differences	-	-	-	(4,731)	-	-	-	-	**(4,731)**	(313)	**(5,044)**
Revaluation of equity instruments measured at fair value through OCI	-	-	-	-	-	(6,186)	-	-	**(6,186)**	-	**(6,186)**
Cash Flow hedge reserves[1]	-	-	-	-	-	-	485	-	**485**	33	**518**
Transfer of revaluation reserve (depreciation)	-	-	-	-	(4,468)	-		4,468	**-**	-	**-**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(4,731)**	**(4,468)**	**(6,186)**	**485**	**23,849**	**8,949**	**1,265**	**10,214**
Transactions with owners, recognized directly in equity											
Contributions by and distributions to owners											
Equity-settled share-based payment transactions	-	1,845	(110)	-	-	-	-	9,339	**11,074**	630	**11,704**
Dividends distributed	-	-	-	-	-	-	-	(7,037)	**(7,037)**	(679)	**(7,716)**
Total contributions by and distributions to owners	**-**	**1,845**	**(110)**	**-**	**-**	**-**	**-**	**2,302**	**4,037**	**(49)**	**3,988**
Changes in ownership interests in subsidiaries Payments while having full control											
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	-	**-**	-	**-**
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**1,845**	**(110)**	**-**	**-**	**-**	**-**	**2,302**	**4,037**	**(49)**	**3,988**
Balance at 30 September 2018 (unaudited)	**6,918**	**5,251**	**(14,032)**	**(34,688)**	**30,652**	**(9,853)**	**237**	**165,020**	**149,505**	**7,245**	**156,750**

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

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

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

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

On 14 November 2018, the Company issued and published on its website the condensed consolidated interim financial report for the nine month period ended 30 September 2018 ("the original financial statements"). In connection with the Company's decision to issue an additional EUR 200,000 senior secured notes due 2023, the Company was required to re-issue financial information for the nine month period ended 30 September 2018 and financial information for the nine month period ended 30 September 2017 in the unaudited interim condensed consolidated financial statements for the nine month period ended 30 September 2018 ("the re-issued financial statements). As a result of this, the Company made certain changes compared to the original financial statements, as a result of the impact of adjusting subsequent events and inaccuracies/errors that were identified.

1. CORPORATE INFORMATION (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. CORPORATE INFORMATION (CONTINUED)

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

These unaudited interim condensed consolidated financial statements were authorized for issue on 14 November 2019 by the Board of Directors of Digi Communications N.V.

2.1 BASIS OF PREPARATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements for the nine month period ended 30 September 2019 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 20178 These interim condensed consolidated financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018 which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and part 9 of book 2 of the Dutch Civil code.

(b) Basis of measurement

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

(c) Judgements and estimates

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

In preparing these interim condensed consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

(d) Functional and presentation currency

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

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

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

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

(all amounts in EUR '000, unless specified otherwise)

2.1 BASIS OF PREPARATION (CONTINUED)

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	2019			2018		
	1 Jan	Average for the 9 months	30 Sep	1 Jan	Average for the 9 months	30 Sep
RON per 1EUR	4.6639	4.7382	4.7511	4.6597	4.6514	4.6637
HUF per 1EUR	321.51	323.09	334.65	310.14	317.41	323.78
USD per 1EUR	1.1450	1.1237	1.0889	1.1643	1.1944	1.1598

2.2. GOING CONCERN

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES

Starting from 1 January 2019, the Group has implemented IFRS 16 which is effective for annual periods beginning on or after 1 January 2019. The rest of the significant accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2018.

New pronouncements

The accounting policies used are consistent with those of the previous financial year except for the following new and amended IFRSs which have been adopted by the Group as of 1 January 2019.
The Group has initially adopted IFRS 16 Leases from January 1, 2019. The effects of this standard are described in the following paragraphs and notes below.

- **IFRS 16: Leases**

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

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Transition to IFRS 16

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

The application of IFRS 16 have a material effect on components of the consolidated statements and the presentation of the net assets, financial position and results of operations.

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

For leases that have been classified to date as operating leases in accordance with IAS 17, the lease liability is recognized at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate at the time the standard is first applied. The right of use asset is generally measured at the amount of the lease liability plus initial direct costs. Advance payments and liabilities from the previous financial year will are also accounted for.
The adoption had as a result a significant increase in lease liabilities and total assets. The Group's equity ratio declines and the Net debt rises accordingly due to the material increase in lease liabilities.

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

To assess the impact of the application of IFRS 16, the Group performed an on-going analysis of its operational leases contracts as at 31 December 2018. To assess whether a contract is or contains a lease, the Group analyzed if:
- The contract relates to an identified asset, which may be physically distinct or represent substantially all the capacity of a physically distinct asset;
- The Group has the right to obtain substantially all the economic benefits from the use of the asset throughout the contractual period;
- The Group has the right to direct the use of the asset

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

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

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

- **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management has assessed there is no impact at the Group level.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. Management has assessed there is no impact at Group level.

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed there is no impact at Groyup level.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. Management has assessed there is no impact at Group level.

- The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs.

➢ ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ***IAS 12 Income Taxes*****:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

- ***IAS 23 Borrowing Costs*****:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Other standards

Standards issued but not yet effective and not early adopted

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

- **Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU.

(all amounts in EUR '000, unless specified otherwise)

3. SEGMENT REPORTING

Three months ended 30 September 2019	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	190,046	53,126	50,490	5,746	-	-	**299,408**
Inter-segment revenues	863	-	123	135	(1,121)	-	**-**
Segment operating expenses	(90,824)	(36,965)	(38,748)	(6,470)	1,121	-	**(171,886)**
Adjusted EBITDA	**100,085**	**16,161**	**11,865**	**(589)**	**-**	**-**	**127,522**
Depreciation, amortization and impairment of tangible and intangible assets						(75,200)	**(75,200)**
Other income (Note 18)	11	-	-	-	-	-	**11**
Other expenses (Note 18)	-	-	-	-	-	-	**-**
Operating profit							**52,333**
Additions to tangible non-current assets	41,793	9,214	8,700	81	-	-	**59,788**
Additions to intangible non-current assets	12,961	249	4,376	532	-	-	**18,118**
Carrying amount of:							
Property, plant and equipment	844,947	302,850	20,652	275	-	-	**1,168,725**
Non-current intangible assets	300,373	113,076	28,219	2,330	-	-	**443,998**
Investments in associates and Financial assets at fair value through OCI	957	-	-	36,671	-	-	**37,628**

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

(all amounts in EUR '000, unless specified otherwise)

3. SEGMENT REPORTING (continued)

Three months ended 30 September 2018	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	176,606	54,603	32,916	5,795	-	-	**269,920**
Inter-segment revenues	850	-	213	147	(1,210)	-	**-**
Segment operating expenses	(114,352)	(43,537)	(24,911)	(6,443)	1,210	-	**(188,033)**
Adjusted EBITDA	**63,104**	**11,066**	**8,218**	**(501)**	**-**	**-**	**81,887**
Depreciation, amortization and impairment of tangible and intangible assets						(50,735)	**(50,735)**
Other income (Note 18)	2,481	-	-	-	-	-	**2,481**
Other expenses (Note 18)	(8,483)	-	-	-	-	-	**(8,483)**
Operating profit							**25,150**
Additions to tangible non-current assets	39,115	11,387	1,397	20	-	-	**51,919**
Additions to intangible non-current assets	7,027	4,956	2,420	436	-	-	**14,839**
Carrying amount of:							
Property, plant and equipment	796,458	279,601	6,607	266	-	-	**1,082,932**
Non-current intangible assets	177,041	57,826	8,468	2,337	-	-	**245,672**
Investments in associates and Financial assets at fair value through OCI	788	-	-	35,960	-	-	**36,748**

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

(all amounts in EUR '000, unless specified otherwise)

3. SEGMENT REPORTING

Nine months ended 30 September 2019	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	557,235	163,568	137,414	16,427	-	-	**874,644**
Inter-segment revenues	2,430	-	525	427	(3,382)	-	**-**
Segment operating expenses	(303,608)	(121,691)	(107,660)	(18,158)	3,382	-	**(547,735)**
Adjusted EBITDA	**256,057**	**41,877**	**30,279**	**(1,304)**	**-**	**-**	**326,909**
Depreciation, amortization and impairment of tangible and intangible assets						(218,860)	**(218,860)**
Other income (Note 18)	-	-	-	-	-	-	**-**
Other expenses (Note 18)	(2,496)	-	-	-	-	-	**(2,496)**
Operating profit							**105,553**
Additions to tangible non-current assets	117,519	41,492	18,936	116	-	-	**178,063**
Additions to intangible non-current assets	43,500	1,673	13,015	1,622	-	-	**59,810**
Carrying amount of:							
Property, plant and equipment	844,947	302,850	20,652	275	-	-	**1,168,725**
Non-current intangible assets	300,373	113,076	28,219	2,330	-	-	**443,998**
Investments in associates and Financial assets at fair value through OCI	957	-	-	36,671	-	-	**37,628**

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

(all amounts in EUR '000, unless specified otherwise)

3. SEGMENT REPORTING (continued)

Nine months ended 30 September 2018	**Romania**	**Hungary**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	514,219	134,972	89,988	17,189	-	-	**756,368**
Inter-segment revenues	2,602	-	616	452	(3,670)	-	**-**
Segment operating expenses	(320,091)	(108,722)	(69,159)	(21,183)	3,670	-	**(515,485)**
Adjusted EBITDA	**196,730**	**26,250**	**21,445**	**(3,542)**	**-**	**-**	**240,883**
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(152,684)	**(152,684)**
Other income (Note 18)	9,729	-	-	-	-	-	**9,729**
Other expenses (Note 18)	(14,830)	(2,519)	-	-	-	-	**(17,349)**
Operating profit							**80,579**
Additions to tangible non-current assets	117,264	163,547	4,198	53	-	-	**285,062**
Additions to intangible non-current assets	20,782*	34,902*	6,420	1,426	-	-	**63,530**
Carrying amount of:							
Property, plant and equipment	796,458	279,601	6,607	266	-	-	**1,082,932**
Non-current intangible assets	177,041	57,826	8,468	2,337	-	-	**245,672**
Investments in associates and Financial assets at fair value through OCI	788	-	-	35,960	-	-	**36,748**

*In the interim condensed consolidated financial statements for the period ended 30 September 2018, Hungarian additions and carrying value of intangible non-current assets were presented on Romanian's column of additions to intangible non-current assets. The presentation was corrected in the current financial statements.

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

4. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the nine month period ended 30 September 2019, the Group acquired property, plant and equipment with a cost of EUR 178,063 (nine months ended 30 September 2018: EUR 285,062).

Acquisitions in the current period include additions to right of use assets from previously financial leasing assets recognised under IAS 17.

The acquisitions related mainly to networks EUR 90,264 (nine months ended 30 September 2018: EUR 161,543), customer premises equipment of EUR 34,426 (nine months ended 30 September 2018: EUR 32,531), equipment and devices of EUR 39,832 (nine months ended 30 September 2018: EUR 61,122), buildings and structures of EUR 5,204 (nine months ended 30 September 2018: EUR 18,776) and vehicles of EUR 6,297 (nine months ended 30 September 2018: EUR 7,858).

The majority of additions in the period ending 30 September 2018 relate to the additions of property, plant and equipment of Invitel, as a result of Invitel's consolidation.

5. NON-CURRENT INTANGIBLE ASSETS, PROGRAMME ASSETS AND RIGHT OF USE ASSET

Acquisitions

Non-current intangible assets
During the nine-month period ended 30 September 2019, the Group acquired non-current intangible assets with a cost of EUR 59,810 (30 September 2018: EUR 63,530). The majority of increase in additions in the period relate to the additions of non-current intangible assets of Invitel, as a result of Invitel's consolidation. For details regarding the Invitel's non-current intangible assets included in the consolidation at the acquisition date, please see details in Note 12 Business Combinations.

The additions were as follows:
- Software and licences in amount of EUR 17,594 (30 September 2018: EUR 16,319);
- Customer relationships by acquiring control in other companies in amount of EUR 16,537 (30 September 2018: EUR 22,420);
- Costs to obtain contracts with customers (Subscriber Acquisition Costs "SAC") in amount of EUR 25,679 (30 September 2018: EUR 22,192); SAC represents third party costs for acquiring and connecting customers of the Group;
- Goodwill didn't increase through new additions in the first nine months of 2019. (30 September 2018: EUR 2,667). For details, please see Note 12 Business Combinations.

(all amounts in EUR '000, unless specified otherwise)

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

Goodwill

(i) Reconciliation of carrying amount	
Cost	
Balance at 1 January 2018	**76,089**
Additions	2,667
Effect of movement in exchange rates	(1,023)
Balance at 30 September 2018	**77,733**
Balance at 1 January 2019	**82,903**
Additions	-
Effect of movement in exchange rates	(2,080)
Balance at 30 September 2019	**80,823**

Impairment testing of goodwill

Goodwill is not amortized but is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying values may be impaired. There were no impairment indicators for the cash generating units to which goodwill was allocated as of 30 September 2019.

Programme assets

During the nine month period ended 30 September 2019, additions of programme assets in the amount of EUR 34,457 (30 September 2018: EUR 35,095) represent broadcasting rights for sports competitions for 2019/2020 season and related advance payments for future seasons, and also rights for movies and documentaries.

Right of use asset

Starting from 1 January 2019, IFRS 16 was adopted. All our operating leases previously recognised under IAS 17 which were in scope of IFRS 16, are now recognised as right of use asset in the consolidated statement of financial position. As at 30 September 2019, the right of use asset from previously operating leases is in amount of EUR 167,434. The remaining amount up to EUR 182,060 represents the carrying amount of the previously finance leasing as per IAS 17.

6. EQUITY

On January 14, 2019, the Board of Directors converted 1.2 million Class A shares of the Company that were held as treasury shares by the Company into an equal number of Class B shares. As a result of this conversion, the issued share capital of the Company currently amounts to €6,810,042.52 divided into:

- 64,556,028 Class A Shares with a nominal value of €0.10 each in the share capital of the Company; and
- 35,443,972 Class B Shares with a nominal value of €0.01 each in the share capital of the Company

Given the difference in the nominal value between a class A share (EUR 0.1) and a class B share (EUR 0.01) of the Company, in accordance with article 5 (4) from the Company’s articles of association, the conversion resulted in a decrease by EUR 0.09 in nominal value per class A share subject of the conversion (in total—EUR 108.000). This amount was added to the general equity reserves of the Company.

The class B shares resulting from the Conversion will be used by the Company (in addition to the existing treasury class B shares and to the class B shares repurchased through the ongoing buy-back program) for the purpose of the several ongoing Company’s subsidiaries employees and managers’ stock option plans having a vesting period in 2019.

On 15 May 2019 Mr. Serghei Bulgac, Chief Executive Officer and Executive Director of the Company and Mr. Valentin Popoviciu, Executive Director of the Company, have exercised their stock options, which have vested in accordance with the provisions of the Company’s stock option plan granted in 2018. In accordance with this stock option plan, Mr. Serghei Bulgac was granted 170,000 shares, while Mr. Valentin Popoviciu was granted 90,000 shares.

On 25 May 2019 Mr. Mihai Dinei, Board Member of RCS & RDS S.A. has exercised his stock option, which has vested in accordance with the provision of the company’s stock option plan granted in 2018. In accordance with this stock option plan, Mr. Mihai Dinei was granted 100,000 shares.

As at 30 September 2019, the Company had 5.4 million treasury shares.

The GSM from 30 April 2019 approved the distribution of a gross dividend of 0.50 RON per share for 2018.

7. INTEREST-BEARING LOANS AND BORROWINGS

Included in long term interest-bearing loans and borrowings are bonds of EUR 549,553 (December 2018: EUR 349,490), bank loans EUR 269,330 (December 2018: EUR 363,125).

Included in short term interest-bearing loans and borrowing are bank loans of EUR 43,750 (December 2018: EUR 44,240), short portion of long term interest-bearing loans of EUR 36,247 (December 2018: EUR 112,580) and interest payable amounting to EUR 15,288 (December 2018: EUR 7,415).

Starting 1st of January The Company adopted IFRS 16 and presented all financial leasing liability together with the operational leasing liability under “Lease liabilities” in amount of EUR 181,279 as at 30 September 2019, out of which EUR 8,915 represent previously financial leasing as per IAS 17. As at 31 December 2018, financial leasing liability in amount of EUR 7,966 was presented under “Interest-bearing loans and borrowings” and was included in EUR 884,818. The movements in total Interest-bearing loans and borrowings is presented in the table below.

(all amounts in EUR '000, unless specified otherwise)

7. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

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

	Carrying amount
Balance as of 1 January 2019	**884,818**
Effect of IFRS 16 adoption	
Reclassification of financial leasing into Lease Liability	(7,966)
New drawings	
Proceeds from bank borrowings	230,996
Interest expense for the period	39,383
Repayment	
Payment of lease obligations	
Repayment of borrowings	(193,053)
Current year interest paid	(29,769)
Additional financing costs	(2,532)
Effect of movements in exchange rates	(7,710)
Balance as of 30 September 2019	**914,168**

Included in Other long term liabilities and Trade payables and other payables we have supplier balances that are part of several factoring arrangements amounting to EUR 114,279.

8. RELATED PARTY DISCLOSURES

		30 September 2019	31 December 2018
Receivables from Related Parties			
Ager Imobiliare S.R.L.	(ii)	758	743
RCS-Management		1	1
Other		9	9
Total		**768**	**753**

		30 September 2019	31 December 2018
Payables to Related Parties			
RCS Management S.A.	(i)	10,810	5,756
Mr. Zoltan Teszari		244	8
Other		703	720
Total		**11,757**	**6,484**

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

On 12 May 2017, RCS&RDS entered into a short term loan with RCS Management, for a principal amount of EUR 5,000. The loan bears a 5.5% per annum interest rate, the repayment date was extended to May 2019. As at 30 September 2019 the outstanding amount is EUR 101.

In May 2019, RCS & RDS declared dividends in amount of 50,000 RON, equivalent of EUR 10,508 from 2018 profit.

(all amounts in EUR '000, unless specified otherwise)

8. RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel of the Group

	Three months ended 30 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Short term employee benefits – salaries	775	1,533	2,614	3,525

The amount above include employer contributions to State pension plan

In May 2017 and May 2018 share option plans were approved by the General Shareholders' Meeting for members of the Company's Board of Directors. For details, please see Note 14.

(all amounts in EUR '000, unless specified otherwise)

9. REVENUES

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

	Three months ended 30 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2019	Nine months ended 30 September 2018
a) Revenues from contracts with costumers				
Cable TV				
Romania	55,547	48,006	161,124	141,737
Hungary	16,465	17,144	50,096	43,221
	72,012	**65,150**	**211,220**	**184,958**
Internet and data				
Romania	49,398	45,293	144,484	134,257
Hungary	19,048	17,404	57,919	39,942
Spain	2,939	-	5,772	-
	71,385	**62,697**	**208,175**	**174,199**
Telephony				
Romania	55,002	50,199	161,388	149,352
Hungary	4,728	6,286	15,579	11,588
Spain	47,440	32,879	131,336	89,916
Italy	5,740	5,781	16,408	17,125
	112,910	**95,145**	**324,711**	**267,981**
DTH				
Romania	7,816	8,037	23,287	24,764
Hungary	7,101	7,852	22,054	24,121
	14,917	**15,889**	**45,341**	**48,885**
Other revenues				
Romania	18,789	22,502	55,566	56,873
Hungary	5,782	5,916	17,919	16,100
Spain	112	37	306	72
Italy	7	14	20	64
	24,690	**28,469**	**73,811**	**73,109**
b) Other revenues				
Romania	3,494	2,570	11,386	7,236
Total revenues	**299,408**	**269,920**	**874,644**	**756,368**

Other revenues from contracts with costumers as at 30 September 2019 include mainly revenues from sale of handsets and other CPE, as well as advertising revenues.

(all amounts in EUR '000, unless specified otherwise)

The split of revenues based on timing of revenue recognition is presented below:

Timing of revenue recognition	**Three months ended 30 September 2019**	**Three months ended 30 September 2018**	**Nine months ended 30 September 2019**	**Nine months ended 30 September 2018**
Goods transferred at a point in me	8,657	13,641	26,152	28,487
Services transferred over time	290,751	256,279	848,492	727,881
Total revenues	**299,408**	**269,920**	**874,644**	**756,368**

The transfer of goods to the customer at a point in time are presented in the first table above as "Other revenues". The rest of the services provided to customers and presented as revenues for each business line and geographical segment

(all amounts in EUR '000, unless specified otherwise)

10. OPERATING EXPENSES

	Three months ended 30 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Depreciation of property, plant and equipment	32,892	32,514	102,640	92,263
Amortization of programme assets	9,480	8,341	30,714	28,484
Amortization of non-current intangible assets	11,844	9,595	38,654	30,656
Amortisation of righ of use assets	20,171	-	44,634	-
Salaries and related taxes	48,493	49,466	149,526	135,201
Contribution to pension related fund	1,567	1,614	4,762	3,855
Programming expenses	26,864	25,575	79,718	68,431
Telephony expenses	52,289	42,257	151,834	123,917
Cost of goods sold	7,602	12,627	23,598	26,417
Invoicing and collection expenses	5,571	5,232	16,422	14,321
Taxes to authorities and penalties	(1,667)	5,066	17,241	16,144
Utilities	7,056	5,356	19,474	14,361
Copyrights	3,053	2,329	8,894	7,045
Internet connection and related services	3,251	1,116	8,158	2,953
Impairment of receivables, net of reversals	2,289	2,589	6,383	7,537
Impairment of property, plant and equipment	746	284	2,111	1,275
Impairment of non-current intangible assets	67	-	107	5
Other materials and subcontractors	2,679	1,924	7,839	7,436
Other services	7,235	8,911	21,021	23,529
Rent and other expenses	5,603	23,971	32,864	64,338
Total operating expenses	**247,085**	**238,767**	**766,594**	**668,169**

In 2019 share option plans expenses accrued in the period are included in the caption "Salaries and related taxes". For details, please see Note 14.

(all amounts in EUR '000, unless specified otherwise)

11. NET FINANCE COSTS

	Three months ended 30 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Financial revenues				
Interest from banks	24	162	3,351	220
Other financial revenues	8,175	3,599	11,682	3,599
Foreign exchange differences (net)	-	893	-	-
	8,199	**4,654**	**15,033**	**3,819**
Financial expenses				
Interest expense and amortization of borrowing cost	(12,886)	(12,118)	(41,926)	(33,546)
Interest expense for lease liability IFRS 16	(2,181)	-	(6,779)	-
Net gain/(loss) on derivative financial instruments	(5)	(60)	(7)	(685)
Foreign exchange differences (net)	(11,103)	-	(19,252)	(4,652)
Other financial expenses	(3,110)	(2,252)	(9,651)	(6,124)
	(29,285)	**(14,430)**	**(77,615)**	**(45,007)**
Net Financial Cost	**(21,086)**	**(9,776)**	**(62,582)**	**(41,188)**

The fair value of the embedded derivative options attached to our EUR 350,000 Senior Secure Notes as at 31 December 2018 was in amount of EUR 31,115. As at 30 September 2019, the fair value of the embedded derivative options attached to our EUR 550,000 Senior Secure Notes is in amount of EUR 41,908. The fair value movement of EUR 8,124 was recognised in other financial revenues in the period and EUR 3,240 represents fair value at inception date of embedded derivative at bond tap, at February 2019.

12. BUSINESS COMBINATIONS

Acquisition of Invitel Távközlési Zrt ("Invitel")

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

As at 30 June 2019, for comparative purpose, we have restated Interim Condensed Consolidated Financial Statements as at 30 June 2018 to account for Invitel consolidation from 30 May 2018 to 30 June 2018.

The final PPA assessment was available in Q4 2018. The consolidated group results and consolidated Group assets and liabilities as at 31 December 2018 include the impact of the final PPA. For details please Annual Report as at 31 December 2018.

13. FINANCIAL RISK MANAGEMENT

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

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

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.
Management mitigates credit risk mainly by monitoring the subscribers base and identifying bad debt cases, which are suspended, in general, in an average of 15 days period after the invoice due date.

The carrying amount of the non-derivative financial assets, net of the recorded allowances for expected credit losses, represents the maximum amount exposed to credit risk. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low. Although collection of receivables could be influenced by macro-economic factors, management believes that there is no significant risk of loss to the Group beyond the allowances already recorded.

The credit exposure for derivatives is limited, as there will be no incoming cash-flow arising from the embedded derivatives
Cash and cash equivalents are placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

The credit risk on cash and cash equivalents is very small, since the cash and cash equivalents are held at reputable banks in different countries. The most significant part of cash and cash equivalents balance is generally kept at the main subsidiary (RCS RDS) level with internationally reputable banks, having at least A-2 rating in a country with a "BBB-" rating.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, vendor financing and reverse factoring agreements. Management monitors on a monthly basis the forecast of cash outflows and inflows in order to determine its funding needs.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 September 2019, the Group had net current liabilities of EUR 369,258 (31 December 2018: EUR 459,872). 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) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, market electricity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Exposure to currency risk

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

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

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

The Group imports services and equipment and attracts substantial amount of foreign currency denominated borrowings.

The Board of Directors actively manages the exposure to EUR and USD currency only for borrowings.

Exposure to electricity price risk

The electricity production and commercial activity are not core activities for the Group. Through its electricity production and commercial trading activities, the Group is exposed to electricity price risk, due to the volatility of prices on the electricity market and the potential mismatches between purchase prices and selling prices. In particular, due to the fixed prices we charge customers related to our electricity supply activities, increases in the cost of the electricity we acquire from third parties could adversely affect our financial condition.

(d) Fair values

The Group measures at fair value the following: financial assets at fair value through other comprehensive income, embedded derivatives, interest rate swaps, cross currency swaps.

14. SHARE-BASED PAYMENT

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

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

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

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

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

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

For the nine month period ended 30 September 2019, the related share option expense of EUR 2,043 (nine month period ended 30 September 2018: 12,409), out of which EUR 478 (nine month period ended 30 September 2018: 2,309) is included in the Consolidated statement of profit or loss and other comprehensive income included under the line item Operating expenses, within salaries and related taxes (Note 10), and the amount of EUR 1,564 (nine month period ended 30 September 2018: 10,101) is excluded from adjusted EBITDA because the related share option plans are estimated to be one-time events.

15. DERIVATIVE FINANCIAL INSTRUMENTS

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

Financial assets at fair value through OCI

Financial assets at fair value through OCI comprise shares in RCSM. In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. As at 30 September 2019, the fair value assessment of the shares held in RCSM was consequently performed based on the average quoted price/share of the shares of the Company as of the valuation date (RON/share 30.1), adjusted for the impact of other assets and liabilities of RCSM, given that the main asset of RCSM is the holding of the majority of the shares of the Company. The fair value assessment also takes into account the cross-holdings between the Group and RCSM.

Embedded derivatives

As at 31 December 2018, the fair value of the options embedded in the issued bonds was estimated using the Option Adjusted Spread (OAS) model. The OAS model basically compares the yield on a "plain vanilla" bond (i.e.: a bond no optionality features) with the yield on a similar bond but with the embedded options. The difference between the two yields represents the price of the embedded options. Thus, the model directly provides a separate price for the entire optionality of the bonds. The fair value was obtained from a third party financial institution.

As at 30 September 2019, the yields used as input in the Option Adjusted Spread (OAS) model presented some anomalies. Therefore, alternatively, a discounted cash flow valuation technique was used in order to estimate the option-free value at this date. The fair value was obtained from an independent valuation specialist.

Electricity trading assets and liabilities

During previously reporting periods, the Company used discounted cash flow valuation technique to measure the fair value of the term electricity sale and acquisition contracts. From 2019, these contracts do not fall under the scope of IFRS9 regarding the valuation at fair value at reporting date.

As at 30 September 2019 the Group had derivative financial assets in amount of EUR 41,908 (31 December 2018: EUR 33,287), which included:

- Embedded derivatives of EUR 41,908 (31 December 2018: EUR 31,115) related to the bond (the Bonds include several call options as well as one put option).

The fair value of the Bond Tap of EUR 200,000 was also assessed at inception date, in February 2019, in amount of EUR 3,240 and recognized as embedded derivative asset with a corresponding increase of the bond liability.

- From January 2019 the electricity contracts are no longer considered for fair value assessment (31 December 2018: 2,052).

As at 30 September 2019 the Group had derivative financial liabilities in amount of EUR 34 (31 December 2018: EUR 1,106), which included:
- From January 2019 the electricity contracts are no longer considered for fair value assessment (31 December 2018: 1,106).
- On May 22, 2015 and in January 2016 RCS & RDS concluded interest rate swaps for the entire term loan facility and Accordion term loan facility under the 2015 SFA, through which RCS&RDS hedged against the volatility of cash flows on its floating rate borrowings due to modification of market interest rates (i.e.: ROBOR). Under the interest rate swaps RCS&RDS pays fixed and receives 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. The interest rate swaps remain valid until the maturity of the agreement in 2020.

(all amounts in EUR '000, unless specified otherwise)

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

	Level 1	Level 2	Level 3	Total
30 September 2019				
Financial assets at fair value through OCI	-	-	36,671	**36,671**
Interest rate swaps	-	-	(34)	**(34)**
Embedded derivatives	-	-	41,908	**41,908**
Electricity trading assets (term contracts)	-	-		
Electricity trading liabilities (term contracts)	-	-		
Total	-	-	**78,545**	**78,545**
31 December 2018				
Financial assets at fair value through OCI	-	-	32,058	**32,058**
Interest rate swaps	-	-	120	**120**
Embedded derivatives	-	-	31,115	**31,115**
Electricity trading assets (term contracts)	-	-	2,052	**2,052**
Electricity trading liabilities (term contracts)	-	-	(1,106)	**(1,106)**
Total	-	-	**64,239**	**64,239**

16. GENERAL COMMITMENTS AND CONTINGENCIES

(a) Contractual commitments
Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR + 5.59% p.a., 3M EURIBOR + 5.59% p.a. or 3M ROBOR + 5.59% p.a.

As at 30 September 2019, contractual commitments for capital expenditure amounted to approximately EUR 86,550 (31 December 2018: EUR 82,325) and contractual operating commitments amounted to approximately EUR 99,333 (31 December 2018: EUR 199,022).

(b) Letters of guarantee
As of 30 September 2019, there were bank letters of guarantee and letters of credit issued in amount of 95,235 EUR mostly in favour of content and satellite suppliers and for participation to tenders (31 December 2018: EUR 19,639).

We have cash collateral agreements for issuance of letters of counter guarantees. As at 30 September 2019 we had letters of guarantee issued in amount of EUR 719 (31 December 2018: EUR 719). These agreements are secured with moveable mortgage over cash collateral accounts.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Legal proceedings

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

Intact Media Group Litigations, which ceased under a Settlement Agreement

Since March 2011, we have been engaged in a number of legal proceedings against Intact Media Group, which is a leading media group in Romania. In particular, Intact Media Group (largely, through Antena Group) initiated a series of legal proceedings against us, inter alia, alleging violations of Romanian "must carry" regulations, claiming damages because of our refusal to retransmit certain of their channels, claiming copyright infringement and alleging our abuse of dominant market position. We also initiated proceedings against Intact Media Group claiming compensation of damages to reputation and violations of certain contractual arrangements.

On June 15, 2018, we settled all underlying disputes with Intact Media Group and both parties waived all their remaining claims and agreed to formally terminate all pending legal proceedings. As at the date of this report, Romanian courts have acknowledged the settlement and formally terminated all such proceedings, including the litigation where Antena Group challenged the RCC's dismissal of its claim alleging our abuse of dominant position in relation to their GSP TV channel, which was terminated by the higher appeal court at the hearing of September 26, 2019.

Pecuniary claim filed by the National Cinematography Centre

On 4 November 2016, the National Cinematography Centre filed before the Bucharest Tribunal a claim for payment with respect to a value of EUR 1,200, including principal and accessories as royalty tax due by law to this claimant. In March 2019, the Bucharest Court of Appeal admitted the National Cinematography Centre's claim in part by granting to the claimant RON 3,900 (by maintaining the first court solution). Although already enforceable, this decision is not final and we filed an appeal in this case.

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

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

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

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

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

The Default Judgment, of which enforcement is sought before the US Court, awarded the Plaintiffs approximately USD 1,800 in damages resulting from alleged unpaid debts that appear to have been caused by Laszlo Borsy and several related entities. It also ordered that the ownership interest of Defendants Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. be distributed to the Plaintiffs in total percentage of 56.14%. Finally, it prohibited Defendants Laszlo Borsy, Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. from disposing of or dissipating any assets of the initial defendant entities or engaging in any corporate transactions without the consent of the Plaintiffs.

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

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

We deem the Motion, which requests payment from the Defendants, i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A. and the Company, jointly and severally, of USD 1,800, plus interest, as well as other compensation, damages, fees and expenses, as vexatious for numerous legal and factual reasons. Those reasons include, but are not limited to, the lack of any actual proof of fraud on behalf of either of i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company, the Plaintiffs’ passivity for more than ten years, the lack of jurisdiction of the US Court over i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, S.A., RCS Management S.A., or the Company, as well as the fact that the Motion, if granted, would go against mandatory legal provisions of any of the jurisdictions where i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company operate.

On 8 February 2018, the US Court granted the Defendants’ motion to vacate and dismissed the entire lawsuit for lack of subject matter jurisdiction. The US Court also vacated all prior orders entered in the case (the “**US Court’s Decision**”). The Plaintiffs filed an appeal against the US Court’s Decision with the United States Court of Appeals for the Fourth Circuit (the “**Appellate Court**”). The Defendants also filed a conditional cross-appeal that was to be considered only if the Appellate Court would have admitted the appeal filed by the Plaintiffs.

On 15 August 2019, the Appellate Court dismissed the appeal filed by the Plaintiffs regarding the introduction in the judgement of RCS&RDS, RCS Management S.A., the Company and DIGI Távközlési és Szolgáltató Kft.. The Appellate Court noted that, none of the mentioned companies have sufficient contacts with US in order to extend over them the US jurisdiction. Consequently, the Appellate Court decided to eliminate these companies from the case. On the other hand, the Appellate Court decided that i-TV Digitális Távközlési Zrt. doesn’t have the same treatment taking into consideration that at the moment of the initial judgement was named party to that trial.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

On 29 August 2019, the Plaintiffs challenged the decision issued by the Appellate Court to the same court (in plen, en banc), and such motion was dismissed by the Appellate Court. Subsequently, the Plaintiffs challenged this decision also to the Supreme Court and until the Supreme Court will issue a decision, the judgement of the case on the merits at the US Court is suspended. Is to be retained that the practice of the Supreme Court has been in the last years pretty conservative with regards to the extension of the US jurisdiction outside US, therefore the chances of success of this new appeal initiated by the Plaintiffs are rather reduced.

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

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

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

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

By 2015, the JV became virtually insolvent, as initial expectations on its prospects had failed to materialize. In 2015, in order to recover the EUR 3,100 investment it had made into the JV from 2009 to 2011 and to be able to manage the business of the events hall directly and efficiently, RCS&RDS entered into a settlement agreement with Bodu S.R.L. In 2016, in accordance with that settlement agreement, RCS&RDS acquired (at a discount to nominal value) Bodu S.R.L.'s outstanding bank debt (which was secured by its share of, and assets it contributed to, the JV). Thereafter, RCS&RDS set-off its acquired receivables against Bodu S.R.L. in exchange for the real estate and business of the events hall. Bodu S.R.L. was replaced as RCS&RDS's JV partner by Integrasoft S.R.L., one of our Romanian subsidiaries.

Following this acquisition, in addition to its investigation of Antena Group's bribery allegations in relation to our investment into the JV, the DNA opened an enquiry as to whether the transactions that followed (including the 2015 settlement and the 2016 acquisition) represented unlawful money-laundering activities.

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

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

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

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

We strongly deem the Bucharest Tribunal's decision to be profoundly unjust, incorrect and ungrounded. This decision is neither final nor enforceable and the appeal can be judged only once we receive the written reasoning of the decision taken by the first instance. We have anyway already challenged this decision to the Bucharest Court of Appeal.

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

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

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

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

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

In its claim in front of the VIAC, Yolt Services s.r.o. requests RCS&RDS to pay approximately EUR 4,500 together with the accrued default interest and other costs (amounting to approximately EUR 2,800) as indemnity under the SPA for tax and copyright claims (the latter in favor of a Czech collective rights management body), as well as indemnity for breach of the seller's warranties and for other losses. We deem that the claimant lacks legal standing, and these claims as ungrounded and abusive, while some of them are either statute barred or do not meet the conditions for indemnification under the SPA.

We have also filed in front of the VIAC a counterclaim against the claimant for unpaid amounts for services provided by RCS&RDS to the Sold Company post-closing, in approximate outstanding unpaid amount of EUR 1,100 together with accrued default interest, as well as for other amounts due to RCS&RDS under the SPA.

The hearing in the arbitration proceeding took place in January 2019, and, further, the parties submitted additional documents and arguments. Due to the fact that the claimant submitted a new witness statement on that occasion, the Arbitral Tribunal required the respondent to reply thereto and further decided to set a new hearing in the proceedings for 23 May 2019. On 17 July 2019, the parties submitted the post-hearing briefs. The Arbitral Tribunal has issued the award at the end of October 2019 and has communicated its ruling to the Secretary General of VIAC. We are currently waiting for the decision.

Competition Council GSP Tv Investigation

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

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

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

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

The RCC's decision was subjected to judicial review. Antena TV Group S.A.'s challenge against the RCC's decision was rejected as ungrounded by the Bucharest Court of Appeal, but Antena TV Group S.A. filed a higher appeal against the first court's award. The trial was settled as per the Settlement Agreement by the higher appeal court at the hearing from September 26, 2019.

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

In connection with the decision issued by the Hungarian Competition Authority (Gazdasági Versenyhivatal – "**GVH**") in May 2018 (the "**Initial Decision**") approving the acquisition by our Hungarian subsidiary – DIGI Távközlési és Szolgáltató Kft. ("**Digi HU**"), as the purchaser, of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt. ("**Invitel**") from Ilford Holding Kft. and InviTechnocom Kft., acting as sellers (the "**Transaction**" – the completion of which we have disclosed to the market on 30 May 2018), on 14 November 2018, the GVH issued several decisions whereby it formally withdrew the Initial Decision and it opened a new investigation ("**New Procedure**") for reassessing limited aspects in connection with certain settlements where i-TV Digitális Távközlési Zrt. ("**i-TV**" – one of Digi HU's subsidiaries in Hungary) and Invitel overlap.

16. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

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

The court of first instance reduced the fine imposed on DIGI HU by the GVH from HUF 90,000 to HUF 45,000. The court confirmed the authority's decision regarding DIGI HU's liability for failure to proactively comment on certain data regarding the territorial scope of certain telecommunications services provided by i-TV, but also ruled that the Initial Decision was adopted not only because of the company's conduct, but also based on the authority's failure to properly clarify the facts of the case. GVH filed an appeal and Digi HU filed a cross-appeal and currently we expect to be scheduled the first hearing in appeal.

17. SUBSEQUENT EVENTS

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

(all amounts in EUR '000, unless specified otherwise)

18. EBITDA

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

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

	Three months ended 30 September 2019	**Three months ended 30 September 2018**	**Nine months ended 30 September 2019**	**Nine months ended 30 September 2018**
Revenues and other income	**299,408**	**269,920**	**874,644**	**756,368**
EBITDA				
Operating profit	52,333	25,150	105,553	80,579
Depreciation, amortization and impairment	75,200	50,735	218,860	152,684
EBITDA	**127,533**	**75,885**	**324,413**	**233,263**
Other income	(11)	(2,481)	-	(9,729)
Other expenses	-	8,483	2,496	17,349
Adjusted EBITDA	**127,522**	**81,887**	**326,909**	**240,883**
Adjusted EBITDA (%)	*42.59%*	*30.34%*	*37.38%*	*31.85%*

Starting with January 1, 2019, the Company adopted the IFRS 16. The impact of adopting IFRS 16 on EBITDA was EUR 47,345 for the nine month period ended 30 September 2019.

For the nine months ended 30 September 2019, EBITDA was adjusted to exclude Other expenses of EUR 2,496 related to the share option plan from 2018 and 2017.

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

(all amounts in EUR '000, unless specified otherwise)

19. FINANCIAL INDICATORS

Financial Indicator	**Value as at 30 September 2019**
Current ratio	
Current assets/Current liabilities	0.39
Debt to equity ratio	
Long term debt/Equity x 100 (where Long term debt = Borrowings over 1 year)	518%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	84%
Trade receivables turnover	
Average receivables/Revenues x 270	35.47 days
Non-current assets turnover	
(Revenues/Non-current assets)	0.70

Bucharest, 14 November 2019,

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

Serghei Bulgac,
CEO

Valentin Popoviciu
Executive Director